

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

### PROCEDURE ON THE APPLICATION PRINCIPLES OF TAKASBANK SECURITIES LENDING MARKET

#### List of the Procedure amendments:

1. Published by the General Letter numbered 1876, dated April 05, 2023
2. Published by the General Letter numbered 1889, dated June 19, 2023
3. Published by the General Letter numbered 1896, dated July 27, 2023
4. Published by the General Letter numbered 1949, dated January 22, 2024
5. Published by the General Letter numbered 1956, dated February 21, 2024.
6. Published by the General Letter numbered 1978, dated June 10, 2024.
7. Published by the General Letter numbered 2027, dated December 30, 2024.
8. Published by the General Letter numbered 2049, dated February 14, 2025.

## CHAPTER ONE

### Purpose, Scope, Basis, Definitions and Abbreviations

#### Purpose

##### ARTICLE 1 -

- (1) The purpose of this Procedure is to regulate the principles and procedures regarding the operation and applications of the Securities Lending Market operating within İstanbul Takas ve Saklama Bankası A.Ş. and wherein Takasbank provides the Central Counterparty Service.

#### Scope

##### ARTICLE 2 -

- (1) Takasbank Securities Lending Market transactions fall within the scope of this Procedure. For any issues that are not regulated in this Procedure, the provisions of Takasbank Central Counterparty Regulation, Directives on Collateral, Risk, and Default Management Related with Markets where İstanbul Takas ve Saklama Bankası A.Ş. Provides Central Counterparty Service and Clearing and Settlement Related with Markets where İstanbul Takas ve Saklama Bankası A.Ş. Provides Central Counterparty Service shall apply.

#### Basis

##### ARTICLE 3 –

- (1) This Procedure has been prepared on the basis of Takasbank Central Counterparty Regulation published in the Official Gazette dated 14/08/2013 and numbered 28735, and Directives on Collateral, Risk, and Default Management Related with Markets where İstanbul Takas ve Saklama Bankası A.Ş. Provides Central Counterparty Service and Clearing and Settlement Related with Markets where İstanbul Takas ve Saklama Bankası A.Ş. Provides Central Counterparty Service that have been approved by the resolution of the Boards of Directors numbered 479 and dated 23/08/2024 and entered into force on 30/12/2024 following its adoption in the Board's meeting numbered 60/1698 and dated 21/11/2024.

## Definitions and abbreviations

### ARTICLE 4 -

(1) Terms used in this Procedure shall bear the following meanings;

- a) **Open-offer method:** The method where Takasbank interposes itself between SLM participants and becomes buyer against the seller and seller against the buyer at the time the transaction is matched,
- b) **Exchange:** Borsa Istanbul Inc.,
- c) **Required collateral:** Refers to the sum of the collateral which reflects the difference between the transaction prices of the positions and the market prices obtained by using current prices against the potential risks in case of any default arising from the positions taken in SLM.
- d) **Appreciated collateral:** The amount of the total deposited collateral being calculated by the application of margin valuation haircuts, group limits and sub-group limits.
- e) **General Manager:** The General Manager of Takasbank,
- f) **Transaction Commission:** The amount which is calculated in accordance with the method stipulated in the Procedure and required to be paid to the lending member and collected from the borrowing member as a result of the transactions conducted in the Securities Lending Market,
- g) **Board:** The Capital Markets Board,
- h) **CBRT:** The Central Bank of the Republic of Türkiye
- i) **CRA:** The Central Registry Agency Incorporation,
- j) **Central Counterparty Regulation:** Takasbank Central Counterparty Regulation published in the Official Gazette dated 14/08/2013 and numbered 28735,
- k) **Central Clearing and Settlement Regulation:** Takasbank Central Clearing and Settlement Regulation published in the Official Gazette dated 18/7/2013 and numbered 28711,
- l) **Customer:** Investment funds and the real person and legal entity customers of the members who conduct lending transactions pursuant to the capital markets legislation,
- m) **Law:** Capital Market Law Nr. 6362
- n) **Securities Subject to the Lending (to the Transaction):** BIST Stars and BIST Main shares and exchange traded fund which are subject to margin trading and short selling participation certificates traded in the Equity Markets,
- o) **Securities Lending Market (SLM - Market):** The market established and operated by Takasbank which enables the matching of bids and offers of the Brokerage Houses, Banks and their customers thereof who wish to lend or borrow securities subject to the lending by providing collateral at certain quality, quantity and in periods determined by Takasbank,
- p) **Value at Risk:** The value which is estimated by generally accepted quantitative methods and represents the maximum loss which may be incurred on the value of a portfolio or an asset hold over a given time span and in certain probability level as a result of fluctuations in the interest rates, exchange rates, commodity and stock prices,
- q) **Free account:** The 11-1 current accounts of the Brokerage Houses and the Banks within Takasbank,
- r) **Takasbank:** Istanbul Takas ve Saklama Bankası A.Ş.

- s) **Communique:** The relevant Communique of the Board which regulates the lending and borrowing transactions within the scope of this Procedure,
- t) **Representative:** Those authorized by the Brokerage Houses and the Banks to conduct transaction in the SLM,
- u) **Procedure:** This “Procedure on the Application Principles of the Securities Lending Market” containing the principles and procedures regarding the operation and applications of the SLM, which is approved by the General Manager and prepared on the basis of the Directives on Collateral, Risk, and Default Management Related with Markets where İstanbul Takas ve Saklama Bankası A.Ş. Provides Central Counterparty Service and Clearing and Settlement Related with Markets where İstanbul Takas ve Saklama Bankası A.Ş. Provides Central Counterparty Service,
- v) **Member:** The brokerage houses and the Banks authorized by Takasbank to conduct transaction in the SLM,
- w) **Directives:** Directives on Collateral, Risk, and Default Management Related with Markets where İstanbul Takas ve Saklama Bankası A.Ş. Provides Central Counterparty Service and Clearing and Settlement Related with Markets where İstanbul Takas ve Saklama Bankası A.Ş. Provides Central Counterparty Service that have been approved by the resolution of the Boards of Directors numbered 479 and dated 23/08/2024, and entered into force on 30/12/2024 following its adoption in the Board’s meeting numbered 60/1698 and dated 21/11/2024,
- x) **Board of Directors:** The Board of Directors of Takasbank.

## CHAPTER TWO

### Guidelines for Membership

#### Membership

##### ARTICLE 5 -

- (1) Institutions that satisfy the conditions prescribed in article 6 of this Procedure may become a member of the SLM provided that they are authorized by Takasbank.
- (2) Those who are eligible to become a member of SLM shall also be designated as a direct Central Counterparty member in SLM pursuant to the first paragraph of article 8 of the Central Counterparty Regulation

#### Membership conditions

##### ARTICLE 6 -

- (1) In addition to the conditions set out in article 7 of the Central Counterparty Regulation, the following conditions must also be met for membership:
  - a) Having been obtained the capital market operating license that enables them to conduct borrowing/lending transactions pursuant to the relevant legislation,
  - b) The minimum equity capital of the member should not be less than **100,000,000-TRY**,
  - c) Having been submitted the declaration related to the data processing, risk management, internal control and internal audit systems, in a format that suits the template set by Takasbank, which has been approved by the Board of Directors of the Members wishing to borrow from the Market.

- (2) Takasbank shall be authorized to determine the minimum criteria it would seek for the Member's technical infrastructure, data processing, risk management, internal control and internal audit systems in relation to the SLM transactions with a procedure it will issue, to allot time for compliance to the institutions who fail to meet the prescribed criteria, to get commitment and to check whether the criteria have been met.

## **Obligations of the Members**

### **ARTICLE 7 -**

- (1) In addition to the obligations specified in article 12 of the Central Counterparty Regulation, the Members are required to;
- act in accordance with the rules and principles stipulated by Takasbank with this Procedure for the SLM transactions,
  - deliver the securities subject to the lending, and pay the transaction commission and Takasbank commission, and
  - inform their representatives and the relevant updates thereof to Takasbank and provide and/or send the information and documents requested by Takasbank within the given time period.

## **Restriction on Trading Activities of the Member**

### **ARTICLE 8 -**

- (1) The SLM activities of the Members may be restricted by Takasbank in the following situations.
- Termination of its membership or suspension of its activities in the markets or capital market instruments where the clearing and settlement service is provided pursuant to article 13 of the Central Clearing and Settlement Regulation,
  - Restriction of its activities in the markets or capital market instruments where the central counterparty service is provided pursuant to the second paragraph of article 14 of the Central Counterparty Regulation,
  - Failure to fulfill the obligations stipulated in the Directives, this Procedure and in the Securities Lending Market Agreement,
  - Identification of any unfavorable situation about the Member such as protest, garnishment, precautionary attachment, temporary or permanent suspension of its activities, cancellation of its relevant operating permit, prohibition to conduct transaction related to capital market instruments for any reason, decision rendered on its gradual liquidation or bankruptcy, or existence of negative information,
  - As a result of the intelligence, financial analysis and/or rating studies periodically conducted by Takasbank; determination of the fact that the credit worthiness of the Member is either diminished or does not exist.
- (2) The Members cannot conduct any transaction in the SLM on behalf of the accounts of their portfolios or customers in situations where;
- In case of they are in the status of securities default in the SLM or they are banned from trading or have similar restrictions,
  - In case of margin call, whether or not to conduct transactions within the framework of the principles specified in the article 34 of this Procedure shall be determined.
- (3) If any situation referred to in this article occurs, Takasbank may resolve the outstanding liabilities of the Member against SLM to be liquidated either in part or in whole. Should any decision be made by Takasbank in this direction, the liabilities of the Member shall become due and payable in accordance

with the provisions of article 46 of this Procedure and shall be liquidated thereof in accordance with the same article.

- (4) If the Member's activities are restricted for reasons referred to in the items (a) and (b) and (d) and (e) of the first paragraph of this article, this situation shall be notified to the Board on the next business day. On the other hand, if the Member's activities are restricted pursuant to the item (c) of the first paragraph of this article, and if such restriction exceeds 1 business day, a notice thereof shall be served to the Board by Takasbank.

## **Termination of the Membership**

### **ARTICLE 9 - Termination of the Membership**

- (1) The CCP membership may be terminated by the Board of Directors' decision if any of the following takes place;
- Determination by Takasbank that any of the CCP membership conditions stipulated in this Directive and other relevant regulations is no longer met.
  - Determination by Takasbank that risks of significant nature that would jeopardize the secure and uninterrupted functioning of the CCP system have arisen due to failure to fulfill the obligations stipulated in this Directive or other relevant regulations.
  - Failure of the CCP members whose operations have been restricted in accordance with the provisions of the second paragraph of article 14 of the CCP Regulation to fulfil their respective obligations within a maximum period of six months granted to them pursuant to the sixth paragraph of the same article.
  - Upon direct request of the member.
- (2) Those intending to terminate their CCP membership in accordance with the item (ç) of the first paragraph of this article shall notify Takasbank of the situation in writing. However, the relevant member intending to terminate its CCP membership must have fulfilled all of its obligations under the Directive and other relevant regulations. In such cases, the Board of Directors may consent the termination of its CCP membership. If the request for termination of the membership is submitted without fulfilling all obligations under the Directive and other regulations, the member shall be given a period of 30 days for fulfilling such obligations. The member that fulfills such obligations within the period of time granted shall notify Takasbank of such case in writing, and the request for termination by the member shall be addressed at the next meeting of the Board of Directors following such notification. Members who fail to fulfill such obligations within a period of 30 days may only apply for terminating their membership once they have closed all their positions.
- (3) Takasbank seeks the opinion of the Exchange in terminating the membership of a CCP member.
- (4) Takasbank shall be entitled to take all necessary measures, including the transfer of positions of the relevant trading institutions and of their customers to another general CCP member, to ensure systematic and uninterrupted processing of the transactions of the trading institutions whose clearing and settlement operations are performed by those whose CCP membership has been terminated.
- (5) Even after the termination of CCP membership, the obligations of the relevant institution against Takasbank under this Directive and other relevant regulations in relation to the transactions conducted until the date of the Board of Directors' decision regarding the termination of membership shall prevail.
- (6) The Board, other relevant public entities and institutions and the relevant market operator must be immediately informed of the member whose CCP membership has been terminated.

## CHAPTER THREE

### Operating Principles of the SLM

#### Status of Takasbank

##### ARTICLE 10 -

- (1) Takasbank;
  - a) is the institution that operates the SLM.
  - b) is the central counterparty in the SLM transactions with the open-offer method. It acts as the borrower against the lender and as the lender against the borrower.
- (2) In the fulfillment of obligations arising from the lending and borrowing transactions conducted by the Members on behalf their customers, Takasbank deals only with the Members. Takasbank shall not be held liable for the obligations of the Members against their customers.
- (3) In the open-offer method, the liability of Takasbank against the parties of the transaction starts at the moment the lending and borrowing orders placed by its members are matched and ends with the settlement of the obligations.
- (4) Takasbank shall be responsible for returning the securities subject to the lending transaction to the lender at the maturity date of the lending transaction and paying a transaction commission for the time period to be elapsed until the date of return. If the security is failed to be returned, then the corresponding cash amount calculated in accordance with the principles and procedures stipulated in this Procedure shall be paid to the Member.
- (5) The borrowing member shall be responsible against Takasbank for returning the securities at the maturity date of the transaction and paying a transaction commission for the time period to be elapsed until the date of return. Takasbank, upon request of the member, shall return the securities subject to the transaction in accordance with the provisions of the agreement that it has signed with the Member, provided that the borrowing Member shall fully fulfill its obligation pursuant to the paragraph hereof.
- (6) For the transactions that are cancelled pursuant to the fifth paragraph of article 23 of this Procedure, Takasbank shall not be deemed to have assumed any commitment in its capacity as a central counterparty; and such transactions shall automatically be dropped from the central counterparty position as of the moment of order matching without the need of any further action.

#### The SLM Agreement

##### ARTICLE 11 -

- (1) In order to conduct any transaction in the SLM, the Member is required to sign the “Securities Lending Market Agreement” of which its format and scope are determined by Takasbank

#### Principles regarding the Member representatives

##### ARTICLE 12 -

- (1) Transactions in the SLM are conducted through orders placed by institutional users accessing via the SLM web service application and/or representatives authorized by the member.

- (2) The representatives and institutional users can place orders on behalf of the member and its customers in the SLM, improve the placed orders, modify the orders in accordance with the conditions stipulated in this Procedure, cancel the orders and close the transactions due.
- (3) The members' number of representatives who may conduct transaction cannot exceed **8(eight)**.
- (4) The members can change the representatives by serving a written notice.
- (5) In their authorization requests; the members should give the Republic of Türkiye identification numbers, name-surname, and corporate e-mail addresses of their representatives. They must provide written notification accompanied by copies of identity documents that include the Republic of Türkiye identification number and are explicitly stated to be official identity documents in their special laws for Turkish citizens. In case they are not citizens of the Republic of Türkiye, the written instruction should include the foreign identity number on the work permit card or the identity number on the blue card, and a copy of the relevant official document must be submitted.
- (6) Takasbank issues a confidential password and representative number to the representatives. When the password given by Takasbank is entered to "Representative Login Screen" first time, compulsorily it is directed to password change screen and password must be changed by representatives. The liability arising from the orders placed to the SLM through these passwords and/or web service application shall belong to the relevant member.
- (7) The representatives may change their confidential personal passwords issued by using Takasbank member applications in accordance with the principles laid down by Takasbank.

## **Securities subject to the transaction and the market value**

### **ARTICLE 13 -**

- (1) BIST Stars and BIST Main shares and exchange traded fund which are subject to margin trading and short selling participation certificates traded in the Equity Markets.
- (2) The market value of the security subject to the transaction is calculated by multiplying the weighted average price determined in the article 32 of this Procedure with the number of securities subject to the transaction.

## **Thresholds and Trading Limits**

### **ARTICLE 14 -**

- (1) Takasbank shall allocate a "**SLM Limit**" to the members. Such limit shall not constitute a commitment of Takasbank.
- (2) The "SLM limits" determined by Takasbank is defined in the system and Takasbank has the right to make changes in the SLM limits allocated to the members when it deems necessary.
- (3) The member wishing to borrow may re-borrow the appreciated collaterals for its own portfolio and customers within the limits set by Takasbank.
- (4) During an order placement, total market value of all borrowing transactions conducted by the Member cannot exceed the prescribed SLM limit. The price changes may cause the risk amount to exceed the limit.
- (5) There is no limit condition for the lenders.
- (6) Shares and exchange-traded fund participation certificates removed from the eligible securities that may be subject to margin trading and short selling shall be removed from the Securities subject to Lending from the end of the settlement period of the final date that they are made subject to short selling and margin trading of securities.

- (7) The maximum market price of each order equals to the maximum transaction value determined in the Exchange spot market.
- (8) Three different types of limitations are applied on security basis. To that end, in the SLM;
- the sum of open transactions of each share subject to the lending cannot exceed **20%** of the total listed amount;
  - the sum of open transactions of each share subject to the lending on a member basis cannot exceed **5%** of the total listed amount, and
  - the sum of open transactions of each share subject to the lending on a single-account basis cannot exceed **3%** of the total listed amount.

## Segregation and Porting

### ARTICLE 15 -

- (1) The principles regarding the segregation and porting of the positions and collaterals are explained below;

#### a) Segregation

Pursuant to the fifth paragraph of article 5 of the Central Counterparty Regulation, the transactions conducted by the Member by the use of the portfolio, customer, mutual fund and investment trust codes shall be followed separately under the accounts of the member with Takasbank.

In the SLM, the positions and collaterals of the customers are followed in the single-position and collateral accounts exclusively opened on the name of the customers connected to the member and separately from the member's own portfolio and collaterals. For the transactions conducted by Takasbank within the scope of the central counterparty, the collaterals in the collateral accounts associated with the single customer positions shall be deemed to belong to the customers.

The positions and collaterals of the Members' own portfolios are followed in the single position accounts and associated collateral accounts to be opened exclusively for the members.

#### b) Portability

In porting of the positions and associated collaterals monitored in the single accounts, the principles and procedures stipulated in article 26 of the Central Counterparty Regulation shall be applied. On the other hand, in the item (c) of article 12 of the Central Counterparty Regulation under the heading of "General Obligations of the Central Counterparty Members", it is stipulated that in cases where the accounts at Takasbank are need to be ported and if another Central Counterparty Member has already been designated, then information regarding the said issue must be specified in the framework agreements to be signed with the customers.

In conducting the porting operation, first, all agreements in the relevant account are ported through Takasbank users to the transferee member, and then all collaterals of the relevant account are ported to the associated collateral account. In order for the porting operation to be conducted, the limit of the transferee member must be sufficient.

- Upon the customers' individual or joint requests to be made to the member and further to the transferor member's declaration of approval and the transferee member's acceptance, the on-lent positions and collaterals belonging to the customers of the members whose activities are not restricted shall be ported by Takasbank to the accounts to be opened by the transferee member. For portability, both the transfer requests made by the customers to the member and the acceptance of the transferee member are required to be submitted to Takasbank in writing. The declaration



and acceptance of the transferor and transferee members must contain the collateral and position breakdowns on customer basis.

2) Porting of the positions being monitored under any member whose activities are restricted due to default and other reasons or whose membership is decided to be terminated and the collaterals associated with these positions to another member whose activities are not restricted can be conducted in accordance with provisions of the agreement signed between Takasbank and the relevant member to the extent a designation regarding the transferee member has been made beforehand in the agreement, however; in the absence of any designation, it can be conducted only if the transferee members to be found directly by the customers make a transfer application to Takasbank with the documents containing the approvals of the account holders for porting or if a written agreement is reached between the members and Takasbank. The transferee member's authorization to withdraw collaterals available in the accounts may be revoked until the reconciliation is achieved between Takasbank records and the records of the transferred account that are kept at the member whose activities are restricted.

If the positions being monitored under any member whose activities are restricted or whose membership is decided to be terminated and the collaterals associated with these positions cannot be ported to another member due to collateral deficit or if any collateral deficit occurs after the liquidation of the positions, then these accounts may be made subject to liquidation in accordance with the principles stipulated in Section Eight of the Procedure. Collaterals which may remain after the liquidation of the positions in the accounts that cannot be ported due to failure to found a transferee member shall be returned in accordance with article 27 of the Central Counterparty Regulation.

If the Central Counterparty Membership is suspended for a period not exceeding three months pursuant to the third paragraph of article 14 of the Central Counterparty Regulation, then the positions and collaterals in the accounts associated with the relevant member can be ported in accordance with article 26 of the Central Counterparty Regulation.

## Session hours

### ARTICLE 16 -

- (1) The transactions are conducted in a single session; between **09:30 a.m.-04:45 p.m.**
- (2) In case of occurrence of certain events such as natural disasters, technical problems, plentiful faulty transactions, etc., Takasbank shall be entitled to make changes in the sessions and other relevant hours and time periods. Such changes shall be announced to the members through the system.

## Value dates and maturities

### ARTICLE 17 -

- (1) In the SLM, transactions have either the same-day or future-dated values.
- (2) The value date of any transaction can be for;
  - a) the same-day,
  - b) 1 business day, or
  - c) 2 business days.
- (3) The conducted transactions may either have no fixed maturity date, or have a fixed term for;

- 1) each day up to 1 week,
  - 2) 1, 2 and 3 weeks,
  - 3) 1, 2, 3, 6, 9 and 12 months.
- (4) Transactions with no fixed maturity date (**open transactions**) grant the right to repay early to the borrower and the right to recall to the lender. Like other maturity types, the open transactions can also be placed as “on a daily basis”, “cancel the remaining” and “cancel if no block-matching”; and can only be matched with the open orders. In this maturity type, unless no transaction closing request is made by either the borrower or the lender after the creation of the transaction, the transaction may survive up to maximum **one-year**. Until the term of the transaction is set, the number of days and the maturity dates thereof shall be booked as 365-days and one-year respectively to the system. Recall/early repayment operations for the open orders can be performed until **06:00 p.m.** during the day.

## **CHAPTER FOUR**

### **Orders and Matching**

#### **Elements of an Order**

#### **ARTICLE 18 -**

- (1) The mandatory fields specified below must be completed for the order:
- a) **Order Feature:** It can be a “Bid” or an “Offer”.
  - b) **Order Type:** It can be “on a daily-basis”, “cancel the remaining” or “cancel if no block-matching.”
  - c) **Customer Type:** It can be a “Portfolio”, a “Customer” or a “Fund/IT” (Mutual Fund/Investment Trust). When an order is placed on behalf of a mutual fund or an investment trust, the code of the relevant fund or trust should be given. On the other hand, when an order is placed on behalf of a portfolio or a customer, the account number with the CRA should be entered.
  - ç) **Security Class:** Shares with “Old” (O) code and an “Exchange Traded Fund” (EF) can be entered.
  - d) **Security Code:** Those are the codes with which the shares and exchange mutual funds are traded in the Equity Markets.
  - e) **Number:** The unit of security subject to the lending that is either requested or offered.
  - f) **Value Date:** The types of value dates referred to in article 17 of this Procedure.
  - g) **Maturity Type:** The types of maturities referred to in article 17 of this Procedure.
  - ğ) **Commission Rate:** The commission rates of conducted transactions are set freely by the parties. The order commission tranches are applied as to be **0.05%** (five basis point) and its multiples. In calculating the commission, **1 year** is booked as **365 days**.

#### **Transmission of Orders**

#### **ARTICLE 19 -**

- (1) The members transmit the orders by using Takasbank member applications.
- (2) In the SLM, the borrowing and lending orders are placed by the member on a portfolio, customer, mutual fund and investment trust basis.
- (3) Before the order-entry for borrowing and lending, the member has to identify registration number on Takasbank system given by central registry agency for the portfolio, customer, mutual fund and

- investment trust codes which transact for first time. It provides materialization of order-entries by controlling free float rate on the basis of each registry.
- (4) An “Order Number” is assigned by the SLM system to the orders. All transactions related to the orders shall be executed using the order number.
  - (5) The orders may be entered into the SLM system either individually or collectively.
  - (6) Member representatives who have signed an Automatic Lending Order Contract of the Securities Lending Market can send a collective offer order that will be valid on the next business day, with the instruction they create during the session hours, through the automatic lending order screens developed by Takasbank.
  - (7) The member should have fulfilled its contribution amount obligation to be able to place a bid or an offer order. The members may continue to conduct transaction during the Guarantee Fund contribution amount fulfillment period.
  - (8) In order to place an offer, the securities subject to the lending must be available in the Free Sub-Accounts of the offering member or its customers with the CRA. When a lending offer is placed, the number of securities subject to the order is transferred from the Free Sub-Accounts of the customers with the CRA to the SLM Sub-Accounts. This transfer is necessary to enable the order to be entered to the system.
  - (9) In order to enable a borrowing request be entered to the system, the member for whom the order is placed are required to have a sufficient limit, and the member or its customers must also have sufficient collateral.
  - (10) In the event the member is unable to connect to the system due to reasons such as system or line problems, during the session, the orders may also be entered to the system by Takasbank upon the member’s submission of an entry/modification/cancellation instruction containing the order details via e-mail to the “[opp@takasbank.com.tr](mailto:opp@takasbank.com.tr)” e-mail address. In such a situation, the order-entry time shall be the time that the order is submitted to the system by Takasbank. The original written instruction sent by e-mail must be delivered to Takasbank within a maximum of 5 business days.

## Types of Orders

### ARTICLE 20 -

- (1) The type of orders that can be placed in the SLM are as follows:
  - a) **Daily-Based Order:** It is the type of order in which the part unrealized at the end of the session is automatically canceled. If the order is failed to be realized either partially or entirely, the unrealized portion is displayed on the screen in a passive status.
  - b) **“Cancel the Remaining” Order (CRO):** It is an order type where neither its entire portion, if there is no trading at the moment it is placed, nor its unrealized portion, if there is partial trading thereof, is booked to passive and which is cancelled automatically by the system.
  - c) **“Cancel If No Block-Matching” Order (CNBM):** It is an order type which is cancelled automatically by the system if it is failed to be realized entirely at the moment it is placed.
- (2) The orders can also be placed by being split into more than one transaction.
- (3) Special Order: it is a type of order that borrower and lender members firstly compromise among themselves, and then, they can make transaction in SLM on condition that the transaction will not exceed the thresholds, collateral and trading limits. During the process of forming the special order by a member, particularly a respondent member is chosen, after that, special order offer submits for the respondent member’s approval. Also, the member, which enters special order, can chose itself as the respondent member.

## Modification of Orders

### ARTICLE 21 -

- (1) The orders can be modified during the session in accordance with the conditions set forth below. Although, it cannot make any changes in special order.
- (2) The modified orders are assigned a new order number and time. However, for the modifications made on the order types, the priority and the order numbers are not changed.
- (3) The following modifications can be made on the orders:
  - a) **Commission rate:** If only the commission rate is changed both upwards and downwards for the bids and offers during the session, then a modification can be made on the passive orders. The commission rate can be changed either for the entire or partial amount of the order that may be matched.
  - b) **Value date and maturity type:** The value date/maturity type of an order can only be changed when the matching occurs. After the modification of the value date/maturity type, if the order is partially matched, then such modification is reflected only to the matching portion; and the value date/maturity type of the portion remaining in the passive shall not be changed.
  - c) Passive orders created with an automatic lending order can only be changed in both directions at the commission rate, up and down.

## Cancellation of Orders

### ARTICLE 22 -

- (1) The portion of the quoted bid and offer orders waiting in passive status can be cancelled during the session. Special orders can be cancelled by both submitted member and respondent member. The unrealized lending bids or offers are cancelled by the system; and the securities transferred to the SLM Sub-Accounts with the CRA following the bid offers thereof are subsequently returned to the lenders' Free Sub-Accounts.
- (2) For the securities which are delisted in the Exchange, no order shall be placed in pursuit of such delisting; and the outstanding passive orders can be cancelled accordingly. After the removal of delisting, new orders for the said securities can be entered to the system.
- (3) The passive orders of the customers who are banned from trading are cancelled by Takasbank upon notification of the ordering member about the enforcement of such trading ban.
- (4) For the member whose operations are suspended either temporarily or permanently, all of its outstanding orders in passive are cancelled by Takasbank.

## Matching of Orders

### ARTICLE 23 -

- (1) The orders are matched by giving priority to the orders highest in the bid-side and lowest in the offer-side in terms of the commission rate.
- (2) For the orders with the same commission rate, the time priority shall apply.
- (3) If an offer with a spread lower than the spread of an existing bid is placed, then the transaction is processed over the spread of such bid; however, if an offer with a spread higher than the spread of an existing bid is placed, then it is processed over the spread of such offer.
- (4) In matching, both sides can be the same member, provided however that the customers (their account numbers or codes) are different.

- (5) Cancellation of transactions is not possible. On the other hand, for the future-dated transactions, if the conditions referred to in the item (b) of the second paragraph and in the items (a) and (ç) of the first paragraph of article 8 occur between the transaction date and the value date, then Takasbank shall be entitled to cancel such transaction before its settlement.
- (6) In case of realization of a future-dated order; the security blocked on the transaction date in the SLM Sub-Account of the lending member or its customers with the CRA shall be taken out from this account on the respective value date and transferred to the Free Sub-Account and/or the Debt Closing Blockage Account of the borrowing member or its customers again with the CRA.
- (7) Transactions are conducted on number and its multiples basis.
- (8) If the member, or its customers, re-borrow(s) the same security again with the same value date corresponding to the term of its transaction which is not yet closed, then the securities acquired from the new transaction shall be transferred to the Debt Closing Blockage Account with the CRA on the value date. If the number of new securities is less than the number of transactions which are not yet closed, then a transfer up to the number of new securities shall be made to the Debt Closing Blockage Account; and, if the number of new securities is more than the number of transactions which are not yet closed, then a transfer up to the number of securities to be closed shall be made to the Debt Closing Blockage Account. The remaining portion shall be transferred to the borrower's Free Sub-Account with the CRA. For the securities to be taken into the Debt Closing Blockage Account, no additional collateral is required to be provided during the order-entry. If there is a balance in the Debt Closing Blockage Account, the transaction is closed automatically after the realization of the transaction as much as the remaining balance. For the future-dated transactions, on the value date if there is a balance in the Debt Closing Blockage Account, the transaction is again closed automatically after the transfer of the security.
- (9) In the process of entering special order, respondent member's code is entered and it is submitted to respondent member via SLM screens. If respondent member accepted the special order, contract is formed. The member can choose itself as the respondent member in special order.

## **Broadcasting Orders**

### **ARTICLE 24 -**

- (1) Access to the SLM data is made available through the screens of data distributor organizations that have agreements with Borsa Istanbul or SLM menu of Takasbank applications from 'Best Bid and Ask report', 'Depth Report' and 'Transaction Averages Report' under 'Market Monitoring Screens'.
- (2) Among the transmitted bid and offer quotes; the bid with the highest spread and the offer with the lowest spread are broadcasted in SLM information screens mentioned above.
- (3) If any transaction is processed over the best bid and offer spreads, then the next best quote waiting on the bid or offer sides shall be displayed on the information screens.
- (4) Both the bid and offer quotes which bear the same spread shall be displayed on the information screens in total.
- (5) Furthermore, the best bid and offer quotes of top five levels can also be followed in the depth pages of the information screens.
- (6) When an open order is entered, while the number of days and maturity date information are displayed as null on the information screens, maturity is displayed as 1 year, number of days is displayed as 365 days in Takasbank monitoring screens.
- (7) Special orders and contracts, are made via special orders, they are not shown in SLM information screens.

(8) The page codes provided by the information distribution companies to the SLM are as follows:

<b>INFORMATION DISTRIBUTION SCREENS - SLM PAGE CODES</b>				
<b>Broadcasting Company</b>	<b>Main Page</b>	<b>Best Bid/Offer</b>	<b>Brief Information</b>	<b>Depth Information</b>
<b>REFINITIV</b>	TKSLM.TR	IT CAN BE DISPLAYED UPON DOUBLE CLICKING ON STOCK CODE IN THE MAIN PAGE	IT CAN BE DISPLAYED UPON DOUBLE CLICKING ON STOCK CODE IN THE MAIN PAGE	IT CAN BE DISPLAYED UPON DOUBLE CLICKING IN THE BEST BID/OFFER PAGE
<b>FOREKS</b>	TAKASBANK SECURITIES LENDING MARKET MAIN PAGE	TAKASBANK SECURITIES LENDING MARKET BEST BID/OFFER ON NOTE /MATURITY BASIS	TAKASBANK SECURITIES LENDING MARKET SUMMARY PAGE	DOUBLE CLICK ON THE RELEVANT MATURITY IN THE BEST BID/OFFER OR SUMMARY PAGE
<b>MATRIKS</b>	SECURITIES LENDING MARKET MAIN PAGE	SECURITIES LENDING MARKET BEST BID/BEST OFFER PAGE	SECURITIES LENDING MARKET SUMMARY PAGE	DOUBLE CLICKING ON THE RELEVANT MATURITY IN THE BEST BID/OFFER PAGE
<b>I-DEAL</b>	TAKASBANK SECURITIES LENDING MARKET MAIN PAGE	TAKASBANK SECURITIES LENDING MARKET BEST BID/BEST OFFER (NOTE)/(MATURITY)	TAKASBANK SECURITIES LENDING MARKET SUMMARY	DOUBLE CLICK ON THE RELEVANT MATURITY IN THE BEST BID/ OFFER OR SUMMARY PAGE

## **Notification of Transactions**

### **ARTICLE 25 -**

(1) The members follow the information on the concluded transactions by using Takasbank member applications -, and from the relevant reports and screens. Detailed information about the reports can be obtained from the “Member Login/User Guides” section under the heading of “Member Login” on the Takasbank website.

## CHAPTER FIVE

### Principles Regarding the Collaterals

#### General provisions regarding the collaterals

#### ARTICLE 26 -

- (1) In cases where the receivables of Takasbank are required to be covered from collaterals because of the reasons stipulated in the provisions of the agreement or of the relevant legislation or due to the default of the Member, then Takasbank shall be entitled to sell the asset given as collateral with the best effort and the best price in the organized markets or over stock market and cover its receivable from the sale proceeds thereof, without having any obligation to fulfill any precondition such as serving any notice or warning, allotting time, obtaining a permission or approval from the administrative or judicial authorities, converting collateral into cash through an auction or another way, etc. Takasbank shall also be entitled to set-off the value of the capital market instruments given as collateral from the liabilities of the borrower provided that the title of such collaterals has been transferred.
- (2) In the SLM, gross margining method is employed.
- (3) Collaterals followed in the accounts associated with the single customer positions can be used neither for closing collateral deficits arising from the accounts belonging to the Member's own portfolio or from other customer accounts nor for resolving the default.
- (4) Pursuant to article 79 of the Law, the rights and powers of Takasbank on the asset values taken as collateral for the SLM operations that it performs as a central counterparty member cannot be limited in any way. Lack of power of disposition of the Member, for any reason, on the asset values given as collateral shall not prevent Takasbank from establishing a real right in good faith. Title or limited real right claims of third parties on the asset values given as collateral cannot be asserted against Takasbank.
- (5) Devoting time for composition with creditors about the party supplying collateral, approval of its composition, devoting time for composition after bankruptcy, inclusion of its assets by abandonment into the composition process, restructuring of its debts by an arrangement, its bankruptcy, postponement of its bankruptcy, or the relevant provisions of the Law regarding gradual liquidation or the proceeding procedures stipulated under the Execution and Bankruptcy Law No. 2004 cannot limit Takasbank's rights and powers on collaterals in any way.

#### Assets accepted as transaction collateral and guarantee fund

#### ARTICLE 27 -

- (1) The eligible collateral types that can be used as transaction collateral and guarantee fund in the SLM are as follows:
  - a) Cash (Turkish Lira),
  - b) Convertible Currency (USD, EUR, GBP)

- c) Government Domestic Debt Securities,
  - ç) Eurobond issued by the Ministry of Treasury and Finance of the Republic of Türkiye
  - d) Lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Türkiye
  - e) Shares in BIST100 Index
  - f) Equity Umbrella Fund Shares
  - g) Debt Instruments Umbrella Fund Shares
  - ğ) Money Market Umbrella Fund Shares
  - h) Standard gold traded on the Exchanges,
  - ı) Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities
  - i) Borsa İstanbul A.Ş. shares
  - j) Commodity Certificates (Gold Based) issued by Directorate General of Mint and Stamp Printing House of Republic of Türkiye, Ministry of Treasury and Finance.
- (2) The guarantees of the banks and companies owned by the members and/or affiliated to the capital group to which they belong and the securities issued by them (except for the securities issued by the Undersecretariat of Treasury and the guarantee and securities of other banks whose majority of capital belongs to the Undersecretariat of Treasury) cannot be given by the member as collateral to Takasbank
- (3) The share of the sum of securities eligible as collateral and the guarantees accepted by Takasbank which have been issued or given by any issuer or bank or by other issuers and banks belonging to the same capital group with that issuer or bank (except for the securities issued by the Undersecretariat of Treasury and the guarantee and securities of other banks whose majority of capital belongs to the Undersecretariat of Treasury) in the collateral accepted by Takasbank for this market cannot exceed 25%. For the collateral exceeding 25% limit in the conducted periodic controls, the order of priority shall be taken into account; and the owner members of the lastly deposited collateral leading to the limit overrun shall be warned via an electronic mail, and asked to replace the collateral. Commodity
- (4) Certificates issued by Directorate General of Mint and Stamp Printing House of Republic of Türkiye, Ministry of Treasury and Finance are included in the collateral valuation under the underlying asset group to which they are linked.
- (5) In order for the Fixed Income Securities to be accepted as collateral, the principal and coupons representing the entire security should be deposited together as collateral. Decomposed fixed income securities are not accepted as collateral. The fixed income securities which are entrusted as collateral lose their ability to be eligible as collateral at the end of the business day before redemption. When redemption (excluding foreign currency paid government bonds and treasury bills) or coupon payment occurs, the relevant amount is transferred to cash collateral account. The member bears the responsibility of ensuring that the collateral level is maintained by considering the operational procedures involved in coupon payments and redemption.
- (6) Out of lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Türkiye, those issued and denominated as Turkish Lira, USD and Euro are accepted as collateral.

## Transaction collateral composition limits



## ARTICLE 28 -

(1) At least 30% of the calculated total collateral requirement should be composed of Turkish Lira collateral. For the assets to be accepted as collateral and their composition limits, the ratios stated in the table below are applied. Composition limits are applied on the sum of the cash and non-cash collateral balances. In the calculation of the subgroup limits, the total valued portion of the relevant asset amount with the group limit applied is considered.

Assets Eligible as Collateral	Group Limit	Sub-group Limit (As group limit percentage)
Cash (Turkish lira)	Maximum 100%	-
Convertible Currency (USD/EUR/GBP)	Maximum 70%	-
Government Debt Securities	Maximum 70%	50% (on ISIN basis)
Eurobond issued by the Ministry of Treasury and Finance of the Republic of Türkiye	Maximum 70%	50% (on ISIN basis)
Lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Türkiye	Maximum 70%	25% (on ISIN basis)
Shares in BIST100 Index	Maximum 70%	75%
Equity umbrella fund shares	Maximum 50%	20%
Debt instruments umbrella fund shares	Maximum 50%	20%
Money Market Umbrella Fund Shares	Maximum 50%	20%
Standard gold traded on the exchanges	Maximum 25%	-
Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities	Maximum 50%	40%
Borsa Istanbul A.Ş. Shares	Maximum 50%	-

## Collateral deposit and withdrawal

### ARTICLE 29 -

- (1) The members who have signed the “Letter of Undertaking for Cash, Assets, Collateral and Conditional Remittance” can deposit and withdraw collateral by using Takasbank member applications -
- (2) All collaterals are defined to the system with their portfolio and customer details.
- (3) Risk/Collateral controls are made on portfolio and customer basis.
- (4) The collateral inflow and outflow operations of the members are processed by the members by using Takasbank member applications -, as a rule. However, in the event the collateral inflow and outflow operations cannot be processed through Takasbank applications, then the members can also perform their transactions via written instructions.

- (5) Cash collateral can be entered and removed collectively by the members in addition to being able to enter or remove them individually.
- (6) The members can perform their collateral inflow and outflow operations until **05:15 p.m.** For the transfers outside or outside of Takasbank regarding collaterals other than Turkish Lira, the relevant business system of the payment system / custody institution shall apply.
- (7) After the security debt is paid off or in cases where the security debt is less than the transaction commission amount, the members or their customers cannot withdraw any collateral up to the unpaid amount of their transaction commission debts.
- (8) If cash is wished to be provided as collateral; then
  - a) Cash collateral can be in the form of TL, US Dollars, Euro or British Pound.
  - b) Cash TL collaterals that are not included in the amount to be given interest can be withdrawn until **05:05 p.m.**
- (9) Should Treasury Bills, Government Bonds and Lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Türkiye be wished to be provided as collateral; then if they are registered on the name of the customer, they can be given as collateral from the accounts within the CRA; whereas, if they are registered on the name of the portfolio and the fund accounts, they can be given as collateral from the free deposit account numbered 501 within the CRA.
- (10) Should the shares be given as collateral; the assets that may be accepted as collateral shall be limited to the shares included in BIST-100 Index. The shares to be accepted as collateral shall be in lots and its multiples.
- (11) Shares that are delisted from the Exchange shall lose their function as collateral and shall not be included in the collateral valuation process.
- (12) Should gold be given as collateral, then this gold;
  - a) must be composed of 100 gram and its multiples gold bullion bars that are traded in the Exchange Precious Metals and Diamond Market in
  - b) If the members wish to provide gold as collateral, then in the first place, they are required to transfer the gold by remittance to Takasbank's custody account with the Exchange Precious Metals and Diamond Market through any member of the Exchange Precious Metals and Diamond Market or to deposit them by physical delivery to the safe-deposit box of the Exchange Precious Metals and Diamond Market in the business hours. In order the gold deposited by the members to be defined as collateral by Takasbank, the Member is required to send Takasbank an instruction specifying to which customer or portfolio such gold shall be defined.
- (13) Borsa İstanbul A.Ş. shares can only be given as collateral on behalf of the portfolio.
- (14) Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities be wished to be provided as collateral; they can be given as collateral from the accounts within the CRA.
- (15) The securities in the member's Euro bond collateral deposit account are transferred to the collateral deposit account by the member through the SLM applications.

## **Accrual of Interest on Transaction collaterals**

### **ARTICLE 30 -**

- (1) Cash collaterals denominated in TL are given interest by Takasbank Fund Management on a best effort basis. The interest accruals are performed within the limits of Takasbank Fund Management; and in the event the cash collaterals are failed to be given interest due to the market conditions, then no interest shall be paid.

- (2) Interest accrual process shall be performed over the collateral balance available at 03:45 p.m. The Members may create an interest exemption record for their Portfolios or Customers by designating the partial or entire balance on which they want no interest to be accrued. All amount-based exemption records are required to be renewed each day; however, when a record is modified without designating any amount and the portfolio or customer is exempt from any interest accrual, then these records shall remain as they are until a new record thereof is entered. Cash collaterals in TL included at 03:45 p.m. in the balance to be given interest cannot be withdrawn after that time. Cash amounts transferred to the collateral accounts after 03:45 p.m. shall not be added to the balance to be given interest.
- (3) The interest income earned after the deduction of the BITT and similar statutory costs and the “Takasbank Collateral Monitoring and Interest Accrual Fee” up to **5%** of the gross interest amount from the gross interest amounts that have been earned from the interest accrued on the cash collaterals remaining after setting aside the compulsory reserve amount, shall be credited to the relevant accounts on the next business day.

### Collateral valuation haircuts

#### ARTICLE 31 -

- (1) The haircuts to be used for the collateral valuation are given below:

Collateral Type	Valuation Haircut
Cash (Turkish Lira)	100%
Convertible Currency (USD)	90%
Convertible Currency (EUR)	89%
Convertible Currency (GBP)	89%
Government Debt Securities	0-1 Year 94% 1-5 Years 81% 5 Years and more 78%
Eurobonds issued by the Republic of Türkiye Ministry of Treasury and Finance (Eurobond-USD)	Up to 5 Years 89 % 5-10 Years 89 % 10-30 Years 88% 30 Years and more 86%
Eurobonds issued by the Republic of Türkiye Ministry of Treasury and Finance (Eurobond- EUR)	Up to 5 Years 89% 5-10 Years 85% 10-30 Years 66% 30 Years and more 66%
Lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Türkiye	0-1 Year 92% 1-5 Years 79% 5 Years and more 76%

Shares in BIST100 Index	BIST 30 84% BIST 100 83%
Equity Umbrella Fund Shares	88%
Debt Instruments Umbrella Fund Shares	93%
Money Market Umbrella Fund Shares	97%
Standard gold traded on the exchanges	88%
Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities	0-1 Year 92% 1-5 Years 79% 5 Years and more 76%
Borsa İstanbul A.Ş. shares	100%

## Collateral and risk valuation method

### ARTICLE 32 -

- 1) Takasbank performs the valuation of risks and collaterals at the end of each day. Shares and Exchange Mutual Funds are also revalued during the day.
- 2) The method used for the end-of-day and intraday collateral and risk valuations is as follows.
  - a) **Shares and Exchange Mutual Funds** are valued by taking the weighted average price formed at the end of the session in the Equity Market on the day the valuation is made; whereas for the intraday valuation, they are valued by taking the weighted average prices formed at 12:00 p.m. If no transaction is realized in the Exchange, the arithmetic mean of the best buy and best sell orders of the last session are used; however, should either of the best buy or best sell orders be unavailable, then the weighted average price of the last session they are traded shall be used.
  - b) **Government Bonds and Treasury Bills** are valued with the theoretical price determined by using "Takasbank Yield Curve" on the day the valuation is made; and should such prices be unavailable, they are valued by using the indicative daily values of the Government Domestic Debt Securities set by the CBRT.
  - c) **Foreign Currency Denominated Cash Amounts** are valued with the CBRT foreign currency buying rates set for the next day on the day the valuation is made.
  - d) **Gold** is valued with the weighted average USD/Ounce price formed in the last session of the Exchange Precious Metals and Diamond Market for the transactions with T+0 value day on the valuation date, and multiplied by the CBRT foreign exchange buying rate. If no transaction is realized, then either a theoretical price or the weighted average price formed in the previous session shall be used.
  - e) **Mutual Funds** are valued with the price announced for that day by the issuer of the fund is used.
  - f) **Eurobonds** are valued with the price determined by Takasbank.
  - g) **Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities** are valued with the theoretical price determined by Takasbank.

- h) **Lease Certificates** are valued with the theoretical price determined by Takasbank on the day of valuation using yield curve, or when these prices are not reached, with indicative daily price values determined by the CBRT.
  - i) **Borsa İstanbul A.Ş. shares** are valued with the price determined by the protocol concluded between the Exchange and Takasbank. After dividend payment and capital increase, Borsa İstanbul A.Ş. the collaterals are revalued at the resulting price. If a price is determined by Borsa İstanbul after dividend payment and capital increase, collaterals are revalued at the price formed.
  - j) **Certificates Traded in Exchanges** are valued intraday with last trade price realized in the market before the calculation time. For end of day valuation session-end last trade price is used. If no trade has been executed at Borsa, the theoretical price set by Takasbank.
- 3) Theoretical pricing formulas and methods that can be used in the valuation of the assets accepted as collateral are published on the Takasbank website.

## Margin rates

### ARTICLE 33 -

- (1) In order to cover the risks arising from the positions taken in the Securities Lending Market, the members are asked to provide initial margin. The initial margin is initially taken to cover any price changes that may occur in the Market from the moment the default arises to its resolution in case the member is in default.
- (2) The initial margin rate is determined by Takasbank using a minimum 1-year data set and a holding period of 2 business days with a confidence level of 99.00% and reviewed monthly, taking into account market conditions. If deemed necessary, Takasbank may revise the initial margin in line with market conditions without waiting for the expiration of one month. The parameters determined for the initial margin are announced in the general letter.
- (3) No collateral is requested from the lending member.
- (4) During the day and at the end of the day, a certain percentage of total debt is taken into consideration by Takasbank as the maintenance level. The maintenance level is calculated by dividing the valued collateral to the total debt and is applied as 110%.

## Margin Call

### ARTICLE 34 -

- (1) When the appreciated collateral falls below the maintenance level of 110%, or when the Turkish Lira collaterals fall below 30% of the required collateral, then a margin call thereof shall be issued by Takasbank to the member; and the relevant member or its customer is asked to restore its collateral to the initial margin rate.
- (2) The margin call shall be issued by sending messages and reports to the customer screens provided by Takasbank. If the margin call is issued through the system, the member shall be deemed to have received the call without any further notice or information. The responsibility of the Member shall begin at the moment the margin call issued by Takasbank is received by the Member.
- (3) The member or its customers who is/are the addressee(s) of the margin call and falls below the maintenance level is/are not allowed conducting any new transaction in the SLM. The requested additional collaterals must be deposited until the end of the day the margin call is issued.
- (4) The minimum required Turkish Lira collateral amount is sought at the end of the day when the risk occurs and then margin call thereof shall be issued by Takasbank to the member. Taking into

- consideration the market conditions and the total cash requirement of the member, margin call thereof can be issued by Takasbank in intraday.
- (5) The member or its customer who fall below the minimum required Turkish Lira collateral rate are allowed to new transaction until intraday valuation the following business day and are expected to deposit the missing collateral amount with this period. After intraday valuation the members or its customers who are not deposit, the missing collateral amount are not allowed to trade.
  - (6) Risk values occurred as a result of the intra-day valuation of the shares and exchange mutual funds are updated until **12:30 p.m.** The Members are responsible for following the information related to the margin call from the Margin Call Monitoring Screen.
  - (7) In the event of failure to comply with the margin call, the cash collaterals related to the relevant account of the member dealing with the margin call are turned into cash and new securities are purchased; thereafter its borrowings shall be liquidated starting from the debt that is nearest in maturity date till the margin rate is restored to the initial margin rate. For the borrowings that are closed by breaking the maturity, the commission amount to be accrued until the end of the maturity date shall be paid to the lending member. The borrowing member shall be liable to pay such commission amount to Takasbank.
  - (8) **For the future-dated transactions;** if a margin call is issued between the transaction date and the value date, then the collateral of the relevant account is asked to be restored to the initial margin rate until the end of the day on which the call is issued. In the event of failure to comply with the margin call, the settlement shall not be performed on the value date; and the collateral must be restored to the initial margin rate until **03:30 p.m.** on that day.
  - (9) If a margin call issued on the value date; the security settlement shall not be performed for the account which has a margin call requirement; and the collateral must be restored to the initial margin rate until **03:30 p.m.** on the value date.
  - (10) If the collateral is restored, the security settlement shall be performed. However, if the collateral is failed to be restored until **03:30 p.m.**, Takasbank shall be entitled to return the lent security to its lender, but shall also be liable to pay the commissions to be accrued till the maturity date of the transaction. On the other hand, the security borrowed by the member who defaulted by failing to comply with the margin call shall not be delivered to the member. The defaulting member shall also be liable to pay the default interest and the transaction commission to be calculated thereof.

## **Rights arising from the collaterals**

### **ARTICLE 35 -**

- (1) The shares and dividend amounts obtained from the bonus issue of the shares given by the Members as collateral for themselves or their Customers shall be used by Takasbank on behalf of the Member; and the new shares and cash amounts obtained as a result of such transactions shall be transferred to the relevant collateral accounts. If the capital increase is made through the rights issue; then the Member may exercise it by paying the consideration thereof after transferring the number of the preemptive rights (coupons) arising in the collateral account to the free sub-account (after withdrawing collateral).
- (2) The redemption operations of the treasury bills, government bonds, lease certificates, mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities and Eurobonds that are held in the collateral account on the redemption date (except for those that are payable in a foreign currency) shall be processed in the collateral account, and the redemption amounts shall be transferred to the collateral accounts of the member or of its customers. The coupon payments of the treasury bills, government bonds, lease certificates, mortgage-backed securities, mortgage-

based securities, asset-backed securities and asset-based securities and Eurobonds shall also be transferred to the collateral accounts of the member or of its customers.

## **CHAPTER SIX**

### **Principles Regarding the Guarantee Fund**

#### **General Principles of Guarantee Fund**

#### **ARTICLE 36 -**

- (1) Takasbank establishes a guarantee fund, which is formed with the contributions of the members, to be used for the portion of the losses that may arise in case of default of the members exceeding the guarantees of the related members within the scope of CCP service to be provided in the Market. CCP members are obliged to participate in the guarantee fund.
- (2) The guarantee fund contributions of the CCP members consist of the guarantee fund contributions deposited and additional guarantee fund contributions to be deposited upon request by Takasbank. If the Guarantee Fund is used within the framework of the CCP Regulation, Directive on Collateral, Risk, and Default Management Related with Markets where İstanbul Takas ve Saklama Bankası A.Ş. Provides Central Counterparty Service and Procedures, CCP members may be required to deposit additional contribution not to exceed the amount of the guarantee fund contribution deposited. Members may be required to deposit a maximum of four additional contributions during the one-year period from 1 April to 31 March. The additional guarantee fund contribution, which may be requested at a time, shall not exceed the amount of guarantee fund contribution calculated for each member in the month in which the related default occurs.
- (3) For the CCP member that has requested the termination of its membership and has notified Takasbank in writing that the member has fulfilled all obligations under the Procedure and other regulations but whose request has not yet been approved by the Board of Directors or whose request for termination of its membership has been approved by the Board of Directors but has been allotted time for the return of its deposited guarantee fund contribution, the maximum guarantee fund obligation for which it may be liable on and after the date on which the member submitted its request for the termination of its membership shall be either two-fold of such member's the guarantee fund amount updated on the first business day of the month in which the request was made in case of existence of no continuing default whose resolution still continues as of the request date, or shall otherwise be three-fold. If the member's request for termination of its membership is submitted without first fulfilling all its obligations under the Procedure and other regulations, these rates shall be applied as three and four times. Institutions considered to have terminated or requested the termination of its CCP membership to avoid from any possible guarantee fund obligation may not be re-accepted to the CCP membership.
- (4) No recourse to the guarantee fund contributions of other Members can be made unless the trade margins of the defaulting Member, its guarantee fund contribution, and the collections to be made from its insurance policies, if any, and the capital allocation made by Takasbank for the covered risks in the Market become inadequate
- (5) In case of termination of the membership, the guarantee fund contribution shall be refunded in accordance with the provisions of article 33 of the Central Counterparty Regulation.
- (6) The assets in the guarantee fund cannot be used other than for their intended purpose.
- (7) The contribution amounts to be deposited to the guarantee fund by the members must be covered from the assets in their possession.
- (8) The guarantee fund is represented and administered by Takasbank.

## **Accrual of interest on cash contribution amounts in the guarantee fund**

### **ARTICLE 37 -**

- (1) The guarantee fund contribution amounts deposited in cash Turkish Lira by the Members shall be given interest by Takasbank with the best possible conditions in accordance with the prescribed limits thereof by taking the credit risk and liquidity conditions into consideration.
- (2) Taxes and other legal liabilities and %5 Takasbank commission shall be deducted from the gross interest amounts that have been earned by the accrual of interest on the balance of the cash contributions remaining after the deduction of the compulsory reserves amount.
- (3) The cash contribution amounts in the Guarantee Fund to be subject to the interest accrual process can only accrue interest if they are available in the Takasbank SLM Guarantee Fund Contribution Amount account at 15:45 p.m. The Members may create an interest exemption record for their guarantee fund contribution amounts by designating the partial or entire balance on which they want no interest to be accrued. All amount-based exemption records are required to be renewed each day; however, when a record is modified without designating any amount then these records shall remain as they are until a new record thereof is entered. The Guarantee Fund Contribution Amounts which have accrued interest cannot be withdrawn.

## **Size of the guarantee fund and the contribution amounts to be deposited by the members**

### **ARTICLE 38 -**

- (1) The size of the guarantee fund cannot be less than the greater of the funding need that would arise in case of joint default of the member with the highest open position and the members with the second and third highest open positions under the stress conditions. The funding requirement is composed of the portion of the Members' risks that cannot be covered by their collaterals at a certain confidence level. Such risk equals to the amount to be found by multiplying the difference between the VaR amount calculated for the lent securities and the portion exceeding 100% of the collaterals with the open positions of the members. In the estimation of risk under stress conditions by statistical methods, confidence level is considered as 99.90% and holding period is considered as 2 working days. Takasbank may set the minimum guarantee fund obligation as to be greater than the obligation calculated statistically by considering the market conditions, the margin concentrations and the adequacy of default management resources.
- (2) The calculation of the total size of the guarantee fund shall be renewed for not more than 3 months and the adequacy of the existing guarantee fund shall be tested.
- (3) The guarantee fund contributions of the members consist of the guarantee fund contributions that have been deposited and additional guarantee fund contributions will be deposited upon request.
- (4) Deposit guarantee fund contributions consist of fixed and variable guarantee fund contributions.
- (5) The deposited guarantee fund contribution of any member cannot be less than the fixed contribution amount. The fixed contribution amounts that must be deposited by the members are 125.000 TRY. This amount is reviewed at least once a year by taking account of the developments in the Market and in the national or international economy and may be revised if deemed necessary.
- (6) The amounts related to the fixed guarantee fund are determined by taking into account the revaluation rate announced every year by the Ministry of Treasury and Finance in line with the market conditions and announced to the members before the implementation.
- (7) The fixed contribution is determined at a level not exceeding the average amount to be found by dividing the required guarantee fund size by the number of members.



- (8) For the calculation of total guarantee fund contribution amount required to be deposited by members, a guarantee fund risk value which is calculated by multiplying the aggregate borrowing amount of the Members with a risk haircut to be determined shall be used. Calculating guarantee fund contribution share that each member must deposit, members' average margin requirements for the previous month are taken into account. The relevant amount is found by dividing the average collateral amount that the Member must hold in the market in the previous month by the average collateral amount of the market and then multiplying by the minimum guarantee fund size corresponding to the relevant period.
- (9) For the calculation of the minimum size of the guarantee fund, the member-based daily borrowing data (open position) for a look back period of three months, if any, shall be used. The risk coefficient to be used in calculating and maintaining the minimum size of the guarantee fund shall be recalculated in March, June, September and December by using data for one-year look back period. In case of any change in the coefficient, it is announced on the Takasbank website.
- (10) The Guarantee Fund obligations of the Members for the next month are calculated on the last business day of each month and updated as of the first business day of the following month.
- (11) The guarantee fund contribution calculations of the Members can be made by Takasbank without waiting for the first working day of the following month by taking into consideration the risk status and market conditions of the relevant Members.

#### Assets accepted as eligible Guarantee Fund contribution amount

##### ARTICLE 39 -

- (1) Assets eligible as contribution to the guarantee fund and the composition limits thereof are given in the following table. Takasbank Board of Directors is authorized to revise the composition limits of the assets to be accepted as guarantee fund contribution according to the market conditions and set composition limits for the new assets.

Assets Eligible as Guarantee Fund Contribution	Group Limit	Sub-Group Limit (as percentage of group limit)
Cash (Turkish lira)	Maximum 100%	-
Convertible Currency (USD/EUR/GBP)	Maximum 100%	-
Government Debt Securities	Maximum 100%	50% (on ISIN basis)
Eurobond issued by the Ministry of Treasury and Finance of the Republic of Türkiye	Maximum 100%	50% (on ISIN basis)
Lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Türkiye	Maximum 100%	25% (on ISIN basis)
Shares in BIST100 Index	Maximum 70%	75%
Equity umbrella fund shares	Maximum 50%	20%
Debt instruments umbrella fund shares	Maximum 50%	20%
Money Market Umbrella Fund Shares	Maximum 50%	20%
Standard gold traded on the exchanges	Maximum 25%	-

Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities	Maximum 50%	40%
Borsa İstanbul A.Ş. Shares	Maximum 50%	-

- (2) Assets deposited to the guarantee fund can be changed on a daily basis upon request of the Member. Excess contribution amounts can be withdrawn on a daily basis.
- (3) Composition limits are calculated over the total deposited contribution. In calculating the sub-composition limits, total appreciated portion of the relevant asset amount is taken into account.
- (4) The Members can deposit and withdraw their contribution amounts in accordance with the hours specified in Article 29 of this Procedure.
- (5) The Guarantee Fund contribution amounts are transferred to the system from a single portfolio account.
- (6) By rule, the contribution amount deposit and withdrawal transactions of the Members shall be conducted by the members through Takasbank applications. However, in case such transactions are failed to be conducted through Takasbank applications, the members may also conduct their transactions by written instructions.
- (7) In case the Treasury Bills, Government Bonds and Lease Certificates are wished to be given to the guarantee fund, then they shall be deposited to the free deposit account no. 501 with Takasbank.
- (8) In case shares, mutual fund shares and asset-backed securities are wished to be given to the guarantee fund contribution, they are transferred to the account of the contribution through the accounts on CSD.
- (9) The securities in the member's Eurobond collateral deposit account are transferred to the contribution deposit account by the member through the SLM applications.
- (10) Assets given to the guarantee fund are valued by Takasbank at the end of each day. For share certificates; should no trade is realized in the Exchange, the theoretical price determined by Takasbank is used and the last transaction price is used for traded securities. If the unmatched buy and sell orders (in case the buy and sell are received simultaneously) are received later than the last trade price, the average buy and sell prices can also be used. For the valuation of other assets accepted as collateral, the prices in Article 32 of this Procedure are used.
- (11) For the contribution amounts in gold and similar nature to be deposited as guarantee fund contribution amount, the principles stipulated in Article 29 of this Procedure shall apply.
- (12) The valuation haircuts reflecting the deduction rates to be used in the calculation of the collateral values of the securities to be invested as guarantee fund contributions are given in Article 31 of this Procedure.

## Guarantee fund margin call

### ARTICLE 40 -

- (1) Non-cash assets used as guarantee fund contribution are made subject to valuation at the end of the day over the prices determined by Takasbank to ensure their valuation at current market prices. As a result of daily valuation, Guarantee Fund Contribution liabilities are sent to members' screens provided by Takasbank via message and reporting. In case the notification is sent via the system to the member who is obliged to complete the Guarantee Fund Contribution, the member is deemed to have received the call without the need for any further notice and notification. The responsibility of the Member shall begin when the margin call issued by Takasbank is received by the Member. If the related obligation is not fulfilled until the end of the next business day, the member shall be deemed to have defaulted.

## Principles for the use of guarantee fund

## ARTICLE 41 -

- (1) In default management; the non-defaulting members' non-cash contribution amounts in the guarantee fund shall be converted to cash when the funds that are available for use up to item (d) of the first paragraph of article 36 of the Central Counterparty Regulation fail to be sufficient and upon determination that the guarantee fund contribution amounts deposited in cash shall also be insufficient.
- (2) The contribution amounts deposited by the members who have joined to the guarantee fund after the occurrence of such default or the contribution amounts deposited by the existing members against the risks they assumed after the occurrence of such default shall not be used.
- (3) In cases that necessitate the use of guarantee fund, no withdrawal of contribution amounts shall be allowed from the guarantee fund during the period to be elapsed till the loss is fully covered.
- (4) The use of contribution amounts starts with the most liquid assets; and the ability to quickly be converted into cash constitutes the basis. Cash amounts arising from the conversion of non-cash contribution amounts in the guarantee fund to cash but not used shall be returned pro-rata to the members whose non-cash contribution amounts have been used.
- (5) For allocating losses to be undertaken by the guarantee fund to the non-defaulting members, the shares of such members in the guarantee fund shall be taken as the basis.
- (6) The members are obliged to re-deposit their guarantee fund contribution amounts which have been used within the scope of the default management within 3 business days.
- (7) If the loss to be undertaken by the guarantee fund seems likely to exceed 50% of the total fund size, the members shall be asked to deposit the additional contribution amounts they have committed. The Members are obliged to deposit the additional contribution amounts within 5 business days after the request made thereof. The additional contribution amounts can also be requested in tranches. The additional contribution amounts that are used neither in part nor as a whole for resolving the relevant default shall be returned. If they, albeit requested, are returned in full without being used for resolving the default, then the request for additional guarantee fund contribution shall be deemed not to have been made.
- (8) Any Member may be asked to make at most 4 monthly deposited and additional guarantee fund contribution amounts due to the default of other members during the period to be elapsed starting from April of each year to the end of March of the following year. The total guarantee fund contribution amount to be requested from any Member due to the default of other members within the same month cannot exceed the sum of the guarantee fund contribution amount that is calculated and deposited for the relevant month and the additional guarantee fund contribution amount, if requested. The amount of additional guarantee fund contribution amount that may be requested within one month cannot exceed the guarantee fund contribution amount deposited by the member for the same month.
- (9) If the additional guarantee fund contribution amounts requested from the members due to the default are used either in part or in whole, then the members shall be asked to restore their guarantee fund obligations to the level calculated pursuant to the item (d) of the first paragraph of article 36 of the Central Counterparty Regulation. However; the guarantee fund contribution amounts exceeding the maximum loss threshold that any Member may assume in the same month or period in case of default of other members shall only be used in the event of their own default until the end of the relevant month or period.

## Returning of guarantee fund contribution amounts

## ARTICLE 42 –

- (1) Except for the fixed guarantee fund contribution amounts in the guarantee fund, all contributions amounts of the members whose membership has been terminated pursuant to article 9 of this Procedure as well as all proceeds and rights thereof shall be returned to the relevant member by deducting all taxes and other legal liabilities required to be paid and by also taking into account the obligations arising from the transactions they have conducted in the SLM and the payment obligations that Takasbank may face due to any default that may occur during the period to be elapsed from the date of Board of Directors' resolution regarding the termination of the membership to the date the termination operations thereof have been completed.
- (2) The fixed guarantee fund contribution amounts of any member whose membership has been terminated shall be returned at the end of the time period to be determined by the Board of Directors by taking all open positions of that member in the market into consideration.
- (3) The guarantee fund contribution amounts of any member whose membership has been terminated shall be returned in kind. The contribution amounts that are failed to be returned in kind shall be returned over their equivalents. In the return of the equivalents, the prices prevailing at the date Takasbank has converted such contribution amounts to cash shall be applied.
- (4) If there is any cash in the guarantee fund contribution amount/amounts of any member whose membership has been terminated, then the refund shall be conducted after the deduction of all taxes and other legal liabilities required to be paid on the amount that has accrued interest.

## Rights arising from assets accepted as eligible guarantee fund contribution amount

## ARTICLE 43 -

- (1) The redemption operations of the treasury bills, government bonds, lease certificates, mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities and Eurobonds held in the guarantee fund account shall be performed in the guarantee fund account on the redemption date and the redemption proceeds shall be transferred to the Member's guarantee fund account. The coupon payments of the treasury bills, government bonds, lease certificates, mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities and Eurobonds held in the guarantee fund account shall also be transferred to the Member's guarantee fund account.
- (2) The shares and dividend amounts obtained from the bonus issue of the shares given by the Members as for guarantee fund contribution amount themselves or their Customers shall be used by Takasbank on behalf of the Member; and the new shares and cash amounts obtained as a result of such transactions shall be transferred to the relevant guarantee fund accounts. If the capital increase is made through the rights issue; then the Member may exercise it by paying the consideration thereof after transferring the number of the preemptive rights (coupons) arising in the guarantee fund account to the free sub-account (after withdrawing collateral).

## CHAPTER SEVEN Settlement and Payments

## Settlement and payments

## ARTICLE 44 -

- (1) The principles regarding the settlement and payments are explained below;

a) **Settlement of the security subject to the lending**

For the same-day value transactions, the settlement of the security subject to the transaction is made at the moment the lending transaction is conducted; and for the future-dated transactions, it is made on the value date. The security is taken from the lender's SLM sub-accounts with the CRA; and if the borrower has any debt owed from the same security on that date, the portion up to its debt amount is transferred to its Debt Closing Blockage Account with the CRA, and the remaining portion or, if it has no debt, the entire amount is transferred to its Free Sub-accounts.

b) **Debt closing**

The closing deadline for the debts due is 05:00 p.m. The debt amounts are closed either partially or wholly by members through using Takasbank applications -. If there is any balance remaining from the security subject to lending in the Free Sub-Account of the member or its customers, the closing may also be made by Takasbank. The securities returned after the closing shall be returned to the Free Sub-Accounts of the lending member or its customers with the CRA. If the Debt Closing Blockage Account has any balance remaining from the security subject to lending wished to be closed, then the closing transaction cannot be made from the free account. The member decides to close the transaction automatically or manually as the remaining balance of the Debt Closing Blockage Account. But it should be declared before the realization of the transaction from the 'Automatic Exemption Screen'. Members use this screen to declare every customer/portfolio/fund which will prefer to close the transactions manually. The transactions of the customer/portfolio/fund which are not exempted will continue to be closed automatically from the Debt Closing Blockage Account. In case of manual closing preference of the transactions, debts which are not closed from the Debt Closing Blockage Account will be closed automatically 10 minutes before the last closing time.

c) **Roll over**

For maturing contracts, in case both borrower and lender members agree with each other, roll over (extension of maturity) can be made without debt closing. In roll over transaction, both maturity type and commission rate can be modified. The maturity cannot be extended for contracts executed from orders created through automatic lending order screen.

d) **Recall/early repayment of the transactions made up of open-orders**

The notice concerning the "recall / early repayment" of the transactions made up of open-orders shall be served by the member or Takasbank by using Takasbank member applications -. When the borrowing or lending member places a notice concerning the "recall/early repayment" of the transaction, a notice mail for the "recall/early repayment" of the relevant transaction shall be sent to the counter-member through the SLM Mail System. For the notices concerning the recall/early repayment of the transactions and the time periods thereof, the following conditions shall apply to the lenders and the borrowers:

**Recall by the lender:** The lender may place a notice concerning the recall of a security at any time between the value date of the transaction and 3 business day before its maximum term of 1-year period. If the lender has placed its "recall" notice until **12:00 p.m.**, then the borrower should return the borrowed security on **T+2**; however, if the notice has been served after **12:00 p.m.**, then the counterparty should return it on **T+3**.

**Early repayment by the borrower:** The earliest day on which the borrower can make an early repayment is the **third business day** following the value date of the transaction. The borrower must

enter its “early repayment” notice to the system by using Takasbank member applications -at least **two business days** before the date on which it wishes to return the security.

**e) Commission payments - Transaction commission**

For the transactions with maturities of one-month or less, the transaction commission is collected from the borrower’s Free Account at the end of the maturity at 05:00 p.m. Takasbank transfers such commission amount to the lender’s Free Account.

For the transactions with maturities longer than one month or with no fixed maturity date, the transaction commission shall be charged at the end of the months and collected from the borrower’s Free Account at 05:00 p.m. Takasbank transfers such commission amount to the lender’s Free Account

The transaction commission for the transactions with maturities longer than one month and for the transactions with maturities of one-month or less may be paid off either in part or in whole at the last day of each month and on the value date respectively, by using Takasbank member applications -. Upon request thereof, the commission collection may also be made by Takasbank during the day.

The transaction commission shall be calculated for each day over the market value of the security subject to the transaction and added to the commission amount of the previous day.

**The following formula is used for the calculation of the trading commission:**

$$\text{Transaction Commission} = \sum_{i:1}^{\text{n: maturity}} \frac{\text{Market Value of the Transaction}_i \times \text{Commission Rate of the Transaction}_i}{36.500}$$

For the future-dated transactions, the number of days between the value and the maturity dates constitute the basis of the transaction commission.

For the future-dated transactions; if the transaction is cancelled at any time between the transaction date and the value date (including the value date) before its settlement pursuant to the fifth paragraph of article 23 of this Procedure; in this case;

- i. if such cancellation results from the borrower, then the transaction commission calculated over the number of days between the transaction date and the value date is required to be paid to Takasbank by the borrowing member. Takasbank shall repay the commission of the relevant period to the lending member.
- ii. if such cancellation results from the lender, then no transaction commission shall be charged to the borrowing member.

**Takasbank Commission:**

Takasbank commission shall enter into force by the decision of the Board of Directors and the approval of the Board; and shall be published in Takasbank website. Takasbank Commission + BITT shall be collected from both parties on the transaction date at **05:00 p.m.** For the future-dated transactions, Takasbank Commission shall be collected on the date the transaction is realized over the commission rate corresponding to the maturity type of the transaction. Should the Takasbank Commission be failed to be paid, then the trading authorization of the member shall be removed until the payment of the commission. For the open-orders, Takasbank Commission shall be calculated on the maturity date over the number of days the transaction remains open and collected at **05:00 p.m.** according to the commission rates applicable to the maturity type. For the transaction conducted with an open-order, 1-month Takasbank commission + BITT shall be charged on the last business day of the month following the value date of the

transaction and shall be collected from the lending and borrowing members at 05:00 p.m. At the maturity date of such type of transactions, the remaining Takasbank commission shall be collected. If the number of calculated days falls between two maturity types, then the nearest maturity types shall be taken as the basis.

Takasbank Commission to be taken from contracts to be formed as a result of Special Orders is collected at 50% of the current Takasbank commission tariff corresponding to the term type.

Takasbank commission rate, which will be collected from the lender member, is applied as 0% (zero percent) in contracts created with an automatic lending order.

## **Rights arising from securities subject to the lending**

### **ARTICLE 45 -**

- (1) The financial rights (bonus issue, rights issue and dividend) arising from the lent shares shall belong to the lender. However, the lender will lose its voting rights associated with the securities subject to the lending. If the date of the capital decrease falls between the value date and the maturity date of the lend, then the number of lending transactions to which the shares on capital decrease subject to shall be updated at the rate of the capital decrease.
- (2) If the issuer institution issues a receipt as a result of the capital increase, the borrower shall have the right to extend the maturity date of its increased number of debts up to the next business day after the date of conversion of such receipt to a note. Upon the member's notification of its request to Takasbank through the system, Takasbank shall inform the lenders accordingly.
- (3) If the issuer institution issues a receipt as a result of the capital increase, the borrower shall be entitled to close its increased number of debts by the shares, if it wishes.
- (4) If the maturity date of the transaction falls on the same day with the start date of the rights issue; then neither the lending member nor the borrower, to enable its customers to benefit from the capital increase, cannot close off the transaction until the last hour of the rights issue.
- (5) The rights of the securities subject to the lending whose value date is not yet due or have a capital increase transaction on the value date shall be used by the lender.

#### **a) Dividend**

If the securities subject to the lending have any dividend payment within their maturities, then the borrowing member or its customers are required to deposit the amount entered to the Takasbank system by the CRA, either on a net or gross basis based upon the liability status of the lender, to Takasbank until **05:00 p.m.** of the dividend distribution date. Takasbank shall collect this amount from the free account of the borrower and simultaneously transfer it to the free account of the lender. If the borrowing member or its customers fail to fulfill its/their obligation, then such amount shall be transferred by Takasbank to the lender and a default interest thereof shall be applied to the borrower. The default interest shall be at the rate of **50%** more than the highest among the weighted average overnight interest rates occurred in the repo-reverse repo markets where government securities are traded, CBRT Interbank Money Market or Takasbank Money Market that have been formed by the Exchange on the same day.

#### **b) Capital increase through a bonus issue**

If the security subject to the lending has any capital increase through a bonus issue during the life of the transaction, then the borrower's debt on acquired securities shall be increased on the date of the

bonus issue up to a number of shares to be found by multiplying the bonus issue rate with the number of transaction shares. At the maturity date of the transaction, the borrower, in addition to the number of shares it has borrowed at the beginning, shall also be liable to return the number of shares increased as a result of the capital increase through a bonus issue. If the borrower member or its customers cannot fulfill its obligation to bring the increased number as a result of the capital increase, it is obliged to pay the default interest within the framework of the principles set out in the twelfth paragraph of article 47 of this Procedure.

**c) Capital increase through rights issue**

If the shares subject to the lending have any capital increase through rights issue during the life of the transaction, then the system shall automatically create a process with R-code (subscription right) on the start date of the rights issue up to a number corresponding to the number of shares subject to the lending. Thereby, the lender's rights arising from the rights issue shall be returned by the borrower as a subscription right. Transactions bearing "R" code should be returned by the borrower at the end of the third business day after the start date of the capital increase through rights issue.

The lender may also exercise its right of participation to the rights issue through Takasbank by declaring its participation. The final date for the declaration is the start date of the rights issue. The deadline of the declaration is **04:00 p.m.** and the deadline of the rights issue is **04:15 p.m.** If the lending member or its customers declare(s) its/their participation to the rights issue but fail(s) to realize the increase until **04:15 p.m.**, then transactions bearing R-code shall be cancelled on the subscription cancellation time (**04:20 p.m.**) and the rights thereof shall be lost.

Declaration and capital increase transactions cannot be performed partially.

If the lender participates to the rights issue, then Takasbank shall transfer the amount of subscription right collected from the lender's free account subsequently to the free account of the borrower. After the cash transfer, the shares debt of the borrower shall increase at the rate of the participation amount paid by the lender. If the maturity date of the transaction coincides to or is longer than the rights issue+2 business days, the borrower, in addition to the number of shares it has borrowed at the beginning, shall also be liable to return the number of shares increased as a result of the capital increase through rights issue. If the borrower member or its customers cannot fulfill its obligation to bring the increased number as a result of the capital increase, it is obliged to pay the default interest within the framework of the principles set out in the twelfth paragraph of article 47 of this Procedure. If the maturity date of the transaction is shorter than the rights issue+2 business days, then the maturity date of the number of increased shares shall be the rights issue+2 business days.

If the start date of the rights issue and the dividend payment date are on the same day, an offset thereof shall be processed automatically.

If the member prefers not to be involved in the automatic offset process, it must notify its request thereof by using Takasbank member applications - one day before the start date of dividend payment and the rights issue. Unless otherwise requested, the automatic offset process shall be carried out in the following ways:

**1) Dividend Rate = Rights Issue Rate**

The shares debt of the borrower shall be increased up to a number of shares to be found by multiplying the number of transaction shares with the rights issue rate.

**2) Dividend Rate > Rights Issue Rate**



The shares debt of the borrower shall be increased up to a number of shares to be found by multiplying the number of transaction shares with the rights issue rate. The borrower must deposit the difference between the dividend amount and the rights issue to Takasbank on the dividend distribution date until **05:00 p.m.** Takasbank shall collect this amount from the free account of the borrower and simultaneously transfer it to the free account of the lender. If the borrowing member or its customers fail(s) to fulfill its/their obligation, then such amount shall be transferred by Takasbank to the lender and a default interest thereof shall be applied to the borrower. The default interest shall be at the rate of **50%** more than the highest among the weighted average overnight interest rates occurred in the repo-reverse repo markets where government securities are traded, CBRT Interbank Money Market or Takasbank Money Market that have been formed by the Exchange on the same day.

### **3) Dividend Rate < Rights Issue Rate**

The shares debt of the borrower shall be increased up to a number of shares to be found by multiplying the number of transaction shares with the dividend rate. For the difference between the rights issue rate and the dividend rate, the lender must notify Takasbank of whether or not it will participate to the capital increase through rights issue, and, if it participates, of the rate of its participation by using Takasbank member applications - until **04:15 p.m.** at the latest; and must affect its subscription right payment accordingly. If the lender does not make any notification for such amount, the lender's rights arising from the rights issue shall be returned by the borrower as a subscription right coupon. Transactions bearing "R" code should be returned by the borrower at the end of "the start date of the capital increase through rights issue + 3 business days".

If the lender participates to the rights issue, then Takasbank shall transfer the amount of subscription right collected from the lender's free account subsequently to the free account of the borrower. After the cash transfer, the shares debt of the borrower shall increase at the rate of the participation amount paid by the lender.

## **CHAPTER EIGHT**

### **Acceleration and Default Provisions**

#### **Acceleration of the lending transactions**

#### **ARTICLE 46 -**

- (1) Except for the lending transactions with no fixed maturity date, the borrower shall have no right to claim the termination of the lending transaction before its maturity date by returning the security it has borrowed.
- (2) Debts arising from the lending transactions shall become due and payable in the following situations:
  - a) On the maturity date,
  - b) Failure of the Member to fulfill its margin call and guarantee fund contribution amount obligations in accordance with the principles and procedures stipulated in this Procedure,
  - c) Decision made by Takasbank for the liquidation of the outstanding liabilities of the member pursuant to article 8 of this Procedure,
  - ç) Removal of the security subject to the lending from the list of eligible securities which is created pursuant to the provisions of the Communiqué and may be subject to leveraged buyout and short selling.

- (3) For the transactions where the obligations are failed to be fulfilled in accordance with the principles and the procedures and within the time periods mentioned below, the default provisions shall be applied on the date the debt becomes due and payable without having to serve any further notice.
- (4) If the situation referred to in the item (b) of the second paragraph of this article occurs, the provisions of articles 34, 37 and 42 of this Procedure shall be applied.
- (5) If any situation referred to in the item (c) of the second paragraph of this article occurs, the borrowers or the lenders are required to fulfill their obligations within three business days at the latest provided that it shall not exceed the maturity date.
- (6) If the lending transaction becomes due and payable before the maturity date due to the reasons described in the items (b) and (c) of the second paragraph, a commission amount to be accrued until the maturity date and calculated in the manner specified in this Procedure shall be paid to the lending member. In such a case, the borrowing member shall also be liable to repay the aforesaid commission amount to Takasbank.
- (7) If the situation referred to in the item (ç) of the second paragraph of this article occurs, the lending transaction shall be liquidated in line with the time periods specified in the Communiqué. In case the borrowing member fails to fulfill its obligations, the default provisions shall be applied and such obligations shall be liquidated pursuant to the provisions of article 47. In such a case, a commission payment shall be made to the lending member for the period to be elapsed till the return date of the securities subject to the lending. Again, in such a situation, the borrowing member shall also be liable to repay the aforesaid commission amount.
- (8) Should the debt which becomes due and payable be failed to be closed on its deadline, the default interest calculated by Takasbank over the default interest rate specified in article 47 of this Procedure shall be debited to the account of the relevant member.

## **Default provisions**

### **ARTICLE 47 -**

- (1) Without prejudice to the limitations stipulated by article 36 of the Central Counterparty Regulation regarding the financial responsibility of Takasbank; its responsibility against the lender in lending transactions shall be limited to the transaction commission, the delivery of the security subject to the lending on the maturity date; and, in case of failure to deliver it on the maturity date, its return by supplying it from the market in accordance with the principles and procedures mentioned below; and in case of failure to return, then its cash consideration calculated again in accordance with again the principles and procedures mentioned below and the transaction commission to be computed till the date of the payment.
- (2) In case of default, all rights on disposition of collaterals shall belong to Takasbank. The rights and powers of Takasbank on the asset values taken as collateral cannot be limited in any way. Lack of power of disposition of the Member, for any reason, shall not prevent Takasbank from establishing a real right. Title or limited real right claims of third parties on the asset values given as collateral cannot be asserted against Takasbank. Takasbank shall be entitled to sell the assets given as collateral for the lending transaction with the best effort and the best price in the organized markets or over stock market and cover its receivable from the sale proceeds thereof, without having any obligation to fulfill any precondition such as serving any notice or warning, allotting extra time, obtaining a permission or approval from the administrative or judicial authorities, converting collateral into cash through an auction or another way, etc.
- (3) Takasbank has the right of settlement, offsetting and retention on the assets with itself that are owned by the defaulting Central Counterparty member and other rights and receivables thereof. Should the

collaterals fail to be sufficient to cover the obligations of the member, then the amount exceeding the collateral shall be collected from the member.

- (4) The members are obliged to fulfill their obligations arising as a result of the lending transactions they conduct on behalf of their customers and the portfolio accounts on time.
- (5) In case of default, return of the security is essential. If Takasbank fails to return the security on the maturity date due to the failure of the borrower to deliver the relevant security on time, the lender's right to claim the value of the security shall be reserved. Takasbank shall try to accommodate the security subject to the lending from the borrower, the market, or default purchase on the next business day following the maturity date. To that end, it may grant extra time to the borrower until **11:30 a.m.** of the next business day following the maturity date, without prejudice to the default provisions, to deliver the security it owes. If case of default is not remedied by the end of given period, Takasbank may open a "Default Series" on Borsa Istanbul Equity Market to resolve the default. During this process, same-day value date (T+0) transactions may be conducted by sending orders to Borsa Istanbul Equity Market. To execute the order, the member's transaction collateral and guarantee fund contribution amounts, in addition to the receivables blocked against the settlement debt, may be used. Upon accommodation of the security either in part or in whole, it shall be returned to the lender within **two business days** at the latest. If the security is failed to be obtained from the member, the market, or default purchase, or can only be partially obtained, a payment up to the amount of undelivered portion shall be made by the borrower to the account of the lender until **04:30 p.m.** of the next business day following the maturity date, provided that the market value of the security has been claimed by the lender either on the maturity date or until **04:00 p.m.** of the next business day. For the calculation of the amount to be paid, the market value calculated for the relevant security at the end of the maturity date shall be taken as the basis.
- (6) In cases where the security is failed to be returned by Takasbank to the lender, and if no cash consideration is claimed by the lender, Takasbank shall try to accommodate the relevant security from the markets, or default purchase within three business days after the maturity date on a best effort basis. If the security is again failed to be obtained within this time period, market value calculated by the highest weighted average price of the undelivered portion of the security subject to the lending to be calculated for the days to be elapsed from the maturity date to the end of the following **third business day** shall be credited to the account of the lender and the lending transaction thereof shall be terminated.
- (7) A commission payment to be calculated over the default amount based on the commission rate of the transaction shall be made to the lender until the debt on acquired securities is fully paid off. The rate of such transaction commission cannot exceed the default interest rate to be charged by Takasbank to the borrower during the default period.
- (8) If the receivable of the lender is paid by Takasbank in cash, then the debt of the borrower shall also be turned into cash. When the debt on acquired securities is turned into cash, then the borrower shall be liable to pay such cash amount together with its default interest to be calculated pursuant to the provisions of the twelfth paragraph. The obligations of the borrower stipulated in this Procedure regarding the default interest and transaction commission required to be paid for the time period to be lapsed till the date the debt turns into cash shall be reserved.
- (9) The settlement of future-dated transactions shall not be executed till the default status of the relevant member or its customers are fully rectified. If the default is failed to be rectified until **03:30 p.m.**, Takasbank shall be entitled to return the lent security to its lender before the maturity date, but shall also be liable to pay the commissions to be accrued till the maturity date of the transaction. On the other hand, the security borrowed by the defaulting member shall not be delivered to the member. The

- defaulting member shall be liable to pay the default interest and the transaction commission to be calculated thereof.
- (10) If Takasbank has incurred any loss higher than the default interest amount because of the failure to settle the debt either wholly or partially, then such loss shall be indemnified by the Member. The transaction commission shall continue to be paid during the default.
- (11) The member, during its default status, cannot conduct any transaction in the SLM for its accounts causing the default. A blockage shall be placed on the collaterals in the accounts causing the default and no collateral outflow from such accounts shall be allowed. Takasbank, if it deems it necessary, may also not allow the member to conduct any risk-enhancing transaction either on behalf of its own portfolio or its other customers and/or the withdrawal of excess collateral in the member's own accounts.
- (12) The securities defaulting Member shall be liable to pay a default interest in accordance with the following principles:
- The member whose closing deadline for its debts due is **05:00 p.m.** and still has an outstanding debt balance as at that time shall be in default. If the debt amount is paid off until **05:30 p.m.** on the default date, then the default interest rate shall be the **50%** of the highest among the interest and commission rates listed below and it shall be calculated over the market value of the defaulted debt amount for 1-day and debited accordingly.
    - An overnight weighted average interest rate formed in the repo-reverse repo markets where government securities are traded on the same day,
    - An overnight weighted average interest rate in the CBRT Interbank Money Market,
    - An overnight weighted average interest rate in the Takasbank Money Market,
    - Commission rate of the contract subject to default,
    - The weighted average commission rate of the contracts of the value subject to default in the SLM (excluding those executed by special order) at the date of default.
  - If the debt amount is paid off after **05:30 p.m.** on the default date, then the default interest rate, is applied as the highest one among the interest and commission rates stated below.
    - **Double** of an overnight weighted average interest rate formed in the repo-reverse repo markets where government securities are traded on the same day,
    - **Double** of an overnight weighted average interest rate in the CBRT Interbank Money Market,
    - **Double** of an overnight weighted average interest rate in the Takasbank Money Market,
    - Commission rate of the contract subject to default,
    - The weighted average commission rate of the contracts of the value subject to default in the SLM (excluding those executed by special order) at the date of default. The default interest amount shall be calculated over the market value of the defaulted debt amount for the number of days to be lapsed during the default period and debited accordingly.
- (13) If the day after the default close date falls on a non-business day, the interest shall also be accrued for such non-business days.
- (14) Deficits arising after the execution of the default provisions of the Procedure and the Chapter Five of the Central Counterparty Regulation on the defaulting member and which cannot be covered by the collateral and the guarantee fund contribution amounts of the defaulting Member shall be designated by Takasbank as the loss of Takasbank and of other Members and shall be assumed thereof in order as laid down in the first paragraph of article 36 of the Central Counterparty Regulation.
- (15) The unused portion, if any, of the collateral and the guarantee fund contribution amounts of the defaulting Member and the funds to be generated from the pursuance of such member shall be used in the first place for paying off the debts accommodated for the liquidation of the obligations of the

Member, if any; and for the replacement of the capital that has been committed pursuant to the item (f) of the first paragraph of article 36 of the Central Counterparty Regulation, if it was used. From the remaining balance, first the additional guarantee fund contribution amounts received from the non-defaulting Members; and then the guarantee fund contribution amounts received from the non-defaulting Members shall be returned. The returns shall be made on a pro rata basis. No payment or return shall be made by Takasbank to any defaulting Member unless all primary and secondary liabilities arising from the default, including the portion covered from Takasbank's capital, shall be fully liquidated.

- (16) If the capital that has been allocated in accordance with article 36 of the Central Counterparty Regulation against the risks that has been covered was used due to the default, then Takasbank shall restore the used amount within a month. The allocated capital amount to be restored in this way during one year period cannot exceed the amount determined in the beginning of the period. If any default reoccurs within the period of one month to be lapsed until the restoration of the used capital, then the remaining portion of the allocated capital, if any, shall be used. The guarantee fund of the non-defaulting Members shall be used for the portion which cannot be covered. Restoration of the capital shall not necessitate the return of the guarantee fund contribution amounts being used.

## Defaulting on transaction commission and the monetary penalties

### ARTICLE 48 -

- (1) If the transaction commission being accrued on the maturity date or, for the open-loans and the transactions that are longer than one-month, at the end of the month is failed to be paid until **05:00 p.m.** of the accrual date, then the unpaid portion of the commission shall be paid by Takasbank to the beneficiary member; and the accrual of default interest and the application of the default provisions thereof shall begin to run.
- (2) If the transaction commission is failed to be paid until **05:00 p.m.**, then the member will default.
- a) If the transaction commission is paid off until 05:30 p.m. on the default date, then the default interest rate shall be the 50% of the highest among the weighted average overnight interest rates occurred in the repo-reverse repo markets where government securities are traded, CBRT Interbank Money Market or Takasbank Money Market that have been formed by the Exchange on the same day.
- b) If the transaction commission is paid off after **05:30 p.m.** on the default date, then the default interest rate shall be the **double** of the highest among the weighted average overnight interest rates occurred in the repo-reverse repo markets where government securities are traded, CBRT Interbank Money Market or Takasbank Money Market that have been formed by the Exchange on the same day. If the day after the default is closed is a holiday, interest is charged for holidays.
- (3) During the transaction commission default period, the member cannot conduct any transaction in the SLM either on behalf of itself or its customers. The settlement of future-dated transactions shall not be executed till the default status of the relevant member or its customers are fully rectified. If the default is failed to be rectified until **03:30 p.m.**, Takasbank shall be entitled to return the lent security to its lender before the maturity date, but shall also be liable to pay the commissions to be accrued till the maturity date of the transaction. On the other hand, the security borrowed by the member who failed to rectify its transaction commission default shall not be delivered to the member. The defaulting member shall also be liable to pay the default interest and the transaction commission to be calculated thereof.

## CHAPTER NINE Miscellaneous and Final Provisions

### Measures to be taken in extraordinary situations

#### ARTICLE 49 - Measures to be taken in extraordinary situations

- (1) Takasbank shall be authorized to determine the measures to be taken in case of occurrence of any extraordinary situation where it foresees the operations and reliability of the SLM may be adversely affected, and to implement these measures accordingly. In such cases, Takasbank, further to the appropriate measures among those specified in the second and third paragraph of article 48 of the Central Counterparty Regulation, shall also be authorized to change the trading hours, stop the order placements, cancel the transactions and amend their maturities as well as all types of other measures in respect thereof.

### Disciplinary provisions

#### ARTICLE 50 -

- (1) The disciplinary provisions stipulated in the Chapter Seven of the Central Clearing and Settlement Regulation shall apply to the Members who fail to comply with the obligations stipulated in the Procedure.

#### TEMPORARY ARTICLE 51 -

- (1) Borsa İstanbul A.Ş. shares are accepted as collateral as long as the purchase guarantee of Borsa İstanbul A.Ş.  
(2) Updates regarding the maintenance level rate specified in the fourth paragraph of Article 33 of this procedure are announced by a General Letter.

### Enforcement

#### ARTICLE 52 -

- (1) This Procedure shall enter into force on the date of publication.

### Execution

#### ARTICLE 53 -

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