

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
PROCEDURE FOR COLLATERAL MANAGEMENT SERVICE PROVIDED TO PUBLIC
AND PRIVATE SECTOR

SECTION ONE
General Provisions

Purpose

Article 1- (1) The purpose of this Procedure is to regulate the principles and procedures for the collateral management service, to be provided by İstanbul Takas ve Saklama Bankası Anonim Şirketi (Istanbul Settlement and Custody Bank Inc.) for the conduct, by means of Takasbank, of online issuance by Banks/Insurance Companies and transfer to Takasbank through ETMP/SBM, acceptance, transmission, Custody, registration as revenue, return, and extension of the validity of E-Letters of Guarantee to be submitted to Contracting Authorities, to which collateral custody and management services are provided.

Scope

Article 2- (1) This Procedure covers matters on online performance of procedures such as acceptance, custody, return, extension, and revenue entry of E-Letters of Guarantee, issued for submission to Contracting Authorities within the scope of applicable legislation, on behalf of Contracting Authorities, as well as other matters.

Basis

Article 3- (1) This Procedure was issued on the basis of regulations governing the Institution requesting an E-Letter of Guarantee.

Definitions and Abbreviations

Article 4- (1) In implementation of this Procedure, the following terms shall have the meanings provided next to them;

- a) **Bank:** The bank, as defined in the Banking Law no. 5411, that issues the electronic letter of guarantee,
- b) **Electronic Letter of Guarantee (E-Letter of Guarantee):** Means the letters of guarantee issued by banks and surety bonds issued by insurance companies residing in Turkey within the scope of surety insurance, which have been created electronically with secure electronic signature or mobile signature with electronic signature feature in accordance with the standards and rules set forth by the Authority and sent electronically to the collateral manager,
- c) **E-Letter of Guarantee Platform (ETMP):** Means the electronic platform operated by KKB through which all messages, transactions and instructions related with e-letter of Guarantee are transmitted in accordance with the standards specified within the scope of this Procedure,
- d) **Secure Electronic Signature:** Electronic signature defined in Article 4 of the Electronic Signature Law no. 5070 or other methods equivalent to secure electronic signature, addressed by legislation on electronic signature,
- e) **Law:** Regulations governing the Institution,

- f) **KKB:** Credit Bureau (Kredi Kayıt Bürosu A.Ş.),
- g) **Office:** Public institutions and organizations, as well as private law entities, outside the scope of Public Procurement Law no. 4734 and Public Procurement Contracts Law no. 4735, which authorize Takasbank as the collateral manager,
- h) **Beneficiary/Applicant:** Entities, institutions, or organizations, in favor of which an E-Letters of Guarantee is issued by the Bank/Insurance Company,
- i) **Contracting Authority:** The Institution, to which an E-Letter of Guarantee is issued,
- j) **Procedure:** İstanbul Takas ve Saklama Bankası A.Ş. Procedure for Collateral Management Service Provided to Public and Private Sector,
- k) **SBM:** “Sigorta Bilgi ve Gözetim Merkezi” (Insurance Information and Monitoring Center) and “Sigorta Bilgi ve Gözetim Merkezi İktisadi İşletmesi” (Insurance Information and Monitoring Center Commercial Enterprise),
- l) **Insurance Company:** Insurance Companies licensed in the field of collaterals,
- m) **Takasbank:** İstanbul Takas ve Saklama Bankası Anonim Şirketi (Istanbul Settlement and Custody Bank Inc.),
- n) **Takasbank Collateral Reference Number (REFNO):** Distinctive number generated by Takasbank / from Takasbank System that must be used in transmission of E-Letters of Guarantee to Takasbank, which does not contain identifier and understandable explanations for use by the Applicant at the stage of depositing collaterals,
- o) **Takasbank Collateral Management System/System:** The application where acceptance, transmission, return, revenue entry, extension, and all other processes concerning E-Letters of Guarantee are carried out,
- p) **Collateral Manager:** The agency established as the central clearing agency pursuant to the Capital Markets Law no. 6362 of 6/12/2012, which operates Takasbank Collateral Management System, within the scope of performance of procedures such as acceptance, transmission, custody, registration as revenue, return, and extension of the validity of E-Letters of Guarantee submitted on behalf of Contracting Authorities; Takasbank, assigned with performance of custody and collateral management services,
- q) **Implementation:** Internal software used by Contracting Authorities to manage acceptance, return, compensation, etc. claims regarding E-Letters of Guarantee, accessible by authorized users of the Contracting Authorities

SECTION TWO

Rights and Obligations of the Parties

Responsibility of Takasbank

Article 5- (1) Takasbank is responsible for;

- a) Acceptance and custody of E-Letters of Guarantee, submitted with REFNOs through ETMP/SBM and issued pursuant to the legislation, management of processes regarding such E-Letters of Guarantee,
- b) Transmission of E-Letters of Guarantee, accepted by Takasbank, to the Institution and making available to Contracting Authorities by means of the Institution,
- c) Transmission of claims, transmitted in respect of E-Letters of Guarantee by Contracting Authorities and Applicants through Takasbank Collateral Management System, to Banks through ETMP and to Insurance Companies through SBM

- (2) With the exception of liabilities undertaken with this Procedure in respect of the guarantee management service, Takasbank is not responsible for the liabilities of Contracting Authorities to Applicants or Applicants to Contracting Authorities.
- (3) Takasbank is not responsible for E-Letters of Guarantee, which are displayed incorrectly on Takasbank Collateral Management System, if requests and orders to be transmitted by the Contracting Authority and the Applicant directly to the Bank/Insurance Company are processed and not notified to Takasbank by KKB/SBM for any reason.
- (4) Takasbank is entitled to determine the collateral management service fee for the service to be provided within the scope of the Procedure. The Applicant is liable to pay the collateral management service fee according to the method determined and announced by Takasbank.
- (5) E-Letters of Guarantee submitted to Takasbank can be withdrawn only upon approval of the Contracting Authority, in case approval of the Contracting Authority is necessary, while Takasbank is not responsible for delayed approval or disapproval of the Contracting Authority.
- (6) Takasbank is not responsible for losses that might arise in case of difference between E-Letters of Guarantee transmitted to Takasbank and E-Letters of Guarantee stored in the systems of Banks/Insurance Companies.
- (7) Takasbank cannot be held responsible for failure to complete and outcomes of collateral deposit transactions due to non-conformity with the directives in Takasbank Collateral Management System.
- (8) Takasbank cannot be held responsible for operations and transactions arising as a result of orders transmitted by Contracting Authorities to Takasbank for the purpose of registration as revenue of E-Letters of Guarantee subject to the collateral.

Liabilities of the Institution

Article 6- (1) The Institution is responsible for;

- a) Transmission of information necessary for E-Letters of Guarantee to be generated and potential changes in such information to Takasbank in a timely and accurate manner,
- b) Informing Takasbank in advance if legislative text contents of E-Letters of Guarantee change.

Liabilities of Contracting Authorities

Article 7- (1) Contracting Authorities are responsible for;

- a) Carrying out receipt confirmation and all other processes for acceptance, return, extension of the validity, registration as revenue, and registration as revenue request concerning E-Letters of Guarantee, transmitted to Takasbank by means of ETMP/SBM and kept in custody as collateral through Takasbank, using the Application they are integrated with or Takasbank Collateral Management System by means of their authorized users,
- b) Failure to transmit requests concerning E-Letters of Guarantee accepted by Takasbank directly to Banks/Insurance Companies and/or ETMP/SBM for any reason other than general malfunctions in Takasbank Collateral Management System,
- c) Losses that might be incurred in case no order is transmitted to Takasbank Collateral Management System until the validity date due to the expiration of collateral qualification of E-Letters of Guarantee issued by Banks/Insurance Companies at validity,
- d) Correct transmission of the Contracting Authority's bank account details to be used for deposit of the amount notified at the time of transmission of E-Letter of Guarantee registration as revenue requests to Takasbank Collateral Management System,

- e) Losses that might be incurred due to incomplete or incorrect notification or failure of notification of the Contracting Authority's account details,
- f) Observing periods determined by Takasbank with this Procedure in transmission of return, registration as revenue, extension of the validity, and other requests to be transmitted through Takasbank Collateral Management System,
- g) Checking whether validity dates of the E-Letters of Guarantee, displayed on Takasbank Collateral Management Systems, validity and conformity stipulated in the applicable legislation and specifications,
- h) Losses that might be incurred due to collateral balance that is incorrectly displayed in Takasbank Collateral Management System if any transaction is performed outside Takasbank Collateral Management System in respect of the E-Letters of Guarantee that are accepted through Takasbank Collateral Management System,
- i) Acting in conformity with all principles and rules determined in this Procedure and other applicable legislation,
- j) Following operational and implementation changes made by Takasbank and adapting to the changes within determined periods,
- k) Losses that might be incurred due to incomplete or incorrect orders transmitted to the collateral manager,
- l) Fulfill other obligations under the Procedure in due time and completely,
- m) Fulfill all obligations concerning transactions performed within the scope of operations regulated under the Procedure, as well as actions of their employees within the scope of their duties.

(2) E-Letter of Guarantee acceptance, return, registration as revenue, and extension of the validity procedures can be performed by accessing Takasbank Collateral Management System through the Institution or submitting an order to Takasbank Management System by means of the Application.

(3) In order for transactions to be performed by accessing Takasbank Collateral Management System through the Institution, the personnel authorized by the Contracting Authority should use the username and password allocated to their name to access Takasbank Collateral Management System and perform the transactions.

(4) If the Contracting Authority accesses the Collateral Management System by means of their Internal Application;

- a) An integration is established between the Application and Takasbank Collateral Management System.
- b) The personnel authorized by the Institution accesses the Application with the username and the password allocated to their name, and creates electronic orders regarding acceptance, return, registration as revenue, and extension of the validity transactions through the Application. Generated orders are transferred to Takasbank Collateral Management System by means of the integration. Contracting Authority is responsible for transactions performed by the Contracting Authority on Takasbank Collateral Management System using the allocated password and the use of password by unauthorized individuals.

(5) In compulsory cases where it is not possible to access Takasbank Collateral Management System, transactions can be performed by Takasbank upon transmission of secure e-signed orders, to be given by entities authorized to represent the Contracting Authority, to the registered e-mail address (KEP).

Liabilities of Applicants

Article 8- (1) Applicants are responsible for;

- a) Using the REFNO determined/generated in Takasbank Collateral Management System to send collateral to Takasbank on behalf of Contracting Authorities,
- b) Transmission of REFNO and E-Letters of Guarantee subject to the collateral by Banks/Insurance Companies to Takasbank by the date and time requested by the Contracting Authority,
- c) Depositing the fee for the Collateral Management System offered by Takasbank pursuant to the method specified in article 19 of the Procedure,
- d) Potential damages and losses arising from failure to transmit the electronic letter of guarantee to Takasbank in a timely and accurate manner,
- e) Observing the periods determined in this Procedure,
- f) Acting in conformity with all principles and rules determined in this Procedure and other applicable legislation,
- g) Ensuring the required level that should be available in collaterals,
- h) Checking whether the collateral deposited to Takasbank is adequate.

(2) The Applicant is responsible for incomplete deposit of the E-Letter of Guarantee, failure to submit in a timely and accurate manner, or incorrect submission, while Takasbank cannot be held responsible for losses that might arise in this scope.

SECTION THREE General Principles for Collaterals

General Principles for Collateral Management Service

Article 9- (1) E-Letters of Guarantee to be provided against collateral, to be submitted to Contracting Authorities within the scope of the Law and applicable sub-regulations, can only be submitted online to Takasbank.

(2) Applicants must submit collateral, at the amount calculated pursuant to the methods determined in the Law, to Takasbank by means of ETMP/SBM in the form of E-Letter of Guarantee.

(3) Acceptance, return, extension of the validity, and registration as revenue of E-Letters of Guarantee are performed by means of Takasbank Collateral Management System.

(4) E-Letters of Guarantee that do not conform to determined criteria shall be automatically rejected.

(5) E-Letters of Guarantee must be issued with REFNO.

(6) Registration as revenue and return requests shall be deemed to take effect at the moment of transmission of the request by Takasbank to ETMP/SBM. Takasbank cannot be held responsible for the failure to transmit the request timely to the Bank by means of ETMP and to the Insurance Company by means of SBM.

Assets Acceptable as Collateral

Article 10- (1) E-Letters of Guarantee, defined in clause (b) of paragraph 1 of article 4 of this Procedure, are accepted as collateral in Takasbank Collateral Management System.

Issuance, Transmission, and Acceptance of Electronic Letter of Guarantee

- Article 11-** (1) E-Letters of Guarantee within the scope of this Procedure are generated by Banks/Insurance Companies in their systems pursuant to established principles and procedures.
- (2) E-Letters of Guarantee have the same legal nature as the letters of guarantee and surety bonds issued on paper.
- (3) Formats and standards to be observed in generation and submission of E-Letters of Guarantee as electronic documents, as well as other matters regarding implementation, are announced by the Institution.
- (4) E-Letters of Guarantee, issued by Banks/Insurance Companies, are transmitted with REFNOs generated from Takasbank Collateral Management System by Applicants to Takasbank by means of ETMP/SBM.
- (5) Electronic Letters of Guarantee, submitted with invalid REFNOs, are rejected by Takasbank.
- (6) In transactions with direct access through Takasbank Collateral Management System, letter acceptance is performed automatically following transmission of E-Letter of Guarantee to Takasbank by means of ETMP/SBM and checks conducted by Takasbank.
- (7) If Takasbank Collateral Management System is accessed by means of an application; E-Letters of Guarantee are deemed to have been accepted and qualify as guarantee following transmission of the electronic order concerning approval of acceptance to Takasbank Collateral Management System upon review of the E-Letter of Guarantee, transmitted by means of Takasbank Collateral Management System, by the Contracting Authority using the Application, and return of such order to ETMP/SBM.
- (8) If the acceptance is rejected on the Application, the letter is returned before issuance.
- (9) Any electronic document, which is not issued in line with the established principles and procedures, as well as the format and standards in question, or not sent or received through Takasbank even if they are issued accordingly, cannot be accepted as an E-Letter of Guarantee within the scope of this Procedure.
- (10) Contents of the E-Letter of Guarantee are determined by the Institution and cannot be changed by Banks/Insurance Companies.
- (11) It is compulsory to transmit the E-Letter of Guarantee to the Institution and to fulfill requests, transmitted by the Institution to Takasbank, by means of Takasbank Collateral Management System.
- (12) Due form, coverage of necessary collateral, and validity period (maturity) of the E-Letters of Guarantee, transmitted to the Institution, are checked by Contracting Authorities.

Custody Procedures

- Article 12-** (1) E-Letters of Guarantee, used within the scope of this Procedure, are stored on electronic media in ETMP/SBM and Takasbank Collateral Management System. Custody of E-Letters of Guarantee in Takasbank Collateral Management System does not discharge the custody liabilities of relevant parties arising from their applicable legislation.
- (2) E-Letters of Guarantee stored on paper media shall not be valid.
- (3) The use of E-Letter of Guarantee application by means of KKB/SBM and Guarantee Manager does not discharge relevant Banks/Insurance Companies from their responsibilities in respect of performed transactions.
- (4) All processes regarding E-Letters of Guarantee, transmitted to Takasbank by Banks/Insurance Companies and accepted by Takasbank, must be carried out by means of ETMP/SBM.

E-Letter of Guarantee Return Procedures

Article 13- (1) Return requests for E-Letters of Guarantee can be transmitted only by the Contracting Authorities.

- (2) Return and registration as revenue procedures on the Application are carried out by transmission of electronic orders, created by the Contracting Authority's users, to Takasbank Collateral Management System.
- (3) Return requests of Contracting Authorities are transmitted by Takasbank to Banks by means of ETMP and to Insurance Companies by means of SBM.
- (4) If Banks/Insurance Companies accept full return requests, E-Letters of Guarantee are terminated and disqualify as collateral on Takasbank Collateral Management System.
- (5) Expired and unreturned E-Letters of Guarantee are terminated automatically on the System and disqualify as collateral at the end of the validity date.
- (6) No order is transmitted for E-Letters of Guarantee by the Contracting Authorities to Banks/Insurance Companies by means of ETMP/SBM; Banks/Insurance Companies should also terminate E-Letters of Guarantee in their systems at the end of the validity date.

Electronic Letter of Guarantee Extension Procedures

Article 14- (1) E-Letter of Guarantee extension of validity requests should be transmitted;

- a) by the Applicant to the Bank/Insurance Company issuing the letter,
 - b) by the Contracting Authorities to Takasbank Collateral Management System.
- (2) Extension of validity request is transmitted
- a) by the Applicant to Banks/Insurance Companies and, if the request is accepted by Banks/Insurance Companies, to Takasbank by means of ETMP/SBM,
 - b) by the Contracting Authority to Takasbank by means of Takasbank Collateral Management System.
- (3) In order for E-Letter of Guarantee validities to be extended by Takasbank; extension of validity requests received from Banks by means of ETMP or from Insurance Companies by means of SBM and extension of validity requests approved by Contracting Authorities should match. In case of a match, extension of the validity is performed in Takasbank Collateral Management System.

E-Letter of Guarantee Registration as Revenue Procedures

Article 15- (1) Registration as revenue procedures are initiated on Takasbank Collateral Management System upon request of the relevant Contracting Authority.

- (2) Contracting Authority IBAN, title, and amount details, entered by the Contracting Authority to the system during registration as revenue request, are transmitted by Takasbank to Banks by means of ETMP and Insurance Companies by mean of SBM.
- (3) Information on acceptance/rejection of request by Banks/Insurance Companies is transmitted to Takasbank by means of ETMP/SBM.
- (4) Subject to further acceptance by the Institution, Takasbank may ask the Contracting Authority to confirm payment through Takasbank Collateral Management System for receipt of the amount, registered as revenue, in the relevant account.

- (5) If Banks/Insurance Companies accept/confirm payment for full registration as revenue requests, E-Letters of Guarantee are terminated and disqualify as collateral on Takasbank Collateral Management System.
- (6) Registration as revenue requests should be transmitted by 3:50 PM on full business days and 10:50 AM on half business days.
- (7) Takasbank may transmit registration as revenue requests, to be transmitted to Banks by means of ETMP or to Insurance Companies by means of SBM, at the latest by 1:50 PM on the last date of validity. If the last work day of the validity term is a half business day, registration as revenue request shall be transmitted by means of ETMP/SBM within abovementioned transaction times on the previous business day.
- (8) Registration as revenue orders cannot be given for overdue E-Letters of Guarantee.
- (9) Registration as revenue of collateral is at the discretion of the Contracting Authority, while Takasbank is by no means responsible for such discretion.

Non-Seizability of Collaterals

Article 16- (1) Collaterals received on behalf of the Contracting Authority cannot be seized, pledged, included in bankruptcy estate, and subject to precautionary attachment under any circumstances within the scope of the Law.

SECTION FOUR

Principles for Participation in Takasbank Collateral Management System and Account Structure

Participation in Takasbank Collateral Management System

Article 17- (1) Acceptance, transmission, return, registration as revenue, extension of the validity, and all other processes regarding E-Letters of Guarantee are carried out through Takasbank Collateral Management System.

- (2) All processes regarding E-Letters of Guarantee accepted by Takasbank must be conducted through Takasbank Collateral Management System with the exception of unavoidable circumstances.

REFNO Generation

Article 18- (1) REFNO, which must be used in transmission of E-Letters of Guarantee to Takasbank and which does not contain identifier and understandable explanations for use by the Applicant at the stage of depositing collaterals, are generated by Takasbank on the basis of Institution, relevant collateral type, and subject and announced to the Applicants by means of Takasbank website and the Institution.

- (2) REFNO must be used in provision of E-Letters of Guarantee as collateral.
- (3) Electronic Letters of Guarantee, submitted with invalid REFNOs, are not accepted.

SECTION FIVE

Miscellaneous and Final Provisions

Fees and Commissions

Article 19- (1) Fees and commissions, applicable in exchange for services offered by Takasbank under this Procedure, shall be determined by Takasbank.

- (2) Takasbank reserves the right to make updates and changes in the rate tariff and collection method at any time, subject to prior notice to the participants.
- (3) Takasbank collateral management service fee for the E-Letter of Guarantee must be paid pursuant to the fee tariff and method announced on Takasbank website.
- (4) Upon acceptance of the E-Letter of Guarantee by Takasbank, if the Applicant and/or the Contracting Authority withdraws and/or returns the E-Letter of Guarantee in question, fee and commission refunds are not made to the Applicant.

Exceptional Circumstances

Article 20- (1) Takasbank is entitled to determine and implement measures to be taken in case of the presence of exceptional circumstances, under which collateral management transactions are estimated to be impacted negatively. Takasbank shall notify such measures and practices to the Institution as soon as possible.

- (2) Failure to generate, verify, and transmit collaterals due to problems arising from information systems shall not prevent the parties from fulfilling their responsibilities arising from the applicable legislation.
- (3) Any failure to carry out return and registration as revenue processes for E-Letters of Guarantee, which are generated on electronic media, does not discharge the parties from their responsibilities arising from the applicable legislation.

System Business Continuity

Article 21- (1) System business continuity plan and emergency rules are regulated by “Takasbank Business Continuity Directive” and sub-directives and business continuity plans based on Takasbank Business Continuity Directive. General policy texts regarding business continuity are announced to participant through Takasbank website. Provisions Applicable in the Absence of Stipulation in the Procedure

Article 22- (1) Provisions of the Law and the applicable legislation shall be implemented in case of circumstances that are not stipulated in the Procedure.

Implementation Principles

Article 23- (1) Takasbank is authorized to interpret the provisions of this Procedure, and decide, also in consideration of the general provisions, in respect of matters that are not included or clarified in this Procedure.

Announcements

Article 24- (1) Changes regarding matters within the scope of the Procedure are announced on www.takasbank.com.tr website.

Effect

Article 25- (1) The procedure takes effect on the date of its issuance.

Conduct

Article 26- (1) The CEO implements the provisions of the Procedure.