

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

CONTENTS

CHAPTER ONE	5
Purpose, Scope, Basis, Definitions and Abbreviations	5
ARTICLE 1 - Purpose	5
ARTICLE 2 - Scope	5
ARTICLE 3 - Basis	5
ARTICLE 4 - Definitions and abbreviations	5
CHAPTER TWO	8
Guidelines for Membership	8
ARTICLE 5 - Membership	8
ARTICLE 6 - Membership conditions	8
ARTICLE 7 - Obligations of the Members	8
ARTICLE 8 - Restriction on Trading Activities of the Member	9
ARTICLE 9 - Termination of the Membership	10
CHAPTER THREE	11
Operating Principles of the SLM	11
ARTICLE 10 - Status of Takasbank	11
ARTICLE 11 - The SLM Agreement	11
ARTICLE 12 - Principles regarding the Member representatives	12
ARTICLE 13 - Securities subject to the transaction and the market value	12
ARTICLE 14 - Thresholds and Trading Limits	12
ARTICLE 15 - Segregation and Porting	13
ARTICLE 16 - Sessions and trading hours	15
ARTICLE 17 - Value dates and maturities	15
CHAPTER FOUR	16

Orders and Matching.....	16
ARTICLE 18 - Elements of an Order	16
ARTICLE 19 - Transmission of Orders.....	16
ARTICLE 20 - Types of Orders.....	17
ARTICLE 21 - Modification of Orders	18
ARTICLE 22 - Cancellation of Orders	18
ARTICLE 23 - Matching of Orders	19
ARTICLE 24 - Broadcasting Orders.....	20
ARTICLE 25 - Notification of Transactions.....	21
CHAPTER FIVE.....	22
Principles Regarding the Collaterals.....	22
ARTICLE 26 - General provisions regarding the collaterals	22
ARTICLE 27 - SLM Collateral Types.....	22
ARTICLE 28 - Collateral deposit and withdrawal.....	23
ARTICLE 29 - Accrual of Interest on Transaction collaterals.....	24
ARTICLE 30 - Collateral valuation haircuts	24
ARTICLE 31 - Collateral and risk valuation method	25
ARTICLE 32 - Margin rates	25
ARTICLE 33 - Margin Call	26
ARTICLE 34 - Rights arising from the collaterals	27
CHAPTER SIX.....	29
Principles Regarding the Guarantee Fund.....	29
ARTICLE 35 - Guarantee Fund.....	29
ARTICLE 36 - General principles regarding the Guarantee Fund	29
ARTICLE 37 - Accrual of interest on cash contribution amounts in the guarantee fund.....	29

ARTICLE 38 - Size of the guarantee fund and the contribution amounts to be deposited by the members	30
ARTICLE 39 - Assets accepted as eligible Guarantee Fund contribution amount	31
ARTICLE 40 - Guarantee fund margin call	32
ARTICLE 41 - Returning of guarantee fund contribution amounts	32
ARTICLE 42 - Rights arising from assets accepted as eligible guarantee fund contribution amount.....	33
CHAPTER SEVEN	33
Settlement and Payments	33
ARTICLE 43 - Settlement and payments	33
ARTICLE 44 - Rights arising from securities subject to the lending.....	36
CHAPTER EIGHT	40
Acceleration and Default Provisions.....	40
ARTICLE 45 - Acceleration of the lending transactions	40
ARTICLE 46 - Default provisions.....	41
ARTICLE 48 - Defaulting on transaction commission and the monetary penalties.....	45
CHAPTER NINE	47
Miscellaneous and Final Provisions.....	47
ARTICLE 49 - Measures to be taken in extraordinary situations	47
ARTICLE 50 - Disciplinary provisions.....	47
TEMPORARY ARTICLE 1 - Transitional provisions regarding the minimum equity, collateral types and the guarantee fund	47

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

CHAPTER ONE

Purpose, Scope, Basis, Definitions and Abbreviations

ARTICLE 1 - Purpose

- (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 Istanbul Settlement and Custody Bank Inc. and wherein Takasbank provides the Central Counterparty Service.

ARTICLE 2 - Scope

- (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 Istanbul Settlement and Custody Bank Inc. Central Counterparty Regulation and Takasbank Securities Lending Market Directive shall apply.

ARTICLE 3 - Basis

- (1) This Procedure has been prepared on the basis of Istanbul Settlement and Custody Bank Inc. Central Counterparty Regulation published in the Official Gazette dated 14.08.2013 and numbered 28735, and of Takasbank Securities Lending Market Directive that has been approved by the resolution of the Boards of Directors numbered 257 and dated 14/08/2013 and entered into force on 02/09/2013 following its adoption in the Board's meeting numbered 28 and dated 18/08/2013.

ARTICLE 4 - Definitions and abbreviations

- (1) Terms used in this Procedure shall bear the following meanings;
- 1) **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,
 - 2) **Exchange:** Borsa Istanbul Inc.,
 - 3) **General Manager:** The General Manager of Takasbank,
 - 4) **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,
 - 5) **Board:** The Capital Markets Board,

- 6) **CBRT : The Central Bank of the Republic of Turkey**
- 7) **CRA:** The Central Registry Agency Incorporation,
- 8) **Central Counterparty Regulation:** Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation published in the Official Gazette dated 14.08.2013 and numbered 28735,
- 9) **Central Clearing and Settlement Regulation:** Istanbul Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation published in the Official Gazette dated 18.7.2013 and numbered 28711,
- 10) **Customer:** Investment funds and the real person and legal entity customers of the members who conduct lending transactions pursuant to the capital markets legislation,
- 11) **Law: Capital Market Law Nr. 6362**
- 12) **Securities Subject to the Lending (to the Transaction):** Class-A and Class B shares and exchange traded fund participation certificates traded in the Equity Markets,
- 13) **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,
- 14) **Free account:** The 11-1 current accounts of the Brokerage Houses and the Banks within Takasbank,
- 15) **Takasbank:** Istanbul Settlement and Custody Bank Inc.,
- 16) **Communique:** The relevant Communique of the Board which regulates the lending and borrowing transactions within the scope of this Procedure,
- 17) **Representative:** Those authorized by the Brokerage Houses and the Banks to conduct transaction in the SLM,
- 18) **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 SLM Directive,
- 19) **Member:** The brokerage houses and the Banks authorized by Takasbank to conduct transaction in the SLM,
- 20) **Directive:** Takasbank Securities Lending Market Directive that has been approved by the resolution of the Boards of Directors numbered 257 and dated 14/08/2013, and entered into force

on 02/09/2013 following its adoption in the Board's meeting numbered 28 and dated 18/08/2013,

21) **Board of Directors:** The Board of Directors of Takasbank.

CHAPTER TWO

Guidelines for Membership

ARTICLE 5 - Membership

- (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

ARTICLE 6 - Membership conditions

- (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:
 - 1) Having been obtained the capital market operating license that enables them to conduct borrowing/lending transactions pursuant to the relevant legislation,
 - 2) The minimum equity capital of the member should not be less than **10,000,000-TRL**,
 - 3) 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.

ARTICLE 7 - Obligations of the Members

- (1) In addition to the obligations specified in article 12 of the Central Counterparty Regulation, the Members are required to;
 - a) act in accordance with the rules and principles stipulated by Takasbank with this Procedure for the SLM transactions,
 - b) deliver the securities subject to the lending, and pay the transaction commission and Takasbank commission, and

- c) 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.

ARTICLE 8 - Restriction on Trading Activities of the Member

- (1) The SLM activities of the Members may be restricted by Takasbank in the following situations.
 - a. 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,
 - b. 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,
 - c. Failure to fulfill the obligations stipulated in the Directive, this Procedure and in the Securities Lending Market Agreement,
 - d. 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,
 - e. 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;
 - a) They are in the status of securities default in the SLM or have margin call obligation,
 - b) They are banned from trading or have similar restrictions.
- (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 45 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 (c) and (d) 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.

ARTICLE 9 - Termination of the Membership

- (1) The membership may be terminated in accordance with the provisions of article 15 of the Central Counterparty Regulation.

CHAPTER THREE

Operating Principles of the SLM

ARTICLE 10 - Status of Takasbank

- (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.

ARTICLE 11 - The SLM Agreement

- (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

ARTICLE 12 - Principles regarding the Member representatives

- (1) Transactions in the SLM are conducted through the orders placed via the representatives.
- (2) The representatives 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 Turkey identification numbers of their representatives, and in case they are not citizens of the Republic of Turkey, they must provide their tax identification numbers and passport copies.
- (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 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.

ARTICLE 13 - Securities subject to the transaction and the market value

- (1) The eligible securities that may be subject to the transactions in the SLM are Class-A and Class- B shares and exchange traded fund 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 31 of this Procedure with the number of securities subject to the transaction.

ARTICLE 14 - Thresholds and Trading Limits

- (1) Takasbank shall allocate a "**SLM Limit**" to the members. Such limit shall not constitute a commitment of Takasbank.
- (2) The SLM limit set by Takasbank is confidential and shall be notified to the relevant members in writing. Takasbank shall have the right to make changes in the SLM limit allocated to the members, whenever it shall deem it 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;
 - 1) the sum of open transactions of each share subject to the lending cannot exceed **20%** of the total listed amount;
 - 2) 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
 - 3) 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.

ARTICLE 15 - Segregation and Porting

- (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.

- 1) 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.

ARTICLE 16 - Sessions and trading hours

- (1) The transactions are conducted in 2 sessions; between **09:30-12:00** and **13:30-16:45**.
- (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.

ARTICLE 17 - Value dates and maturities

- (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.

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 session basis", "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 **18:00** during the day.

CHAPTER FOUR

Orders and Matching

ARTICLE 18 - Elements of an Order

- (1) The representatives, after their representative numbers and passwords are defined to the system, must fill out the following required fields of an order:
 - 1) **Order Feature:** It can be a "Bid" or an "Offer".
 - 2) **Order Type:** It can be "on a session-basis", "on a daily-basis", "cancel the remaining" or "cancel if no block-matching."
 - 3) **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.
 - 4) **Security Class:** Shares with "Old" (O) code and an "Exchange Traded Fund" (EF) can be entered.
 - 5) **Security Code:** Those are the codes with which the shares and exchange mutual funds are traded in the Equity Markets.
 - 6) **Number:** The unit of security subject to the lending that is either requested or offered.
 - 7) **Value Date:** The types of value dates referred to in article 17 of this Procedure.
 - 8) **Maturity Type:** The types of maturities referred to in article 17 of this Procedure.
 - 9) **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**.

ARTICLE 19 - Transmission of Orders

- (1) The member representatives 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 transmitted by the representatives. The representatives conduct their transactions related to the orders by using the order number.
- (5) The orders can be entered to the SLM system on an individual basis but also collectively.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) In the event the member is unable to connect to the system due to reasons such as system or line problems, the orders may also be entered to the system by Takasbank during the session by the issuance of a written order. In such a situation, the time of order-entry shall be the time that the order is entered to the system by Takasbank.

ARTICLE 20 - Types of Orders

- (1) The type of orders that can be placed in the SLM are as follows:
 - a) **Session-Based Order:** It is an order type which is valid during the session it is placed however, where the unrealized portion is automatically cancelled by the system at the end of that session. 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) **Daily-Based Order:** Unlike the session-based orders, it is an order type which is not removed at the end of the first session, but, where the unrealized portion is automatically cancelled at the end of the second session. If the order is failed to be realized either partially or entirely, the unrealized portion is displayed on the screen in a passive status. It can only be placed in the first session.

- c) **“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.
 - d) **“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.

ARTICLE 21 - Modification of Orders

- (1) The orders can be modified by the representatives during the session in accordance with the conditions set forth below. Although, it cannot made 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) **Order type:** A modification on the order types can only be made in the first session. The “Session-Based” orders can be changed to a “Daily-Based” order; and the “Daily-Based” orders can be changed to a “Session-Based” order.
 - c) **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.

ARTICLE 22 - Cancellation of Orders

- (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 shall 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.

ARTICLE 23 - Matching of Orders

- (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 (c) 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 are 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 are 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 chose itself as the respondent member in special order.

ARTICLE 24 - Broadcasting Orders

- (1) Access to the SLM data is made available through the information distribution screens or Takasbank screens 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:**

INFORMATION DISTRIBUTION SCREENS - SLM PAGE CODES				
Broadcasting Company	Main Page	Best Bid/Offer	Brief Information	Depth Information
REUTERS	TKSLM.TR	IT CAN BE DISPLAYED UPON DOUBLE CLICKING ON STOCK	IT CAN BE DISPLAYED UPON DOUBLE CLICKING ON STOCK	IT CAN BE DISPLAYED UPON DOUBLE

		CODE IN THE MAIN PAGE	CODE IN THE MAIN PAGE	CLICKING IN THE BEST BID/OFFER PAGE
FOREKS	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
MATRIKS	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
I-DEAL	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

ARTICLE 25 - Notification of Transactions

- (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 “Special Transactions/User Guides” section under the heading of “Settlement Web Login” on the Takasbank website.

CHAPTER FIVE

Principles Regarding the Collaterals

ARTICLE 26 - General provisions regarding the collaterals

- (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 in the exchanges or other organized markets, if such asset is listed in any of these markets, provided that it shall not be lower than its value in this 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.

ARTICLE 27 - SLM Collateral Types

- (1) The eligible collateral types that can be used in the SLM are as follows:
 - 1) Cash (TL, US Dollar and Euro),
 - 2) Government Domestic Debt Securities,

- 3) Gold in the standard traded on the Exchanges,
- 4) Shares determined by Takasbank and traded on the Exchanges.

ARTICLE 28 - Collateral deposit and withdrawal

- (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 the computers, 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 **17:15**.
- (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
 - 1) Cash collateral can be in the form of TL, US Dollars or Euro.
 - 2) Cash TL collaterals that are not included in the amount to be given interest can be withdrawn until **17:05**.
- (9) Should Treasury Bills and Government Bonds 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-30 Index. Takasbank determines the upper limits of each share to be accepted as collaterals. 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.

ARTICLE 29 - Accrual of Interest on Transaction collaterals

- (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 15:45. 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 15:45 in the balance to be given interest cannot be withdrawn after that time. Cash amounts transferred to the collateral accounts after 15:45 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 3% 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.

ARTICLE 30 - Collateral valuation haircuts

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

<u>Collateral Types</u>	<u>Valuation Haircuts</u>
• Cash	
▪ TL	1,00
▪ USD	0,94

▪ EURO	0,94
• Treasury Bills / Government Bonds	0,91
• Stock	0,76
• Gold	0,86

ARTICLE 31 - Collateral and risk valuation method

- (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 12:30. 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.

ARTICLE 32 - Margin rates

- (1) The margin rates are calculated over the appreciated collateral. The appreciated collateral amount is found by multiplying the market values of collaterals with the valuation haircuts. The initial and the minimum margin rates are as follows:
- a) **Initial Margin Rate:**

- ✓ For the securities in BIST-30, in order to place a borrowing request, there must be appreciated collateral at an amount up to **115%** of the market value of the security subject to the lending.
- ✓ For the securities out of BIST-30 and exchange traded funds, in order to place a borrowing request, there must be appreciated collateral at an amount up to 120% of the market value of the security subject to the lending.
- ✓ Cash collaterals cannot be less than **%30** of the total appreciated collateral.
- ✓ Stock collaterals cannot be more than 40% of the total appreciated collateral.
- ✓ The market value of one kind of stock accepted as collateral cannot be more than 35% of the total calculated maximum appreciated stock collateral.
- ✓ There is no collateral condition for lending.

b) Minimum Margin Rate is **110%** of the (market value) of the total borrowing.

ARTICLE 33 - Margin Call

- (1) When the appreciated collateral falls below the minimum margin rate of 110%, or when the cash collaterals fall below 30% of the total appreciated 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 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) Risk values occurred as a result of the intra-day valuation of the shares and exchange mutual funds are updated until **13:00**. The Members are responsible for following the information related to the margin call from the Margin Call Monitoring Screen. After the intra-day valuation, the member to whom the margin call is issued shall be granted time until **13:25** to restore the collateral of its relevant account. The orders waiting in passive, if any, of those who have failed to restore their collaterals to the initial margin amount until **13:25** shall be cancelled in order from the last quoted to the first quoted until the margin call is fulfilled. If the margin call of the member's relevant account still continues despite the cancellation of all passive bid orders, then all passive offer orders, if any, of such member may also be cancelled.

- (5) 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.
- (6) **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 **15:30** on that day.
- (7) 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 **15:30** on the value date.
- (8) If the collateral is restored, the security settlement shall be performed. However, if the collateral is failed to be restored until **15:30**, 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.

ARTICLE 34 - Rights arising from the collaterals

- (1) The rights arising from the assets held as collateral belong to the party supplying collateral. However; if the title transfer of collaterals to Takasbank has been decided by the agreement made between Takasbank and the party supplying collateral pursuant to article 47 of the Law, then the rights arising from such collateral shall belong to Takasbank. Takasbank shall return the collateral on the maturity date together with their rights accrued thereof in accordance with the provisions of article 27 of the Central Counterparty Regulation and upon request of the Member; provided, however, that, all obligations are completely fulfilled.
- (2) 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).

(3) The redemption operations of the treasury bills and government bonds 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 and government bonds shall also be transferred to the collateral accounts of the member or of its customers.

CHAPTER SIX

Principles Regarding the Guarantee Fund

ARTICLE 35 - Guarantee Fund

- (1) Guarantee Fund shall be established by the contribution amounts collected from the Members as to be used for the portion of the losses which may be incurred as a result of the default of the Members and exceeds the collaterals of the relevant Members.
- (2) The contribution amounts to be deposited by the Members to the guarantee fund should be met from the assets under their ownership.

ARTICLE 36 - General principles regarding the Guarantee Fund

- (1) All Members are required to make contribution to the Guarantee Fund. The members who do not bear any borrowing risk but only make lending are also required to deposit the contribution amounts. The Members who failed to meet their guarantee fund contribution amount obligations cannot trade in the Market.
- (2) The guarantee fund/funds contribution amounts of the Central Counterparty Members are composed of the guarantee fund contribution amounts that have been already deposited and of the additional guarantee fund contribution amounts to be deposited when requested. If the Guarantee Fund is used in accordance with the provisions of the Central Counterparty Regulation, then the Central Counterparty Members may be asked to make contribution at most four times in a year. The requests for additional contribution amounts can also be made in tranches. The additional guarantee fund contribution amount cannot exceed the guarantee fund contribution amount that should have been deposited on the relevant default date.
- (3) No recourse to the guarantee fund contributions of other Members shall be made unless the collaterals of the defaulting Member, its guarantee fund contribution and the capital allocation made by Takasbank for the risks assumed in the SLM become inadequate.
- (4) For the principles regarding the repayment of the guarantee fund contribution amounts of the members whose SLM membership has been terminated, the provisions of article 33 of the Central Counterparty Regulation shall be applied.
- (5) SLM Guarantee Fund is represented and administered by Takasbank.
- (6) The assets in the Guarantee Fund cannot be used other than their intended purpose.

ARTICLE 37 - Accrual of interest on cash contribution amounts in the guarantee fund

- (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 %4 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*. 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.

ARTICLE 38 - Size of the guarantee fund and the contribution amounts to be deposited by the members

- (1) The size of the guarantee fund shall be determined by taking the market conditions into consideration provided, however, that it shall not be less than the greater of the funding requirement that may arise as a result of the default of the Member who has the highest borrowing and of the joint default of the Members who have the second and third highest borrowing. 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. For the value at risk calculations of the securities subject to the lending, minimum confidence level cannot be less than 99.50% and holding period cannot be less than two business days.
- (2) The contribution amounts to be made by the members to the guarantee fund are composed of the fixed contribution amounts and the variable contribution amounts calculated pro rata to the risks they have assumed. The variable contribution amounts are composed of sequential tranches which have lower and upper limits. The fixed contribution amount, on the other hand, is determined at a level that would not exceed the average amount to be found by dividing the required size of the guarantee fund to the number of members.
- (3) For the calculation of total guarantee fund contribution amount required to be deposited by each member, 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.
- (4) 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 one year, if any, shall be used. The risk haircut 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. The risk haircut to be applied in quarterly periods shall be announced on Takasbank web site.

(5) The guarantee fund risk value to be used for determining the guarantee fund contribution amount required to be deposited by each Member shall be calculated by multiplying the risk haircut with the average borrowing amount of the relevant Member in the last 1 month. If the guarantee fund risk value calculated for a member is below the guarantee fund fixed contribution amount of that member, then the guarantee fund contribution amount of the Member shall be equal to the fixed contribution amount; however, if it is above, then it shall be up to the upper limit of the tranche that such amount corresponds to. The guarantee fund fixed contribution amount is TL 5,000. This amount shall be reviewed at least once a year by taking the developments in the Market, national and international economy into consideration; and it may be changed by Takasbank if deemed necessary. The brackets for the risk values subject to the guarantee fund and the corresponding guarantee fund contribution amounts thereof are given below.

Calculation Brackets	Risk Value Subject to the Guarantee Fund (in TL)	Total Contribution Amount (in TL)
1 st Bracket	0- 5 thousand	5 thousand
2 nd Bracket	5- 8 thousand	5 thousand + (2-1) x 3 thousand
3 rd Bracket	8-11 thousand	5 thousand + (3-1) x 3 thousand
4 th Bracket	11-14 thousand	5 thousand + (4-1) x 3 thousand
n th Bracket	Previous Bracket + 3 thousand	5 thousand + (n-1) x 3 thousand

n: The bracket that risk value subject to the Guarantee Fund corresponds to.

(6) The Guarantee Fund obligations of the Members for the next month are calculated on the last business day of each month and announced to the Members on the first business day of the following month.

ARTICLE 39 - Assets accepted as eligible Guarantee Fund contribution amount

(1) Assets that could be accepted as Guarantee Fund contribution amount and the valuation haircuts are determined as given below.

<u>Types of Contribution Amount</u>	<u>Valuation Haircut</u>
• Cash	
▪ TL	1,00
▪ USD	0,94
▪ EURO	0,94

- Treasury Bills / Government Bonds 0,91
- Gold in the standard traded on the Exchanges 0,86

- (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) The Members can deposit and withdraw their contribution amounts in accordance with the hours specified in article 28 of this Procedure.
- (4) The Guarantee Fund contribution amounts are transferred to the system from a single portfolio account.
- (5) 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 the computers, the members may also conduct their transactions by written instructions.
- (6) If Treasury Bills and Government Bonds wish to be given to the guarantee fund, then they shall be deposited to the free deposit account no. 501 with Takasbank.
- (7) Assets given to the guarantee fund are valued by Takasbank at the end of each day. The prices specified in article 31 of this Procedure shall be used for such valuation.
- (8) For the contribution amounts in gold and similar nature to be deposited as guarantee fund contribution amount, the principles stipulated in article 28 of this Procedure shall apply.

ARTICLE 40 - Guarantee fund margin call

- (1) When the guarantee fund contribution amount of any Member falls below 90% of the amount required to be deposited by that member, then a margin call for the guarantee fund contribution amount shall be issued by Takasbank to the relevant member. The margin call for the guarantee fund contribution amount shall be issued by sending messages and reports to the customer screens provided by Takasbank. If the margin call for the guarantee fund contribution amount is made 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 for the Guarantee Fund Contribution Amount issued by Takasbank is received by the Member. The margin call fulfillment period is 3 business days. If such call is failed to be fulfilled within its time period, then the Member shall be deemed to have defaulted.

ARTICLE 41 - Returning of guarantee fund contribution amounts

- (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.

ARTICLE 42 - Rights arising from assets accepted as eligible guarantee fund contribution amount

- (1) The redemption operations of the treasury bills and government bonds 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 and government bonds held in the guarantee fund account shall also be transferred to the Member's guarantee fund account.

CHAPTER SEVEN

Settlement and Payments

ARTICLE 43 - Settlement and payments

- (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 17:00. 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.

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**, then the borrower should return the borrowed security on **T+2**; however, if the notice has been served after **12:00**, 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 **fifth 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 17:00. 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 17:00. 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:

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

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;

- 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.

- 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 **17:00**.

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 **17:00** 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 17:00. 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.

ARTICLE 44 - Rights arising from securities subject to the lending

- (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 debt 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 debt 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 **17:00** 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.

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 **16:00** and the deadline of the rights issue is **16:15**. If the lending member or its customers declare(s) its/their participation to the rights issue but fail(s) to realize the increase until **16:15**, then transactions bearing R-code shall be cancelled on the subscription cancellation time (**16:20**) 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 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 **17:00**. 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 **16:15** 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

ARTICLE 45 - Acceleration of the lending transactions

- (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:
 - 1) On the maturity date,
 - 2) 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,
 - 3) Decision made by Takasbank for the liquidation of the outstanding liabilities of the member pursuant to article 8 of this Procedure,
 - 4) 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 33 , 36 and 40 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 (c) 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 46. 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 46 of this Procedure shall be debited to the account of the relevant member.

ARTICLE 46 - Default provisions

- (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. The rate of such transaction commission cannot exceed the default interest rate to be charged by Takasbank to the borrower during the default period.
- (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 in the exchanges or other organized markets, if such asset is listed in any of these markets, provided that it shall not be lower than its value in this 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** of the next business day following the maturity date, without prejudice to the default provisions, to deliver the security it owes. 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 **16:30** 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 **16:00** 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 thirteenth 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 **15:30**, 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 defaulting Member shall be liable to pay a default interest in accordance with the following principles:
- 1) The member whose closing deadline for its debts due is **17:00** and still has an outstanding debt balance as at that time shall be in default. If the debt amount is paid off until **17:30** 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, and it shall be calculated over the market value of the defaulted debt amount for 1-day and debited accordingly.
 - 2) If the debt amount is paid off after **17:30** 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, and 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.

ARTICLE 47 - Principles for the use of guarantee fund

- (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.

ARTICLE 48 - Defaulting on transaction commission and the monetary penalties

- (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 **17:00** 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 **17:00**, then the member shall be liable to pay a default interest in accordance with the thirteenth paragraph of article 46 of this Procedure.
- (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 **15:30**, 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

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.

ARTICLE 50 - Disciplinary provisions

- (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 1 - Transitional provisions regarding the minimum equity, collateral types and the guarantee fund

- (1) The minimum equity capital specified in the item (b) of the first paragraph of article 6 of this Procedure shall be applied on 01.01.2016.

TEMPORARY ARTICLE 2 - Data to be used for calculating the size of the guarantee fund

- (1) For the calculations to be made for the size of the guarantee fund specified in article 38 of this Procedure, the member-based daily borrowing risk data that has been realized at and after 02.09.2013 as the date when the central counterparty service was started to be rendered to the SLM shall be used.

ARTICLE 51 - The procedure that has been repealed

- (1) The Procedure on the Application Principles of Takasbank Securities Lending Market that has been entered into force on 02.03.2018 has been repealed as of 02.07.2018.

ARTICLE 52 - Enforcement

- (1) This Procedure shall enter into force on 02.07.2018.

ARTICLE 53 - Execution

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