

# İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. GOLD TRANSFER SYSTEM IMPLEMENTING PRINCIPLES AND PROCEDURES

## CHAPTER ONE

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

#### ARTICLE 1- Purpose

- (1) The purpose of this Procedure is to stipulate the principles and procedures for membership, transfers and other issues regarding the service to be provided by Istanbul Settlement and Custody Bank Incorporation as the system operator of Takasbank Gold Transfer System.

#### ARTICLE 2- Scope

- (1) Safekeeping and transfer of gold that may be subject to any transfer as well as the determination of the membership, operating and commission principles for the Gold Transfer System fall within the scope of this Procedure.

#### ARTICLE 3- Basis

- (1) This Procedure has been stipulated based on Takasbank Gold Transfer System Directive being approved in the Board of Directors dated 28/06/2018 numbered 350 and being prepared in accordance with the Communique No. 2013-32/43 on Decision No. 32 Regarding Protection of the Value of Turkish Currency published in the Official Gazette dated 29/05/2013 and numbered 28661 and the Regulation on Activities of the Payment and Security Settlement Systems published in the Official Gazette dated 28/06/2014 and numbered 29044.

#### ARTICLE 4- Definitions and Abbreviations

- (1) The following terms used in this Procedure shall bear the following meanings;
- a) **Decree No. 32:** The Decision No. 32 Regarding Protection of the Value of Turkish Currency published in the Official Gazette dated 29/05/2013 and numbered 28661.
  - b) **Gold:** The LBMA Gold defined in the Decree No. 32, of whose standards are determined by Takasbank as to be accepted for physical custody.
  - c) **Allocated custody account:** The relevant gold custody account opened at Borsa Istanbul in the name of the member.
  - d) **BIAS, Borsa Istanbul:** Borsa Istanbul Incorporation.
  - e) **Physical custody:** The custody of gold in Borsa Istanbul safe deposit boxes on behalf of the Member under the account(s) opened in the name of Takasbank.
  - f) **General Manager:** The General Manager of İstanbul Takas Ve Saklama Bankası A.Ş

- g) **Participant Agreement:** The Gold Transfer System Participant Agreement.
- h) **LBMA Good Delivery Listed Gold:** 995/1000 pure gold which has been standardized by being made subject to a refining process by a refinery (good delivery refiner) accredited by the London Bullion Market Association (LBMA).
- i) **Unallocated custody:** Storing the assets received for custody together with those which are same in terms of their nature and returning them through delivery of any asset corresponding to the same amount and characteristics.
- j) **CCS Regulation:** Istanbul Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation published in the Official Gazette dated 18/07/2013 and numbered 28711.
- k) **Procedure:** Takasbank Gold Transfer System Procedure approved by the General Manager.
- l) **Takasbank:** İstanbul Takas Ve Saklama Bankası A.Ş
- m) **System pool account (Takasbank account):** The account/accounts opened at Borsa Istanbul in the name of Takasbank to store gold.
- n) **Transfer Transaction:** The book-entry transfer operation of gold held at Takasbank system pool account on behalf of the Members, either between the Members and/or to the member's Borsa Istanbul custody account.
- o) **Transfer System (System):** Takasbank Gold Transfer System.
- p) **Member:** A Takasbank-member institution included in the system by signing an agreement with Takasbank and paying the participation fee.
- q) **Member account:** An account opened under Takasbank System Pool Account in the name of the Member and monitored in Takasbank system.
- r) **Directive:** Takasbank Gold Transfer System Directive approved by the Board of Directors.
- s) **Board of Directors:** Takasbank Board of Directors.

## CHAPTER TWO

### Principles for Membership

#### ARTICLE 5- Membership

- (1) Banks satisfying the conditions listed in article 6 of the Procedure may become a member of Takasbank Gold Transfer System. The Central Bank of the Republic of Turkey is a natural member of the system.

## **ARTICLE 6- Conditions for membership**

- (1) The following conditions must have been met to become a Takasbank Gold Transfer System Member.
- a) The member must have signed the “Custody Agreement” and the “Letter of Undertaking for Cash, Securities, Collateral, Conditional Virement and Electronic EFT Instruction” to participate in the system.
  - b) The member must have signed the agreement whose content is determined by Takasbank and must have paid the participation fee given in the service fee tariff.
  - c) The relevant custody accounts must have been opened at Takasbank and BIAS.

## **ARTICLE 7- Application for membership and its admission**

- (1) Banks that will apply for membership are required to submit their application request addressed to the Directorate General of Takasbank together with a letter accompanied by the information and documents affirming the fulfillment of the conditions sought for membership in the Procedure and send the below listed documents by enclosing them to this letter to Takasbank.
- a) Membership application form,
  - b) Authorization certificate (its copy),
  - c) Membership Agreement and Pre-Agreement Information Form,
  - d) Custody Agreement,
  - e) Letter of Undertaking for Cash, Securities, Collateral, Conditional Virement and Electronic EFT Instruction,
  - f) Implementing Agreement for the Customer Instructions to be delivered to Istanbul Settlement and Custody Bank Inc. via Fax Machine,
  - g) Other documents to be requested by Takasbank in accordance with the relevant legislation.

- (2) In order for the membership applications to be eligible for assessment by Takasbank, the information and documents referred to in the first paragraph of this article as well as other documents to be requested by Takasbank must have been completed. Takasbank shall review the filed applications in terms of whether the conditions sought in article 6 have been fulfilled or not.

## **ARTICLE 8- Obligations of the members**

- (1) The Members are obliged to comply with the following issues;
- a) Act in accordance with all rules and principles laid down by the Procedure and other relevant legislation for the transfer transactions.
  - b) Behave in line with the principles of honesty and good faith towards their customers and other members.

- c) Perform all dues, fee and commission payments and other obligations requested by Takasbank in due time.
  - d) Provide all types of information and documents to be requested on issues deemed necessary by Takasbank with regard to the business and operations within the scope of the Procedure, and provide all type of support in the investigations to be conducted by the officers of Takasbank.
  - e) Adapt within the prescribed time periods to the system revisions to be made by Takasbank and participate in the tests they are invited.
  - f) Fulfill other obligations within the scope of the Procedure within their time periods and in a complete manner.
- (2) If any Member foresees that it will be unable to either partially or wholly fulfill its obligations, it shall be obliged to notify such situation immediately to Takasbank together with all substantiating information and documents containing the reasons thereof.
- (3) The members shall be responsible for the performance of all obligations related to the transactions they have conducted in accordance with the activities stipulated under the Procedure as well as the business and operations performed by their employees pursuant to their duties.
- (4) The members shall conduct their transactions via remote access by using the user codes and passwords allocated to the personnel they have authorized. The responsibility arising from the transactions conducted on the system by using the allocated password as well as from the use of the password by unauthorized people shall belong to the member.
- (5) In cases where access to the system is not possible, the transactions can be executed by Takasbank in accordance with the written instructions to be given by the people who have authority to represent the member.
- (6) The Members are only authorized to perform their transfer transactions and/or those of their customers.

#### **ARTICLE 9- Disciplinary provisions**

- (1) For the members failing to comply with the obligations stipulated in this Procedure, the disciplinary provisions given in Chapter Seven of the CCS Regulation shall be applied.

#### **ARTICLE 10- Suspension of member activities and removal from membership**

- (1) In case of occurrence of risks of a significant nature which would jeopardize the secure and uninterrupted functioning of the system as a result of the loss of the membership conditions or the non-fulfillment of the obligations, Takasbank shall be entitled to either temporarily suspend the activities of the member entirely or on a transaction basis without designating any time or remove the member from the membership.
- (2) If the trading authorization of the member is revoked by BIAS or any competent authorities, the member shall be removed from the system membership by Takasbank.

- (3) The obligations of members that have arisen from the transactions included in the scope of the Procedure, of whose activities are suspended, who are removed from the membership or wish to depart from the membership upon their own written request, shall prevail.

#### **ARTICLE 11- Departing from the membership**

- (1) The institution wishing to depart from the membership shall inform Takasbank of this situation in writing. In addition;
- a) copies of the documents received from BIAS and substantiating that it has terminated the unallocated custody agreement must have been delivered to Takasbank.
  - b) all future-dated transactions it has conducted in the system must have been fully liquidated.
  - c) it must have no System-related obligation against Takasbank.

### **CHAPTER THREE**

#### **Account Operations**

#### **ARTICLE 12- Account structure**

- (1) The gold accounts necessary for the execution of transfer transactions shall be opened at Takasbank for all members intending to conduct transaction in the transfer system. The Member Account shall be opened by Takasbank on behalf of each member to conduct transaction in the system and the gold balances of the members shall be monitored over these accounts on a member basis.
- (2) The equivalent value of gold to be transferred at Takasbank shall be kept in the pool accounts opened at Borsa Istanbul. Takasbank keeps the gold balances of all members in physical form and unallocated, on an omnibus or segregated basis in the accounts opened in its own name.
- (3) In these accounts being opened for the purpose of monitoring the positions and transfers, only book entry gold inflows and outflows shall be permitted. Neither any direct physical delivery nor any conversion can be made from or to Takasbank accounts. For the physical delivery, the member must firstly transfer the gold held in the member account to its own account at Borsa Istanbul.
- (4) To create gold balance in its account, the member shall convey an instruction to Borsa Istanbul to make transfer from its accounts at Borsa Istanbul to Takasbank member account. The member can perform physical gold delivery to Borsa Istanbul vaults, after then the gold amounts can be deposited to Takasbank member account. The physical gold delivery transactions shall be subject to the principles and procedures set forth by Borsa Istanbul.
- (5) The gold balances shall be kept in Takasbank accounts in the form of gram (gr). The amount is expressed on the system in terms of gram corresponding to the purity of 995/1000 in 2 decimal points.

- (6) For the transactions on Takasbank accounts, the principles and procedures of Borsa Istanbul and Takasbank shall apply.

### **ARTICLE 13- Account Types**

- (1) The member accounts opened at Takasbank has proprietary and Customer breakdown and they are designated as a sub-account type.
- a) P- Proprietary account is the free sub-account in which the banks' own portfolio assets shall be kept and over which the transfers from the bank's proprietary portfolio shall be performed. This sub-account shall be used for transferring gold belonging to the member's own portfolio.
- b) M-Customer account is the free sub-account in which the banks' customer assets shall be kept collectively and over which the customer transfers shall be performed. This sub-account shall be used in the customer transfers.
- (2) All transfer transactions conducted on the system shall be performed by using the relevant member accounts on the value date.
- (3) Takasbank shall be entitled to open a different account types on behalf of the member where necessary.

## **CHAPTER FOUR**

### **Transfer Principles**

#### **ARTICLE 14- Takasbank's responsibility**

- (1) Takasbank shall not be responsible for the members' obligations against BIAS and other members other than those it undertakes through this Procedure in relation to the gold transfer service.

#### **ARTICLE 15- Transfer system**

- (1) Takasbank establishes and operates the appropriate systems to ensure the execution of the transfer transactions.
- (2) The necessary technical infrastructure to facilitate the secure, effective and uninterrupted operation of the transfer system is provided by Takasbank.

#### **ARTICLE 16- General principles for transfer**

- (1) The members conduct their transactions by accessing Takasbank system through the infrastructure provided by Takasbank. The features of the system messaging to be established between the members and Takasbank and the contents of message shall be determined and announced to the members by Takasbank.
- (2) The rights and obligations of the members arising from their transactions subject to the transfer are concluded on account over the designated accounts by Takasbank.

- (3) No guarantee of Takasbank exists for the completion of transactions on their value date and within the transaction period. Completion of transfer operations in due time shall be conditional upon the fulfillment of the obligations by the obligor members on time.
- (4) In all transactions and operations to be conducted in accordance with this Procedure, Takasbank shall only interact with the relevant member irrespective of whether the transactions belong to the customers of the members or not.
- (5) The transfer transactions shall be performed through virement, and neither the entry of the transfer nor its approval by the counter-member shall be waited.
- (6) The member-based transfer positions shall be generated upon entry of the transfer transaction. The transfer positions can be monitored instantly via Takasbank terminals and through Web Service.
- (7) The transfer transaction shall be executed on the value date to the extent the member entering the transfer instruction has the relevant gold balance.
- (8) The gold balances can be monitored instantly by the Members via Takasbank terminals and through Web Service.

#### **ARTICLE 17- Transfer Types**

- (1) Transferring gold under the members' proprietary portfolio and/or those held by them on behalf of their customers between the members and/or the member's own accounts is allowed in the system. The transfer transactions are performed through inter-account transfer, customer and proprietary transfer and transfer return transactions.
  - a) Customer transfer transactions are used to perform the transfers between the bank customers. In these transactions, the M-Customer sub-account shall be used. Instructions for the customer transfers shall be transmitted to Takasbank over Takasbank terminal or the Web Service.
  - b) Proprietary transfer transactions are used to perform the transfers between the banks. In these transactions, the P-Proprietary sub-account shall be used. Instructions for the proprietary transfers shall be transmitted to Takasbank over Takasbank terminal or the Web Service.
  - c) Transfer return transactions are used to return the executed customer transfer transactions to the sender member. The return instruction is generated by entering the transfer no. of the transfer wished to be returned. The return instructions shall be transmitted to Takasbank over Takasbank terminal or the Web Service. The proprietary transfer and virement transactions cannot be returned.
  - d) Virement transactions are used to make transfer between the members' own customer and proprietary sub-accounts. Virement transactions can only be conducted over Takasbank terminals.

#### **ARTICLE 18- Transfer Currency**

- (1) In the gold transfer transactions, the balance represents the gold balance in gram at the purity of 995/1000.

- (2) In the transfers, the minimum amount shall be applied as 1 (one) gram and its multiples. The instruction entry can be minimum 1 (one) gram.
- (3) The transfers between Borsa Istanbul allocated custody account and Takasbank member account shall be executed at minimum 1000 (one thousand) gram LBMA good delivery listed bullion gold and its multiples.

#### **ARTICLE 19- Time periods for the transfer transactions**

- (1) In the transfer transactions, the minimum value date can be T+0 and the maximum value date can be T+90 for the customer and proprietary transfer transactions. The value date controls shall be made on the instruction entry screen.
  - a) The same-day value (T+0) transfer transactions shall be accepted by Takasbank between 09:00-16:00 in the full business days and between the hours determined by Takasbank in the half-business days, and any instruction sent in any other time than those periods shall receive error.
  - b) Future-value dated transfer instructions can be entered until the system closing time, 20:00 pm.
- (2) Physical transfers from Borsa İstanbul member's account to Takasbank account shall be accepted by Takasbank between 09:00 am-15:00 pm in the full business days and between the hours determined by Takasbank in the half-business days. Future value date is not applicable.

(3)

The return transactions can be entered with value T+0. The return transactions can be entered for the transfers incoming on the same day or the day before.

- (4) The virement transactions can be performed until the system closing time. Future value date is not applicable in the virement transactions.

#### **ARTICLE 20- Transaction reports**

- (1) The transaction reports containing the amount, parties to the transaction and other transfer details of all transactions executed in the Transfer System shall be distributed over Takasbank terminals or the Web Service to the members conducting the transactions or made available to their access.
- (2) The members shall create their records by using the transaction reports they have obtained from Takasbank. In case of any discrepancy in the information given in the transaction reports, Takasbank records shall be taken as the base.



## **CHAPTER FIVE**

### **Physical Acceptance of Gold, its Outflow and Reconciliation**

#### **ARTICLE 21- Physical acceptance of gold, its storage and the account depositing transaction**

- (1) Gold compatible with the standards stipulated in the Procedure, which is physically delivered to and whose eligibility is approved by BIAS can be subject to the transfer transaction.
- (2) Golds subject to the transfer transactions shall be kept in the system pool account on unallocated basis.
- (3) The physical gold depositing instructions shall be forwarded to BIAS by the members through the method(s) determined by BIAS. In this instruction, the amount of gold to be transferred to the system pool account, the value date and the purity information shall be included.
- (4) The gold depositing transaction to the system pool account shall be performed by BIAS in accordance with the relevant member instruction.
- (5) BIAS shall send the information of the member's gold depositing transaction to Takasbank. In the system, Takasbank creates the gold balance entry to the relevant member account.

#### **ARTICLE 22- Specifications of the physical custody facilities**

- (1) The entire consideration of gold subject to transfer in the system is physical and it is stored in accordance with the principles and procedures stipulated by BIAS.

#### **ARTICLE 23- Counting operations and responsibilities**

- (1) The reconciliation regarding the balance of system pool account between Takasbank and BIAS records shall be made in a regular manner.
- (2) The reconciliation opportunity shall be provided to the members through the monitoring and reporting screens.

#### **ARTICLE 24- Physical outflow of gold**

- (1) The member wishing to withdraw its gold balance in the system pool account shall convey its outflow instruction to Takasbank as to be transferred to its allocated custody account at BIAS through the method(s) designated by Takasbank. Takasbank shall perform the transfer transaction on account to the extent the member's account balance is available.
  - a) The members send their physical gold outflow instruction to Takasbank over Takasbank terminals.
  - b) Takasbank may also decide to accept the instructions in writing or via fax where necessary.
  - c) The instructions are forwarded to Borsa Istanbul by Takasbank in accordance with the rules and methods determined between Borsa Istanbul and Takasbank.

- (2) The physical delivery of gold to the member shall be performed from its allocated custody account at BIAS in accordance with the principles and procedures determined by BIAS.
- (3) No physical gold delivery shall be made from the member account.

## **CHAPTER SIX**

### **Obligations Regarding the Executed Transactions**

#### **ARTICLE 25- Executing the transfer transactions**

- (1) The transfer transactions are conducted on book entry basis between the member accounts in accordance with the principles stipulated in the Procedure.
- (2) No guarantee of Takasbank exists for the completion of transfer transactions on the value date and within the transaction deadlines prescribed in the Procedure.
- (3) The transactions shall be conducted on the value date if there is sufficient gold balance in the member account.
- (4) The relevant transfer transaction is irrevocable, unconditional and final as of the moment at which the transfer is executed on the system.
- (5) The executed transfers shall be monitored from the “Reports” screen and their results shall be reflected simultaneously in the balances.
- (6) The time periods related to the transfer transactions can be changed by the approval of the General Manager.
- (7) The time periods to be applicable in half-day public holidays shall be determined separately and announced to the members by Takasbank.
- (8) The accounting slips shall be generated in gram after netting them off at the end of day.

## **CHAPTER SEVEN**

### **Fees and Commissions**

#### **ARTICLE 26- Fees and commissions**

- (1) The system-related fees and commissions shall be determined by the Board of Directors according to the nature of and parties to the transaction. The participation fee shall be accrued after closing of the systems on the last business day of the month in which the member has participated in the system.

- (2) The custody commission shall be calculated based on BIAS fee tariff and accrued at the end of each month. In the calculation, 1 year shall be taken as 365 days.
- (3) Transfer fees shall be calculated in a daily manner and collected monthly. Two-fold of the fees determined in the agreement shall be collected for the transaction entered to the system by the relevant Takasbank team based on the member's written instruction. In the transfer instructions, the transfer fees shall be collected from the party sending the instruction.
- (4) The fees shall be accrued in TL over the participants' 70-Commission Account at Takasbank within the month following the transactions and collected within three business days after the accrual. Should the commission amount be failed to be paid in 70 Account, the relevant amount shall be collected exofficio from the customer's other accounts at Takasbank.
- (5) Other costs, loss and expenses, taxes, legal deductions and other charges like dues, interest, etc. arising from the participant transactions but not have been defined in the appendix of the agreement shall be paid by the participant to the designated accounts within the time periods determined by Takasbank following Takasbank's notification thereof to the relevant participant through the system reports, via e-mail or in writing.

## **CHAPTER EIGHT**

### **Miscellaneous and Final Provisions**

#### **ARTICLE 27- No provision in the Procedure**

- (1) For any issue not included or not clearly defined in this Procedure, the General Manager shall be authorized to make a decision, stipulate and govern the implementation in accordance with the relevant arrangements.

#### **ARTICLE 28- Enforcement**

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

#### **ARTICLE 29 - Execution**

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