

**PROCEDURE ON PRINCIPLES**  
**REGARDING CLEARING AND CENTRAL COUNTERPARTY SERVICES**  
**TO BE PROVIDED BY İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. FOR**  
**TRANSACTIONS EXECUTED IN OVER-THE-COUNTER DERIVATIVES MARKETS**  
**CHAPTER ONE**

*List of the Procedure amendments:*

1. *Published by the General Letter numbered 1637, dated June 19,2020*
2. *Published by the General Letter numbered 1644, dated September 18,2020*
3. *Published by the General Letter numbered 1654, dated November 5, 2020*
4. *Published by the General Letter numbered 1659, dated November 13, 2020*
5. *Published by the General Letter numbered 1758, dated January 05, 2022*

**General Provisions**

**Purpose**

**ARTICLE 1 -** (1) The purpose of this Procedure is to regulate the principles and procedures regarding membership, risk management and collateral, clearing and settlement, default, discipline, revenue and other issues in relation to the clearing and central counterparty services to be provided by İstanbul Takas ve Saklama Bankası A.Ş. for over-the-counter derivatives transactions.

**Scope**

**ARTICLE 2 -** (1) This Procedure covers the matters regarding membership, risk management and collateral, clearing and settlement, default, discipline, revenues and other issues related with the clearing and central counterparty services to be provided by İstanbul Takas ve Saklama Bankası A.Ş. for over-the-counter derivatives transactions.

**Basis**

**ARTICLE 3 -** (1) This Procedure has been prepared on the basis of articles 77, 78, and 79 of the Capital Markets Law no. 6362 published in the Official Gazette no. 28513 dated 30 December 2012; İstanbul Takas ve Saklama Bankası A.Ş. Central Clearing and Settlement Regulation published in the Official Gazette no. 28711 dated 18 July 2013; and İstanbul Takas ve Saklama Bankası A.Ş. Central Counterparty Regulation published in the Official Gazette no. 28735 dated 14 August 2013 and Directive On Principles Regarding Clearing and Central Counterparty Services To Be Provided By İstanbul Takas ve Saklama Bankası A.Ş. For Transactions Executed In Over-The-Counter Derivatives Markets.

**Definitions and Abbreviations**

**ARTICLE 4 -** (1) Terms used in this Procedure shall bear the following meanings:

- a) **BISTECH:** Integrated software applications for pre-trade, at trade and post trade Market operations;
- b) **Gross margining:** means the mechanism whereby the amount of the margin that the CCP members are required to post on behalf of their customers for customers' positions is the sum of the margin requirements individually calculated for each customer without netting of customer positions with each other

- c) **Appraised Collateral:** means the amount calculated by applying collateral valuation haircuts, group limits and lower group limits to the total collateral deposited;
- ç) **Variation Margin:** means the daily change in the netted value in TL of the debt or credit/receivable amount calculated by discounting the projected cash flows of over-the-counter derivatives transactions in the future periods;
- d) **GDDS (Government Domestic Debt Securities):** means the government domestic debt securities issued by the Republic of Turkey Ministry of Treasury and Finance;
- e) **Direct CCP Member:** means the member authorized to execute their own and/or their customers' clearing and settlement transactions only;
- f) **Periodic Payment:** *(Addition: Published by the General Letter numbered 1637, dated June 19, 2020)* Bilateral payment amounts calculated using the contract size, fixed rate, floating rate and number of days specified in the relevant contract;
- g) **EFT:** means the Electronic Funds Transfer System;
- ğ) **General CCP Member:** means the member authorized to execute the clearing and settlement transactions of trading institutions as well as their own and/or their customers' clearing and settlement transactions;
- h) **General Manager** : means the General Manager of İstanbul Takas ve Saklama Bankası A.Ş.;
- i) **General Regulation:** means the General Regulation on Establishment and Operating Principles of the Central Clearing and Settlement Institutions published in the Official Gazette no. 28662 dated 30 May 2013;
- ı) **Interest Rate Swap:** *(Addition: Published by the General Letter numbered 1637, dated June 19, 2020)* The derivative contract in which floating and fixed interest rate payments are exchanged based on the principal amount and periods determined by the parties;
- j) **Law** : means the Capital Markets Law no. 6362 published in the Official Gazette no. 28513 dated 30 December 2012;
- k) **Board:** means the Capital Markets Board;
- l) **CCP:** means the central counterparty;
- m) **Central Counterparty Regulation:** means İstanbul Takas ve Saklama Bankası A.Ş. Central Counterparty Regulation published in the Official Gazette no. 28735 dated 14 August 2013;
- n) **Central Clearing and Settlement Regulation:** means İstanbul Takas ve Saklama Bankası A.Ş. Central Clearing and Settlement Regulation published in the Official Gazette no. 28711 dated 18 July 2013;
- o) **Cash Flow Margining Method:** means the method considering the securities based on the same yield as a portfolio and using the metric of change in "net present value" and taking the changes in value of the positions into account for margining purposes;
- ö) **Overnight Indexed Swap:** *(Addition: Published by the General Letter numbered 1637, dated June 19, 2020)* The derivative contract in which floating and fixed interest rate payments,

which are calculated on the basis of principal amount and periods determined by the parties, are exchanged and the floating interest rate depends on the change of an interest index;

- p) **Portfolio-based margining:** means the calculation of the amounts of margins to be collected by Takasbank from CCP members by taking into consideration the risk-mitigating effects of the correlations between the assets in the same account;
- r) **Position:** means the systematic record forming the basis of debt and credit/receivable amounts arising from transactions executed and to be calculated over the amount of underlying assets;
- s) **Procedure** : means the implementation principles comprising the procedures for operating and practices in accordance with the rules and principles stipulated in the Directive and approved by the General Manager;
- ş) **System:** means Takasbank system established for clearing and risk management of over-the-counter derivatives transactions;
- t) **Contract Value:** means the amount of debt or credit/receivable calculated by discounting the projected cash flows of over-the-counter derivative transactions for the future periods;
- u) **Financing cost related with the contract value:** means the amount required to be paid by the party receiving the variation margin to the party paying such variation margin, which is calculated over the interest rate determined by Takasbank;
- ü) **Contract novation method:** means the conclusion of individual contracts by Takasbank with the parties through cancellation of the contract previously signed between the parties in accordance with the principles specified in the market directives in relation to the transactions executed in the market or over the capital market instruments for which CCP service is provided, and, in any event, before completion of settlement;
- v) **Clearing and Settlement** : means all of the processes allowing for transfer of cash between the parties within the framework of the margins/collaterals deposited and through fulfilment by the members of the obligations arising in relation to the transactions executed within the period and under the terms and conditions designated by Takasbank;
- y) **Takasbank** : means İstanbul Takas ve Saklama Bankası A.Ş.;
- z) **Collateral accounts:** means the accounts opened with Takasbank on behalf of CCP members and used for monitoring the collaterals that should be maintained by the members due to the positions pertaining to their own portfolios or the positions of their customers;
- aa) **CBRT** : means the Central Bank of the Republic of Turkey (Türkiye Cumhuriyet Merkez Bankası Anonim Şirketi);
- bb) **Default Management Group:** means the group established with the participation of Takasbank specialists and the subject-matter employees of the members designated by Takasbank in order to take part in the default management process;
- cc) **Member** : means the CCP members that are allowed to be a party to the clearing services provided by Takasbank as the central counterparty, within the framework of article 6 of the Central Counterparty Regulation;

çç) **Directive** : means the Directive on Principles regarding Clearing and Central Counterparty Services to be provided by İstanbul Takas ve Saklama Bankası A.Ş. for Transactions executed in Over-The-Counter Derivatives Markets, which has been adopted by the Board of Directors and approved by the Board;

dd) **Board of Directors:** means the Board of Directors of Takasbank.

## CHAPTER TWO

### Guidelines for Membership

#### Membership

**ARTICLE 5 -** (1) The banks satisfying the conditions set forth in article 8 of the Directive may become a member to the CCP service to be provided by Takasbank for over the counter derivative transactions provided that they are authorized by the Board of Directors.

(2) CBRT is the natural member of the CCP service to be provided by Takasbank in the System, without requiring any application and assessment.

#### Membership Types

**ARTICLE 6 -** (1) Members are divided into two groups: direct central counterparty member and general central counterparty member.

(2) Direct central counterparty members are authorized to perform only the clearing and settlement transactions of themselves and/or of their clients.

(3) General central counterparty members are authorized to perform the clearing and settlement transactions of other trading institutions in addition to the clearing and settlement transactions of themselves and/or of their clients.

(4) The general and direct central counterparty membership classification is made by taking the amount of equity capital held by the Member, the adequacy of its internal systems and technical infrastructure into consideration as well as other internal rating, financial analysis and intelligence studies carried out by Takasbank.

#### Transition between membership types

**ARTICLE 7 -** (1) The membership status of the general and direct central counterparty members may be changed by pursuing compliance of the members with the conditions set forth by Takasbank. In this context, a direct central counterparty member may be accepted later as a general central counterparty member or a general central counterparty member may also be accepted later as a direct central counterparty member.

(2) General central counterparty members may make an application to become a direct central counterparty member. The applications filed by the general central counterparty members in this direction may be accepted by Takasbank provided that all rights, obligations and accounts, if any, relating to the trading institutions of whose clearing and settlement transactions executed are transferred or settled completely.

(3) The applications for general clearing membership by the direct clearing members who meet the eligibility requirements for the general clearing membership shall be finalized by Takasbank in 2 months.

(4) In case the members who lose the eligibility requirements for general central counterparty membership again fail to meet the relevant criteria within the time period set by the Board of Directors, they may be authorized as a direct central counterparty member from the date the loss of eligibility is notified to them by Takasbank provided that they satisfy the conditions set out in the first paragraph of article 8 of the

Directive. In this case, the transfer or liquidation of all rights, obligations and accounts, if any, relating to the trading institutions whose clearing and settlement transactions are executed should have been completed. If there has been a failure to fulfill such obligation then, the provisions of article 13 of the Directive shall apply to the relevant member.

(5) In case of transition between membership types, the situation is published and announced on Takasbank website following the decision given in relation to such transition.

#### **ARTICLE 8 - CCP Membership conditions**

(1) The determination and assessment of the satisfaction of the membership conditions belong to Takasbank, and at least the following conditions must have been met for membership:

- a) The conditions for membership of the Central Clearing and Settlement Regulation must have been met,
- b) The CCP service-related agreements and/or letters of undertaking whose content is determined by Takasbank must have been signed and submitted to Takasbank,
- c) Their financial structure must be at a level to fulfill their commitments towards Takasbank,
- ç) Other information and documents to be requested by Takasbank must have been submitted.
- d) The declaration in the format compatible with the template set by Takasbank for their data processing, risk management, internal control and internal audit systems must have been approved by the Board of Directors of the Members submitted.

(2) To be able to become a Direct CCP Member;

- i. Holding the limited or general custody service license pursuant to the relevant legislation,
- ii. Banks to hold 50.000.000 TL as the minimum amount of equity capital,
- iii. Receiving at least D rating note as a result of the internal rating study conducted by Takasbank,

(3) To be able to become a General CCP Member:

- i. Holding the operating permit related to general custody service, which enables the member to provide the custody of positions and collateral arising from the transactions pursuant to the relevant legislation,
- ii. Banks to hold 500.000.000 TL as the minimum amount of equity capital,
- iii. Receiving at least B rating note as a result of the internal rating study conducted by Takasbank within the scope of fourth paragraph.

(4) In the context of internal rating study conducted by Takasbank to determine the rating note of the company, the financial statements of such company, its activity report, company introductory information form, company key information form, its transaction volumes in the markets, custody balances denominated in TL, default and intelligence information concerning the company, and the credit ratings received from the rating agencies, if any, and the market intelligence information as well as the news featured in visual and printed media are used. Takasbank announces the general features of the parameters considered in its internal rating methodology as well as the effects of these parameters on the rating notes, on its web site.

(5) Takasbank is authorized to determine the minimum criteria it would seek for technical infrastructure, data processing, risk management, internal control and internal audit systems with a procedure, to allot time for compliance to institutions who fail to meet the prescribed criteria, to get commitment and to check whether the criteria have been met.

(6) The Board of Directors is authorized to increase the minimum amount of equity capital or to decrease it up to its previous level by taking the relevant capital markets and banking regulations as well as the market conditions into consideration.

## Membership application and admission

**ARTICLE 9 -** (1) The institutions to be applied for membership are required to submit their application request addressed to the Takasbank Head Office together with a letter accompanied by the information and documents affirming the fulfillment of the conditions prescribed for membership in this Directive and send the information and documents referred to in article 10 of the Central Counterparty Regulation as well as the following documents by appending them to the said letter to Takasbank. The institutions being a member to BIAS Debt Securities Market or BİAŞ SWAP Market are only required to fulfill the obligations referred to in the item (c) among the following obligations given in this paragraph.

- a) Membership application form,
  - b) Authorization certificate (notarized copy),
  - c) Membership Agreement and Pre-Agreement Information Form,
  - ç) Letter of Undertaking for Cash, Assets, Collateral, Real Time Gross Settlement Delivery versus Payment (RTGS DvP) and Electronic Funds Transfer (EFT) Instruction,
  - d) Implementation Agreement Relating to the Customer Instructions to be delivered to İstanbul Takas ve Saklama Bankası A.Ş. via Fax Machine,
  - e) Other documents that may be required by Takasbank in accordance with the relevant legislation.
- (2) For the membership applications to be eligible for assessment by Takasbank, the information and documents stated in the first paragraph of this article as well as other documents that may be requested by Takasbank must have been completed. The applications shall be assessed by Takasbank in terms of whether the conditions specified in article 8 have been met or not. The final decision made by Takasbank on the application shall be notified to those concerned in writing in 2 months.

- (3) In order to commence its operations with Takasbank, the institution whose membership application is accepted, should;
- a) Pay the membership entrance fee,
  - b) Deposit the membership collateral,
  - c) Pay the Guarantee Fund contribution amount, and
  - ç) Authorize the personnel who will conduct the transactions on behalf of the Member in Takasbank system, within 1 month from the date the notice for the approval of its membership application was served. . Otherwise, the membership right granted to the relevant institution shall be cancelled. The date on which such obligations are fulfilled shall be deemed to be the date that the institution has become a member of the central counterparty service provided to the Market, and the Member shall be entitled to execute transaction after this date accordingly.

## General obligations of the members

**ARTICLE 10 -** (1) The Members are obliged to comply with the following issues:

- a) Act in accordance with all rules and principles stipulated by this Directive and other relevant legislation for the market clearing and settlement transactions and the central counterparty service,
- b) Behave in accordance with the principles of honesty and good faith towards their customers and other members,
- c) Deposit the guarantee fund contributions stipulated by Takasbank,
- ç) Take all necessary measures to ensure sustainability of the internal control, risk management and internal audit mechanisms required to become a CCP member,
- d) Cover the collateral to be deposited for the portfolio accounts entirely from the assets under their possession,

- e) Cover the collateral to be deposited for the positions of their customers from their own collateral or from those on which they have gained the right of disposition through the transfer of ownership agreements compatible with the Law,
- f) If the collateral deposited for the customer positions have been obtained from the customers or other persons and entities through transfer of ownership agreements, establish a sound recording and monitoring system which would ensure safekeeping of transfer of ownership agreements and matching of the customers, persons and entities from which the collateral have been obtained with the collateral deposited in the relevant position accounts.
- g) Act in accordance with all rules and principles stipulated in the Law and other relevant regulations related to the monitoring and safekeeping of customer assets and collateral.
- ğ) Fulfil the dues, fees, commissions and other obligations requested by Takasbank within their time period.
- h) Adapt the system revisions to be made by Takasbank within the prescribed time periods and participate in the tests.
- ı) Establish constant reconciliation between the position and collateral accounts at Takasbank and the records of the portfolio and customer accounts at itself.
- i) Deposit the collateral and the guarantee fund contributions to the relevant margin accounts at Takasbank.
- j) Furnish any information and document to be requested on issues deemed necessary by Takasbank and the Board in relation to their business and transactions within the scope of this Directive, and provide all type of support in the investigations to be carried out by those commissioned by Takasbank and the Board.
- k) In addition to the books and records they are required to keep legally, keep other records determined by Takasbank, issue the information and documents in due form; and convey them to Takasbank in a periodic manner or at times requested by Takasbank, and maintain such documents and records for a period of 1 year.
- l) Fulfill other obligations under this Directive in a complete manner and within their time period.

If any Member foresees that it will be unable to either partially or wholly fulfill its obligations, this Member is obliged to notify such situation immediately to the Board and other relevant public entity and institutions together with all substantiating information and documents describing its reasons thereof. Such notification shall not constitute an impediment for Takasbank to take the necessary measures stipulated in this Directive.

### **Responsibilities of the General Central Counterparty Members**

**ARTICLE 11 -** (1) The general central counterparty member executing the custody and settlement operations of a trading institution shall be unconditionally responsible towards Takasbank for fulfilling the obligations related to the transactions conducted by the relevant institution through itself. The general central counterparty member executing the custody and settlement operations and the trading institution of whose custody and settlement operations are conducted by that member shall be jointly and severally liable towards Takasbank for the obligations arising from the trading institution's transactions of itself and of its customers that are executed through the relevant general central counterparty member.

(2) A general central counterparty member shall be responsible for tracking whether the obligations set forth in article 12 have been actually fulfilled by the trading institutions whose custody and settlement operations are executed by that member; taking all necessary measures in cases where it is determined that such obligations have not been fulfilled; and acting in accordance with the provisions set forth in the third paragraph of the same article in cases where it is also determined that such obligations have still not been fulfilled despite the measures.

(3) The general central counterparty member shall be relieved from its responsibilities specified in the second paragraph of this article provided that all rights, obligations and accounts of the relevant trading institution towards Takasbank resulting from its transactions accepted for clearing are transferred to another general central counterparty member or winded-up.

### **Responsibilities of the Trading Institutions**

**ARTICLE 12 -** (1) Positions and collaterals of the trading institutions are monitored in the exclusively opened sub-accounts connected to the general central counterparty members.

(2) The trading institutions shall be liable for complying with the following issues:

- a) Adhere to the arrangements under in this Directive related to the collateralization procedures and monitoring of the customer positions and collaterals held both with them and with the relevant general central counterparty member,
- b) Act in accordance with all rules and principles determined in the Law and other relevant regulations related to the monitoring and custody of customer assets and collaterals ,
- c) Constitute a continuous reconciliation between the accounts of their customers held with the general central counterparty member to whom they are affiliated to and the records related to the customer positions and collaterals held with them,
- ç) Ensure that their customers are informed in an accurate and complete manner about the fact that the power of disposition on the collateral accounts of their customers opened with the general central counterparty member belongs to the relevant general central counterparty member and this power is restricted by Takasbank as to be limited only to the collateral required to be held,
- d) Furnish all types of information and documents that may be requested on issues deemed necessary by the relevant general central counterparty member, Takasbank and the Board related to their business and transactions within the scope of this Directive, and provide all types of support in the investigations to be carried out by those authorized by Takasbank and the Board

(3) If it is determined by the relevant general central counterparty member that a trading institution has failed to fulfill the obligations referred to in the second paragraph of this article either partially or completely, than this situation shall be notified immediately to Takasbank together with all information and documents substantiating non-fulfillment of such obligations; and all measures shall be taken to rectify these discrepancies thereof.

(4) In cases where the relevant trading institution has failed to fulfill its obligations despite all measures taken by the general central counterparty member, the positions and collaterals of the customers of the trading institution, upon request of the relevant general central counterparty member to Takasbank, shall be transferred to the relevant general central counterparty member making the request in accordance with the agreement between each other. The trading institution shall provide the ownership information related to the transferred customer positions and collaterals to the Member who takes over them. The Board, the Exchange and the relevant public authority shall be notified by Takasbank within 1 business day about the transfer operation made by the relevant general central counterparty member together with its reasons thereof.

(5) The provisions stipulated in other regulations for the trading institutions to which they are subject to shall be reserved.



### **Restricting the member activities**

**ARTICLE 13 -** (1) The activities of the members under this Directive may be restricted by Takasbank in the following situations.

- a) Removal of membership or suspension of activities in the markets or capital market instruments in which the clearing and settlement service is provided pursuant to article 13 of the Central Clearing and Settlement Regulation or article 14 of Central Counterparty Regulation,
  - b) Failure to fulfill the obligations stipulated in the Directive, the Procedure and the membership agreement,
  - c) Identification of any unfavorable situation for the member such as protest, seizure, provisional injunction, etc., or temporary or permanent suspension of its activities, cancellation of its relevant operating permit, prohibition to conduct any transaction for the capital market instruments traded in any market at BIAS for any reason, decision rendered on its gradual liquidation or bankruptcy or receipt of any negative intelligence about it,
  - ç) Determination of the fact that the credit worthiness of the Member is either impaired or does not exist as a result of the intelligence, financial analysis and/or rating study periodically conducted by Takasbank.
- (2) The Members cannot trade on the accounts belonging to those who have been banned from trading by the Board and have similar limitations thereof .
- (3) If any situation referred to in this article occurs, Takasbank may resolve the outstanding positions of the Member to be liquidated either in part or in whole .
- (4) If the Member's activities are restricted for reasons referred to in this article, the situation shall be notified to the Board and the relevant public authority .

### **Terminating the membership**

**ARTICLE 14 -** (1) The CCP membership may be terminated by the Board of Directors' decision in the event of the following situations ;

- a) Determination by Takasbank that any one of the CCP membership conditions set forth in this Directive and other relevant regulations has been lost,
  - b) Determination by Takasbank that risks of significant nature that would jeopardize the secure and uninterrupted functioning of the CCP system have arisen due to failure to fulfill the obligations stipulated in this Directive or other relevant regulations,
  - c) Failure of the CCP members whose activities have been restricted in accordance with the provisions of the second paragraph of article 14 of the CCP Regulation to fulfil their relevant obligations within the six months' period granted to them pursuant to the sixth paragraph of the same article,
  - ç) Upon the CCP member's own request.
- (2) **(Addition: Published by the General Letter numbered 1644, dated September 18, 2020)** Those intending to terminate their CCP membership in accordance with the item (ç) of the first paragraph of this article shall notify Takasbank of the situation in writing. However, the relevant member intending to terminate its CCP membership must have fulfilled all of its obligations under the Directive and other relevant regulations. In such cases, the Board of Directors may consent the termination of the CCP membership. If the request for termination of the membership is submitted without fulfilling all obligations under the Procedure and other regulations, the member shall be given a period of 30 days for fulfilling such obligations. The member that fulfills such obligations within the period of time granted shall notify Takasbank of such case in writing, and the request for termination by the member shall be addressed at the next meeting of the Board of Directors following

such notification. Members who fail to fulfill such obligations within a period of 30 days may only apply for terminating their membership once they have closed all their positions.

- (3) Even in the case of termination of the CCP membership, the obligations of such institution against Takasbank under this Directive and other relevant regulations in relation to the transactions conducted until the date of the Board of Directors' decision regarding the termination of membership shall prevail.
- (4) The Board and the other relevant public entities and institutions must be immediately informed of the member whose CCP membership has been terminated .

## **CHAPTER THREE**

### **Account Operations**

#### **Account Type**

**ARTICLE 15 -** (1) Three different types of accounts can be opened with Takasbank; “Trading Account”, “Depository account” and “Trading and Depository account”.

(2) Trading Account is an account that the buying and selling transactions in the Market can be executed but no position and collateral monitoring can be carried out; and the orders and transactions are followed on this type of accounts. A trading account opened with Takasbank can only be eligible to execute transaction in the Market upon the association of this account with a depository account and the approval of this operation by the Member to whom such depository account belongs. A trading account can be associated with only one depository account.

(3) Depository account is an account that the positions, the risks related to the positions and the collaterals can be monitored but no transaction can be conducted. A depository account can be associated with more than one trading account.

(4) Trading and Depository account is an account where the transactions can be conducted and the positions and the risks related to such positions and collaterals are also kept and monitored.

#### **Account opening**

**ARTICLE 16 -** (1) The accounts on which the transactions will be conducted should have been defined in BISTECH.

(2) In order for the relevant accounts to be opened in BISTECH, the identity information of such account holders and other information should be defined with CRA in the first place. The relevant accounts shall be opened with BISTECH after the identity information related to opened accounts is sent by CRA to Takasbank.

(3) In order a newly opened account to be active in the Market; such account should have been opened with CRA until the time cited in article 24 for “Transfer deadline for the accounts opened at the CRA to BISTECH” and should be linked to relevant account template on BISTECH before session-end at T date. Accounts opened until the deadline cited in article 24 for “Transfer deadline for the accounts opened at the CRA to BISTECH“, can be continued to open/linked to templates on BISTECH until “BISTECH account opening/association deadline” in article 24. Accounts opened after session-end, can be active in the Market following day, after finalizing template-link transaction.

(4) Trading accounts should be opened by associating with the depository accounts where collaterals related to transactions conducted on such trading accounts and positions are monitored. Therefore, depository accounts should be opened before trading accounts. The associations between trading and depository accounts are essentially made by the Members through BISTECH terminals. For the accounts,

no association operation shall be allowed after the “BISTECH account opening/association deadline” in the article 24. Orders shall not be sent from the trading accounts that are not linked with any depository account.

(5) The trading institutions are required to open an account with the general clearing member for both their own portfolios and their customers on whose behalf they wish to execute transaction.

(6) Accounts opened by general clearing members for non-clearing members at the CRA, “trading member-NCM” field should be filled. Genel clearing member should open the NCM accounts at the BISTECH via associating the accounts with the relevant templates

## **Segregation**

**ARTICLE 17 -** (1) Two different types of accounts can be opened with Takasbank; “Customer Account” and “Portfolio Account”. Customer Account is an account where the transactions executed by the Member with its customers are monitored. Portfolio Account, on the other hand, is an account where the transactions executed by the Member for its own portfolio are monitored. In the Market, the customer positions and collaterals are monitored separately from the Member’s own portfolio and collaterals. The positions and collaterals belonging to the Member’s own portfolio are monitored in a trading-depository or depository accounts opened according to article 16. Each member is required to have a portfolio account. Among those members who are qualified as a market maker in accordance with the Exchange legislation can also open a market maker account..

(2) It is essential that the Members monitor the customer positions on single-position accounts to be opened in Takasbank system. The collaterals related to the customer positions monitored through single-position accounts can only be used to liquidate obligations of the respective customer

## **Account Transfer**

**ARTICLE 18 -** (1) Positions monitored in transaction and linked custodial accounts and collaterals related to these positions may be transferred by Takasbank between CCP members in accordance with the instructions of CCP members that hand over and take over these positions. In this case, the transferor shall obtain the written consent of clients whose positions and collaterals are to be transferred.

(2) Takasbank reserves the right to reject requests for account transfer to ensure transaction safety.

(3) In case of transfer of the positions monitored through the accounts connected to the Member whose membership operations have been restricted or whose membership has been terminated, as well as of the collaterals related to such positions to another Member; the transfer operations shall be carried out by Takasbank;

- a) in accordance with the provisions of the agreement in the event the transferee Member has already been designated in the agreement made between the transferor Member and Takasbank,
  - b) in accordance with the provisions of the agreement in the event that the transferor Member has made an agreement with the transferee Member until the date the transfer will be conducted even though the transferee Member has not been pre-determined in the agreement made between the transferor Member and Takasbank,
  - c) if a transferee Member can be found by Takasbank in the event no pre-determination has been made according to the provisions specified in items (a) and (b) of this paragraph.
- (4) Should the account transfer be carried out, the collaterals in the transferred accounts cannot be withdrawn until there is agreement between Takasbank's records and the records of the Member whose activities have been restricted or whose membership has been terminated. This is without prejudice to provisions related to follow-ups conducted by judicial or administrative authorities.
- (5) In cases where no Member can be found to take over the positions and collaterals, or there is no sufficient time to find a Member, or if the accounts cannot be transferred due to collateral deficit or have collateral deficit after the settlement of the positions, then the relevant accounts shall be

liquidated in accordance with the principles set out in Chapter Five of the Central Counterparty Regulation. Any collateral remaining after the settlement of the positions in the accounts that cannot be transferred due to the unavailability of a Member to take them over shall be returned in accordance with article 27 of the Central Counterparty Regulation.

## CHAPTER FOUR

### Clearing and Settlement and CCP Service Principles

#### Takasbank's liability

**ARTICLE 19 -** (1) Takasbank is the central counterparty with the novation method for the transactions accepted for clearing. The said method involves the principle whereby Takasbank concludes individual contracts with the parties through cancellation of the contract signed between the parties, in accordance with the related regulations, and, in any event, before completion of settlement. Takasbank assumes, in its capacity as the central counterparty, the clearing and settlement obligations arising from the transactions conducted by the Members in accordance with the principles and procedures stipulated in this Directive and the legislation.

- (2) In the Contract novation method, Takasbank's liability towards the parties to the transaction starts from the time the transaction is accepted for clearing and ceases with the completion of clearing and settlement by the end of maturity period of the transaction. Should the limit allocated by Takasbank to the Member on a transaction basis in accordance with the fourth paragraph of article 5 of the Central Counterparty Regulation be exceeded, Takasbank shall, without prejudice to the provisions of article 22, not be liable for any loss arising out of the transactions it has refrained from.
- (3) For the transactions accepted for clearing, Takasbank deals only with the Members. Takasbank shall not be liable for the obligations of the Members to their customers .
- (4) In covering the liquidity needs and the losses to be incurred in case of any default, the provisions stipulated in Chapter Five of the Central Counterparty Regulation shall apply as to be limited to the liquidity conditions and constraints.

#### Currency

**ARTICLE 20 -** (1) In the payment of obligations arising from the clearing and settlement transactions, the currency in which the transactions are conducted shall be used.

- (2) Takasbank may also allow fulfillment of the obligations over any currency different from the currency in which the transactions are conducted in accordance with the principles stipulated in the Procedure.

#### Finality of Settlement

**ARTICLE 21 -** (1) The settlement instructions and transactions and the payment operations arising from the transactions accepted for clearing can neither be revoked nor can be cancelled including the state of temporary or permanent suspension of the member activities and initiation of liquidation actions before the administrative and judicial authorities.

- (2) A new transaction from the member is not accepted for clearing at the moment when suspension of the member's activities or any decision that may produce the same consequence has been notified to Takasbank.
- (3) The settlement operations of all contracts accepted for clearing and transferred to the clearing and settlement system shall be concluded in accordance with the provisions of this Directive.

- (4) Collateral established by the member by its available cash and security balances held at Takasbank shall be used to terminate its obligations .
- (5) Early termination can be carried out after the agreement of the parties for the conducted transactions or in case of default at the request of the non-default party or by the decision of Takasbank. The assessment is made on a transaction basis.

### **General principles for clearing and settlement**

**ARTICLE 22 -** (1) For all trade and transactions to be carried out within the scope of the Central Clearing and Settlement Regulation, the Directive and the Procedure, Takasbank shall deal only with the relevant Member regardless of whether such transactions belong to the customers of the Members or not. In this way, the relevant Member shall be deemed fully authorized to take delivery of any type of notice and perform any type of transaction including the margin call on behalf of their customers. In this context, if the obligation related to such accounts is failed to be fulfilled in due time despite the margin call made by Takasbank to the relevant Member for the customer transactions, Takasbank shall be deemed fully authorized for any type of disposition on the customer accounts including closing-out the positions and converting non-cash collaterals to cash in order to resolve the default without the need for any notification to the customers.

(2) The open interest in the portfolio and customer accounts opened by the Members with Takasbank, the Guarantee Fund contribution amounts and the cash and non-cash collaterals are made subject to an updating process by Takasbank. Takasbank may also perform the account updating operations more than once in a day.

(3) **(Amendment: Published by the General Letter numbered 1637, dated June 19, 2020)** The periodic payment amount related to each transaction subject to clearing, variation margins and financing costs associated with contract value shall be calculated during the end-of-day cycle specified in Article 24. The periodic payment amount for interest rate swap transactions is collected from debtor accounts starting from the end of the day before the end of the period date and distributed to the creditor accounts at the end of the period until the short cash balance fulfillment cut-off time specified in Article 24. The periodic payment amount for overnight indexed swap transactions is collected from debtor accounts from the end of the day on the end of the period and distributed to the creditor accounts on the next business day from the end of the period until the short cash balance fulfillment cut-off time specified in Article 24. In the event that the TRY collateral amount in the transaction and linked custodial account is not sufficient to cover the debt amount, the remaining sum shall be covered by the Member in TRY until the deadline specified in Article 24 for clearing any negative cash balance. Otherwise the member shall default.

(4) **(Amendment: Published by the General Letter numbered 1637, dated June 19, 2020)** The periodic payment amount, variation margins and financing costs associated with contract value shall be distributed as of the end of the night cycle until the "Negative Cash Balance Clearing Deadline" specified in Article 24. Provided that there is a negative balance in Takasbank distribution reserve, profit shall be distributed partially, starting with the member with the lowest receivable and moving up.

### **Clearing transactions for variation margins and financing costs associated with contract value**

**ARTICLE 23 -** (1) **(Amendment: Published by the General Letter numbered 1637, dated June 19, 2020)** The party for which a net positive "variation margin amount" was calculated at the end of the day shall receive the variation margin amount starting from the end of the day on the day of the transactions (T) until the short cash balance fulfillment cut-off time specified in Article 24 the following business day (T+1). The party for which a net negative variation margin amount was calculated shall pay

the relevant variation margin amount starting from the end of the day on the day of the transactions (T) until the short cash balance fulfillment cut-off time specified in Article 24 the following business day (T+1).

- (2) **(Amendment: Published by the General Letter numbered 1637, dated June 19, 2020)** The party that has a net positive contract value at the end of the day shall pay the financing costs of this amount from the end of the day following the day of the transactions (T+1) until the deadline for negative cash clearing specified in Article 24 the next business day (T+2). The party that has a negative contract value shall receive the financing costs of this amount from the end of the day following the day of the transactions (T+1) until the deadline for negative cash clearing specified in Article 24 the next business day (T+2).
- (3) Financing costs are determined according to the following calculation.
- (4)  $\text{Financing Costs} = \text{Contract Value} \times \text{TLREF interest rate} \times [(\text{t}+2) - (\text{t}+1) \text{ day count}] / 365$
- (5) If the overnight interest rate is negative, the party that has positive contract value shall also receive the financing costs within two days.
- (6) The rights and obligations arising from the clearing of variation margins and contract value financing costs shall be based on the transaction and linked custodial account and shall be carried out using accounts of this type.

#### Settlement Date and Period

**ARTICLE 24 -** (1) **(Amendment: Published by the General Letter numbered 1637, dated June 19, 2020)** The transactions accepted for clearing are subject to the clearing & settlement of variation margin, financing cost related with the contract value and periodic payment amount within the same day.

- (2) In determining the settlement periods, the business days on which the relevant currency can be exchanged are taken into consideration.
- (3) The clearing and settlement periods, except official holidays, are applied as shown in the table given below.

Name of the Process	Time
Distribution of accrued interest	07:30
Collateral Deposit- Withdrawal Start Time	08:00
Distribution of profit not distributed due to previous business day cash deficit	08:15(T+1)
Short Cash Balance Fulfillment Cut-off Time	11:00
Cash Settlement Cut-off Time (Default Start Time)	15:00
TL Collateral Withdrawal Cut-off Time	15:40
Interest Accrual Cut-off Time	15:40
No Interest Accrual Instruction Cut-off Time	15:40
Other Collaterals (excluding TL-) Withdrawal Cut-off Time	18:15
Collateral Deposit Cut-off Time	18:15
Deadline for sending accounts opened in CRA to BISTECH	18:15
Transaction Cut-Off Time	17:45
BISTECH Account Opening/Association Cut-off Time	19:20+

Time for the calculation of periodic payment, variation margins, and financing costs associated with contract value (end-of-day cycle)	19:20+
Start of evening batch	19:30
Account Updating Process (Addition of Profits/Collection of Loss) (End of evening batch)	19:30+
Margin Call (End of evening batch)	19:30+
End-of-Day Operations in Settlement Screen (TVIS)	21:30+

(4) For halfdays, clearing and settlement periods are applied as shown in the table given below.

<b>Name of the Process</b>	<b>Time</b>
Distribution of accrued interest	07:30
Collateral Deposit- Withdrawal Start Time	08:00
Distribution of profit not distributed due to previous business day cash deficit	08:15(T+1)
Short Cash Balance Fulfillment Cut-off Time	11:00
Cash Settlement Cut-off Time (Default Start Time)	11:00
TL Collateral Withdrawal Cut-off Time	11:40
Interest Accrual Cut-off Time	11:40
No Interest Accrual Instruction Cut-off Time	11:40
Other Collaterals (excluding TL-) Withdrawal Cut-off Time	12:45
Collateral Deposit Cut-off Time	12:45
Deadline for sending accounts opened in CRA to BISTECH	12:45
Transaction Cut-Off Time	13:00
BISTECH Account Opening/Association Cut-off Time	13:50+
Time for the calculation of periodic payment, variation margins, and financing costs associated with contract value (end-of-day cycle)	13:50+
Start of evening batch	14:00
Account Updating Process (Addition of Profits/Collection of Loss) (End of evening batch)	14:00+
Margin Call (End of evening batch)	14:00+
End-of-Day Operations in Settlement Screen (TVIS)	16:30+

## CHAPTER FIVE

### Risk Management and Collateralization Principles

#### Risk management

**ARTICLE 25 -** (1) Risk management is performed by Takasbank using the Cash Flow Margining Method

(2) Transactions executed by the member on its own behalf are followed under “Member” account; and the transactions executed on behalf of its customers are followed under customer accounts opened as trading and associated custodian account. Risk management is conducted on account basis.

(3) The margin requirement for each account is calculated individually and the sufficiency of collaterals in each of the trading and associated custodian accounts is checked separately.

- (4) Pre- and post-clearing acceptance risk management processes are applied for over-the-counter derivatives for which clearing service is provided.
- (5) Within the scope of pre-clearing acceptance risk management processes, the rules regarding the contracts that may be accepted for clearing. Transactions of accounts are rejected for clearing if these accounts not have sufficient collaterals.
- (6) The open settlement positions, guarantee fund contributions and collaterals held in the accounts opened by members with Takasbank are subject to revision/updating at the times of calculation determined by Takasbank.
- (7) An initial margin shall be requested from the Members regarding contracts accepted for clearing to cover the risks arising from the positions taken. The initial margin is received at the beginning to cover any exchange rate change that may occur in the Market during the period to be elapsed from the moment in which the default occurs to its resolution in the event the member falls into default. In determining the statistical parameters constituting the basis of the initial margin, the confidence levels and holding periods to be designated in the Procedure shall be used provided that they shall not be less than 99% and 2 days respectively. The historical data sets to be used in the volatility calculations should cover, at minimum, the last 12 months' period, if obtainable.

#### **Yield Curves used in the Cash Flow Margining Method and Principal Components**

**ARTICLE 26-** (1) In the CFM Method, the interest rates used in the net present value calculations are interpolated from the yield curves.

(2) Takasbank shall make the necessary announcements with regard to the yield curves that shall be created and the valuation of the contracts accepted in clearing.

(3) Different yield curves are to be generated for various OTC instruments of similar nature as to be made subject to the risk account in the BISTECH system by using the interest rates and stressed values obtained from the yield curves specifically generated for these assets.

(4) During the calculation of margin requirement for the portfolio created in the risk account, the netting operations are performed on the basis of the yield curve to which the assets in the portfolio are linked. Takasbank may take into account the correlations between different yield curves used in the system during the risk calculation. If the correlations are taken into account, the designated haircut is announced to the members via the General Letter together with other risk parameters.

(5) Principal Components at CFM Method are defined as the independent (uncorrelated) changes in the yield curves. The risk scenarios are created from various combinations of these changes by presuming that the yield curves are mainly becoming subject to three different changes. The principal components designating the independent changes in the yield curves are as follows.

- a) Parallel Shift; The parallel shift of the yield curve entirely to upside and downside
- b) Change of Slope: The changes in the slope of the yield curve.
- c) Change of Curvature; the changes occurred in the curvature of the yield curve.

(6) In determining the principal component values referred to in the first paragraph of this article as to be used in the risk calculations, the interest changes constituting the base to the initial and variation margins and 99.50% confidence level are taken into account. The determined principal component values and other parameters used in the CFM Method are announced via a General Letter. They are published on Takasbank website and reviewed monthly by considering the market conditions. If it is deemed necessary, Takasbank may revise the risk parameters in accordance with the market conditions without waiting for the one months' time period.



(7) By the nature of the operation of the CFM Method, the System uses simulation results implying the worst case scenario of the portfolio in performing a portfolio-based collateralization.

### **Calculating Collateral Received for Trade/Settlement**

**ARTICLE 27 -** (1) The margin requirement arising due to the transactions conducted in the Market is the difference between the net present values calculated using the related yield curves of the cash flows processed in the CFM Method and the net present values calculated after the shocks applied to these curves.

### **Intra-Day Margin Call**

**ARTICLE 28-** (1) If the collateral deficit of an account exceeds during the day the criteria determined by Takasbank, an intra-day margin call may be issued by Takasbank to ensure restoration of such overruns. The margin call is issued by the system and/or the member is informed by phone and/or via electronic mail.

- (2) If issued, the obligations subject to the margin call must be fulfilled within 2 hours. Default provisions shall be applied for the obligations failed to be fulfilled within this time period.
- (3) Criteria for the intra-day margin call shall be determined by Takasbank by considering issues such as the market conditions, margin concentration, whether or not the margin call originates from any interest change, and the nominal/proportional deficit amounts of the account, etc.
- (4) Accounts subject to intra-day margin call can fulfill the margin call obligations by the way of depositing collateral and/or conducting transactions which decrease the margin requirement value and/or removing collateral deficit which is calculated at the risk calculation batches.
- (5) The accounts which have no collateral deficit at neither of the risk calculation times performed within 2 hours following the intra-day margin call and the accounts which are determined not to have collateral deficit according to the risk calculation batches after depositing collateral and/or conducting transactions which decrease the margin requirement value as well as the accounts which are determined that the valued amount of total deposited collateral at the risk calculation batches is greater than the intra-day margin call obligation amount shall be deemed terminated their intra-day margin call obligation. Besides, there will be an additional batch that performs its calculations with current prices and positions for the accounts which cannot fulfill their intraday margin call obligations during 2 hours period; the accounts at this batch which are determined not to have any collateral deficit shall also be deemed terminated their intra-day margin call obligation. The information for termination of the intraday margin call is notified to the member via e-mail or telephone.

### **End-of-Day Margin Call**

**ARTICLE 29-** (1) A margin call is issued at the end of each business day for the accounts whose valued collateral amount falls below the required collateral level. The members are obliged to fulfill their margin call obligations at the latest by 11:00 on the next business day. Default provisions shall be applied for the obligations failed to be fulfilled during this time period. The collateral restoration deadline on half business days is 10:00.

- (2) The margin call amounts calculated by Takasbank are informed to the Members through the settlement terminals. Should the margin call be sent via the system, the members shall be deemed to have received the call without the need for any further notice. The responsibility of the member starts at the moment the margin call issued by Takasbank is received by the member.

- (3) Accounts with an issued margin call or fell into default can leave the margin call or default status by way of depositing collateral and/or conducting transactions mitigating the required collateral value.
- (4) The accounts which have no collateral deficit at neither of the risk calculation times on the business day following the margin call shall be deemed terminated their margin call or default obligation. If the valued amount of total additionally deposited collateral is greater than the margin call obligation or the sum of the increase in the valued collateral amount and the decrease in the collateral amount required to be held within the day is greater than the margin call obligation calculated at the end of the previous business day, the margin call or the default shall be deemed to have been settled even if the account has collateral deficit at all of the intraday risk calculation times.

### **Risk limits**

**ARTICLE 30 -** (1) Takasbank defines risk limits for its members in proportion with their solvency in their over-the-counter derivatives contracts.

(2) The limit determined on an individual member basis is notified by Takasbank to the relevant member.

(3) Whether or not the member's total margin requirement resulting from all positions it has taken for itself and its customers in all markets to which CCP service is provided exceeds its risk limit is checked at the end of day risk calculation times.

(4) When the member exceeds its risk limit, the exceeding portion is multiplied gradually by the haircuts set forth in the sixth paragraph of this article and the total amount being obtained is reflected in the Member's "additional trade margin" account where its obligations arising from the overruns relating to the Member's risk limit are monitored. A margin call is issued via the member screens and/or through reporting to the member having collateral deficit in its additional trade margin account. If the additional trade margin obligation is failed to be fulfilled by 15:00 on the business day following the margin call, the default provisions shall be applied.

(5) If the limits exceed 300%, then the order transmission of the member shall be blocked regardless of whether its collateral balances are sufficient or not. All outstanding passive orders of the accounts whose order transmission has been blocked shall be cancelled automatically in BISTECH operating system. When the rate of the required collateral amount subject to the risk limit calculation to the risk limit defined to the member falls below 300%, the order transmission shall again be permitted.

(6) The total margin requirement for all accounts of a member to its risk limit and the haircuts corresponding to these rates are given below. The total additional collateral amount to be requested as a result of the limit overrun is calculated by multiplying the amounts falling into each bracket by the haircuts set for that bracket.

<b>Initial Margin / Risk Limit Rate</b>	<b>Haircut</b>
100% < rate ≤ 130%	0,2
131% < rate ≤ 150%	0,3
151% < rate	1,0

(7) Assets that will be accepted as margin collateral for the extra margin account and group limits to be applied to those assets for the collateral valuation are given below. The margin requirements must be covered by the assets owned by the Member or on which the Member has the power of disposition.

<b>Assets Eligible to Additional Trade Margin Account</b>	<b>Group Limit</b>
Cash Turkish Lira	Max. 100%
Convertible Foreign Currency (USD/EUR/GBP)	Max. 100%
GDSS	Max. 100%
Sukuk issued by the Republic of Turkey Undersecretariat of Treasury, Asset Leasing Company	Max. 100%
Equity (BIST100)	Max. 100%
Equity Umbrella Fund Shares	Max. 100%
Debt Securities Umbrella Fund Shares	Max. 100%
Gold in the standard traded in the Exchange	Max. 100%
Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities	Max. 100%
Government debt securities issued by USA and Germany	Max. 100%

## CHAPTER SIX

### Principles Regarding Collateral

#### Initial margin

**ARTICLE 31-** (1) The general clearing members and the direct clearing members shall deposit 10.000-TL and 5.000-TL, respectively, as membership collateral to cover the losses that may be incurred as a result of the failure to fulfill the obligations against Takasbank related to the dues, fees and commissions and other liabilities within their given time period. The said collateral amounts shall be re-determined by the Board of Directors by taking the market developments into consideration. The membership collateral shall be deposited in Turkish Lira.

(2) If the Members fail to fulfill their obligations against Takasbank, then Takasbank shall collect the relevant amounts from the membership collateral. The Member, after such collection, shall restore the membership collateral to its required level within 3 business days. If the collateral deficit is failed to be restored, this amount shall be collected ex officio from the Member.

(3) In case of termination of the membership, the membership collateral shall be returned provided that all obligations of the Member against Takasbank are completely liquidated.

#### Assets eligible as collateral and guarantee fund contribution

**ARTICLE 32-** (1) The following assets can be used by the Members for the fulfillment of their margin obligations. Takasbank Board of Directors is authorized to also accept other assets designated in article

19 of the Central Counterparty Regulation as collateral or guarantee fund contribution and revise the group limits and sub-group limits.

- a) Cash in Turkish Lira,
  - b) Convertible Currency (USD/EUR/GBP),
  - c) Government Debt Securities,
  - ç) Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey,
  - d) Lease Certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Turkey
  - e) Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities
  - f) Government debt securities issued by USA and Germany
- (2) Takasbank may not accept securities and guarantees that it considers to be connected to the member due to possible specific correlation links between the member's credit worthiness and assets received as margin or may limit their eligibility as margin and guarantee fund contribution share. In the controls in this regard, margin concentrations are also watched and the controls are applied to margin accounts associated with portfolio accounts. The assets, which are identified during the controls, are reported to the Member to ensure that they are changed. The identified assets should be changed within 5 business days. The assets that are not changed until this deadline are excluded from the valuation.
- (3) In order for the Government Domestic Debt Securities to be accepted as collateral, the principal and coupons representing the entire security should be deposited together as collateral. The entrusted government domestic borrowing securities lose their ability to be eligible as margin the day before redemption. The redemption amount is transferred to cash margin account.
- (4) Out of mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities, those issued and denominated in TL by Türkiye Kalkınma ve Yatırım Bankası A.Ş. Varlık Finansman Funds and having at least "AA+" long term local currency rate are accepted as collateral.
- (5) Members cannot submit guarantees and securities which are issued by themselves or by the banks and companies that they are involved as the same investment group (except for the securities issued by the Undersecretariat of Treasury of the Republic of Turkey and for the guarantees and securities of other banks whose majority of the capital belongs to the Undersecretariat of Treasury) as collateral to Takasbank.
- (6) Out of the assets accepted as collateral, those defined to BISTECH system are monitored through the Applicable Collateral Report included within the integration scope. Should the assets not included in this report be intended to be given as collateral, a notification must be made at least one business day before to Takasbank to enable the relevant asset to be defined in the system. The responsibility for monitoring shall belong to the member.
- (7) Among the collateral accepted by Takasbank for this market, the ratio of the total guarantees and securities accepted as collateral by Takasbank that were exported or given by any issuer or bank - or other issuers/banks that belong in the same capital group cannot exceed 25% (except for securities issued by the Turkish Ministry of Treasury and Finance, as well as securities and guarantees issued by banks whose capital is mostly owned by the Ministry). The collaterals that are found to exceed the 25% limit during periodic checks shall be processed in order of priority, and the members that most recently deposited the offending collateral shall be notified electronically. They shall be asked to replace the offending collateral.

### **Valuation haircuts**

**ARTICLE 33-** (1) In calculating the valuation haircuts representing the deduction rates and to be applied to the collateral and guarantee fund contributions, the parametric, non-parametric or simulation-based

statistical methods deemed appropriate by Takasbank shall be used. The designated method shall be specified in the market procedure. In determining the collateral valuation haircuts, the relevant asset's credit risk rated by Takasbank, its maturity, its volatility under extraordinary market conditions, its liquidity, and its currency risk, if any, shall be taken into account. The values announced by CBRT may also be considered in determining the valuation haircuts.

- (2) The statistical confidence level and the liquidation period to be used in the calculations to be made cannot be less than %99,75 and 2 business days respectively. The historical data to be used in the calculations must not be shorter than 12 months. The valuation haircuts for the assets for which there is insufficient data or no data at all shall be determined by taking the haircuts calculated for the assets with similar qualifications as reference.
- (3) **(Addition: Published by the General Letter numbered 1659, dated November 13, 2020, Addition: Published by the General Letter numbered 1758, dated January 05, 2022)** The valuation haircuts shall be reviewed once a year. If it is deemed necessary, it is possible to make the review in the shorter time periods. Should any change be occurred in the valuation haircuts after the review, the new valuation haircuts shall be announced to the Members. In calculating the collateral values of the assets eligible as collateral against the central counterpart and/or clearing and settlement service, the following valuation haircuts shall be taken as a basis.

Collateral Type	Valuation Haircut
Cash (Turkish Lira)	100%
Convertible Currency (USD )	91%
Convertible Currency (EUR )	91%
Convertible Currency (GBP )	91%
Government Debt Securities	0-1 Year 97% 1-5 Years 91% 5 Years and more 85%
Eurobonds issued by the Republic of Turkey Ministry of Treasury and Finance (Eurobond-USD)	Up to 5 Years 92% 5-10 Years 92% 10-30 Years 90% 30 Years and more 87%
Eurobonds issued by the Republic of Turkey Ministry of Treasury and Finance (Eurobond- EUR)	Up to 5 Years 92% 5-10 Years 87% 10-30 Years 79% 30 Years and more 79%
Lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Turkey	0-1 Year 95% 1-5 Years 89% 5 Years and more 83%

Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset based securities	0-1 Year 95% 1-5 Years 89% 5 Years and more 83%
Government debt securities issued by USA	Up to 5 Years 90% 5-10 Years 90% 10-30 Years 89% 30 Years and more 88%
Government debt securities issued by Germany	Up to 5 Years 90% 5-10 Years 90% 10-30 Years 90% 30 Years and more 89%

- (4) Assets accepted as collaterals are subjected to valuation over the prices determined by Takasbank in order to ensure that they are valued at current market prices. The implementation principles regarding determination of collateral values are described in the Procedure. Collateral composition limits.

#### Updating the transaction collateral values

**ARTICLE 34-** (1) The assets eligible as collateral, are subjected to valuation at prices determined by Takasbank to ensure that they are valued at recent market prices, during the day at risk calculations batches, during margin deposit and withdrawal processes and at the end of each trading day. If the margin call is at the batch of the risk calculation in operation at the last hour of the closing, the previous end-of-day prices are used for valuation.

Valuation	Valuation Criteria	Explanation
FX	<b>Intraday:</b> Interbank Market Bid-Offer quotation average <b>End of Day:</b> CBRTFX Bid Rate	Including end-of-day 18:00 risk calculation instant Interbank FX rates average for the day, and at end-of-day risk calculation instant bid rate announced by CBRT at 15:30.
Treasury Bill and Government Bonds (Including Sukuks)	<b>Intraday:</b> Theoretical price set by Takasbank by using the yield curve or CBRT Prices. <b>End of Day:</b> Theoretical price set by Takasbank by using the yield curve or CBRT Prices.	Valued by using the prices calculated from yield curve comprised of zero-coupon and fixed-coupon bonds traded at Borsa İstanbul Debt Instruments Market and when these prices are not available benchmark daily values of Government Domestic Borrowing Securities determined by CBRT. It may change in parallel to the yield curve updates during intraday risk calculation instants.
Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities	<b>Intra-day:</b> Theoretical price determined by using Takasbank yield curve or the price determined by Takasbank. <b>End-of-day:</b> Theoretical price determined by using Takasbank yield curve or the price determined by Takasbank.	They are valued by using the prices calculated by the yield curve comprising of zero-coupon and fixed-coupon bonds issued by Ministry of Treasury and Finance of Turkey, if the yield curve is failed to be formed, the price determined by Takasbank is used

Eurobond	<p><b>Intra-day:</b> Theoretical price determined by using Takasbank yield curve or the price determined by Takasbank.</p> <p><b>End-of-day:</b> Theoretical price determined by using Takasbank yield curve or the price determined by Takasbank.</p>	Prices calculated by the yield curve comprising of the traded Eurobonds and if the yield curve is failed to be formed, the price determined by Takasbank.
Government debt securities issued by USA and Germany	<p><b>Intra-day:</b> market prices are taken into consideration.</p> <p><b>End-of-day:</b> market prices are taken into consideration.</p>	They are valued by using the prices calculated by the yield curve comprising of zero-coupon and fixed coupon bonds issued, if the yield curve is failed to be formed, the price determined by Takasbank is used.

(2) The prices subject to valuation are announced by Takasbank during the day over Takasbank Integration Menu. The theoretical formulas and methods to be used in the valuation of assets accepted as collateral by Takasbank are published on the corporate website of Takasbank.

#### Collateral composition limits

**ARTICLE 35-** (1) (*Addition: Published by the General Letter numbered 1654, dated November 5, 2020*) For other assets to be accepted as collateral apart from cash Turkish Lira and the composition limits thereof, the rates given in the following table shall be applied. Takasbank Board of Directors is authorized to set composition limits for the new assets to be accepted as collateral or make revision in the composition limits including those determined in this Directive.

Assets Eligible as Collateral	Group Limit	Sub-group Limit (As group limit percentage)
Cash in Turkish Lira	Max % 100	-
Convertible Currency (USD/EUR/GBP)	Max % 100	-
Government Debt Securities	Max % 100	% 35
Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey	Max % 100	% 25
Lease Certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Turkey	Max % 100	% 25
Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities	Max % 50	% 25
Government debt securities issued by USA and Germany	Max % 50	% 50

(2) Group limits to be determined in composition limit rules, are calculated on the total deposited collateral.. While calculating evaluated collateral after the sub-group limits, total evaluated value that the relevant group limit applied is taken into consideration.

**ARTICLE 36- Title to collateral** (1) The title to collateral received pursuant to the CCP service shall transfer to Takasbank in accordance with the second paragraph of article 78 of the Law. Takasbank shall acquire the ownership right upon establishment of the contract and by transfer of the assets subject to collateral in compliance with the legal procedures.

- (2) In the event the receivables of Takasbank are required to be covered from collateral due to the default of the member or because of reasons stipulated in the provisions of the agreement or the relevant legislation, Takasbank shall be entitled to sell the asset subject to collateral on a best effort basis and over the best price and cover its receivables from the sale proceeds thereof or to offset the value of these instruments from the obligations of the debtor without being obliged to fulfill any precondition such as serving any notice or warning, allotting time, obtaining any permission or approval from the administrative or judicial authorities, turning the collateral into cash through auction or another way, etc.
- (3) Since title to collateral belongs to Takasbank pursuant to article 78 of the Law, the rights arising from the collateral shall also belong to Takasbank. Takasbank shall return the collateral together with the rights thereon at the due date in accordance with the provisions of article 27 of the Central Counterparty Regulation and upon request of the Member, provided that the obligations have been fulfilled.

#### **ARTICLE 37- Monitoring and management of collaterals**

- (1) During the stage of margining of transactions, customer-based gross margining method is applied. For positions included in single/individual accounts, portfolio-based net margining method is applied. The collaterals followed in the accounts associated with single customer positions may not be used to cover the collateral deficits caused by the accounts pertaining to the Member's own portfolio or by other customer accounts or for termination of default.
- (2) Pursuant to article 79 of the Law, the rights and powers of Takasbank on the asset values taken as collateral for the Market operations that it executes as a central counterparty 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 real right acquisition in good faith. Title or limited real right claims of third parties on the asset values given as collateral cannot be raised against Takasbank.
- (3) 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 38- Collateral deposit or withdrawal operations**

(1) Margin deposit/withdrawal transactions are executed over the web service or BISTECH Settlement Terminals in 2 stages, under the principle that those entering the deposit/withdrawal instruction and those approving this instruction are different authorized users.

(2) Collateral deposit/withdrawal operations are performed from the Member's free accounts of the relevant asset or by making electronic transfer to its free accounts. Upon the update of the accounts, if the collateral amount in an account exceeds the margin requirement amount, then the exceeding amount can be withdrawn. For the collateral withdrawal transactions; if the account carries any position, the collateral withdrawal requests which may lead to a deterioration of the collateral composition shall be rejected.

(3) The collateral amounts required to be maintained due to the positions carried on the relevant account cannot be withdrawn. No collateral withdrawal transaction can be performed from the accounts which bear margin call obligations.

(4) In Takasbank system, for TL payments EFT times and; for the foreign currency payments SWIFT times shall be binding, however; for determining the cutoff times, the liquidity in the market and the operational risks are also taken into consideration.

(5) For the controls carried out regarding the collateral withdrawal transactions made during the session; in calculating the withdrawable collateral, the margin requirement shall be deducted from the total collateral amount available in the accounts with Takasbank at the moment of calculation.

### **Interest accrual on cash collateral and guarantee fund contributions**

**ARTICLE 39-** (1) Cash Turkish Lira collateral and guarantee fund contributions deposited by the members are accrued interest over the amount remaining after deducting the portion to be set aside as compulsory reserve, with the best possible conditions by Takasbank in accordance with the principles stipulated in the Procedure by taking the credit risk and liquidity conditions into consideration. The accrual process is performed within the limits of Takasbank by way of depositing the amount subject to the interest to the banks as either deposit or depo and making it subject to a repo transaction. Takasbank can also place the cash collateral to the organized money markets for interest accrual purposes. Interest accrual may not be made in extraordinary market conditions. No interest shall be paid if the interest accrual is failed to be made by Takasbank due to the market conditions.

(2) Interest accruals on transaction collaterals are performed over the account balances of the Members at 15:40. Cash collaterals in the transaction collateral accounts shall be accrued interest by Takasbank according to the current market conditions on a best effort basis; and the interest amounts shall be transferred to the relevant accounts on next business day. No interest shall be given on cash collaterals deposited as collateral to Takasbank after 15:40.

(3) The balance remaining after deducting the Bank and Insurance Transaction Tax (BITT) and other legal charges and the amount to be collected by Takasbank as "collateral monitoring and interest accrual fee" at a rate proposed by Takasbank and deemed appropriate by the Board from the gross interest amounts earned from accrual of interest on the amount of collateral and guarantee fund contributions remaining after setting aside the compulsory reserve obligation, if any, shall be credited to the relevant accounts as interest.

## CHAPTER SEVEN

### Principles Regarding the Guarantee Fund

#### Guarantee fund and its general principles

**ARTICLE 40-** (1) As part of the CCP service it will provide in the contracts, Takasbank establishes a guarantee fund created by the contribution amounts of the members as to be used for any loss that might be incurred in case of default of the members and exceed the collateral of the relevant members. Participation of the CCP members in the guarantee fund is mandatory.

(2) The guarantee fund contributions of the CCP members are composed of the guarantee fund contributions deposited and the additional guarantee fund contributions to be deposited if requested by Takasbank. Should the Guarantee Fund be used in accordance with the provisions of the CCP Regulation, the Directive and the Procedure, the CCP members may be asked to deposit additional contribution provided that it shall not exceed the deposited guarantee fund contribution amount. The members can be asked to deposit additional contribution at maximum four times in one-year period between 01 April and 31 March. The additional guarantee fund contribution that can be requested at once cannot exceed, for each member, the guarantee fund contribution amount calculated and required to be deposited for the month in which the defaults constituting the base of the request have occurred. The additional guarantee fund contribution amount can be requested either once as the entire balance of the deposited amount or at multiple times in tranches provided that it shall not exceed the aggregate of the deposited amount.

(3) **(Amendment: Published by the General Letter numbered 1644, dated September 18, 2020)** For the CCP member that has requested the termination of its membership and has notified Takasbank in writing that the member has fulfilled all obligations under the Procedure and other regulations but whose request has not yet been approved by the Board of Directors or whose request for termination of its membership has been approved by the Board of Directors but has been allotted time for the return of its deposited guarantee fund contribution, the maximum guarantee fund obligation for which it may be liable on and after the date on which the member submitted its request for the termination of its membership shall be either two-fold of such member's the guarantee fund amount calculated at the day-end operations of the first business day in which the request was made in case of existence of no continuing default whose resolution still continues as of the request date, or shall otherwise be three-fold. If the member's request for termination of its membership is submitted without first fulfilling all its obligations under the Procedure and other regulations, these rates shall be applied as three and four times. Institutions considered to have terminated or requested the termination of its CCP membership to avoid from any possible guarantee fund obligation may not be re-accepted to the CCP membership.

(4) No recourse to the guarantee fund contributions of other Members can be made unless the trade margins of the defaulting Member, its guarantee fund contribution and the capital allocation made by Takasbank for the covered risks in the Market become inadequate.

(5) In case of termination of the membership, the guarantee fund contribution shall be refunded in accordance with the provisions of article 33 of the Central Counterparty Regulation.

(6) The assets in the guarantee fund cannot be used other than for their intended purpose.

(7) Covering the contribution amounts to be deposited to the guarantee fund by the members out of the assets in their possession is essential

(2) The guarantee fund is represented and administered by Takasbank.

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

**ARTICLE 41-** (1) The size of the guarantee fund cannot be less than the greater of the funding need that would arise in case of joint default of the member with the highest open position and the members with the second and third highest open positions under the stress conditions. The funding need comprises of the portion of the members' risks calculated under the stress conditions and remaining out of the amount that can be covered by their trade margins. In estimating the risk under stress conditions through statistical methods, the statistical confidence level, the holding period and historical data stipulated in the Procedure shall be used as to be not less than 99.75%, 5 business days and 5 years respectively. Takasbank may set the minimum guarantee fund obligation as to be greater than the obligation calculated statistically by considering the market conditions, the margin concentrations and the adequacy of collateral management resources.

- (2) Calculation of the total size of the guarantee fund is renewed provided that it shall not be longer than 3 months, and the sufficiency of the existing guarantee fund is tested.
- (3) The contribution to be made by the members to the guarantee fund is composed of the fixed and the variable contributions calculated pro rata to the risks they carry.
- (4) The A Member's deposited guarantee fund contribution share cannot be less than the fixed contribution share amount. The fixed contribution share amount that members must deposit is 500,000 TRY. This amount is revised at least once a year in light of the developments across the domestic and international economy and if deemed necessary, may be changed.
- (5) The variable contribution amount is calculated by Takasbank by taking account of the average collateral amount that the member must maintain in the market and announced through the member screens.
- (6) The length of data set to be used in calculating the size of the guarantee fund to be established and determining the average collateral amount constituting the basis for the members' variable contribution amounts is 1 month. In finding the aggregate guarantee fund contribution required to be deposited by each member, the guarantee fund risk value calculated by multiplying the average collateral amount of the members by a risk haircut to be determined shall be used.
- (7) Guarantee fund contribution obligations are calculated on the first business day of each month, updated the following business day.
- (8) The calculations for members' guarantee fund contribution shares may be performed by Takasbank in light of the respective members' risk situation and market conditions, without waiting for the first business day of the month.

**ARTICLE 42- Assets eligible as contribution to the guarantee fund and the obligation to restore contribution amount** (1) (*Addition: Published by the General Letter numbered 1654, dated November 5, 2020*) Assets eligible as contribution to the guarantee fund and the composition limits thereof are given in the following table. Takasbank Board of Directors is authorized to revise the composition limits of the assets to be accepted as guarantee fund contribution according to the market conditions and set composition limits for the new assets.

Assets Eligible to Guarantee Fund	Group Limit	Sub-group Limit (As group limit percentage)
Cash in Turkish Lira	Max % 100	-
Convertible Currency (USD/EUR/GBP)	Max% 100	-
Government Debt Securities	Max% 100	%35

Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey	Max% 100	%25
Lease Certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Turkey	Max% 100	%25
Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities	Max% 50	%25
Government debt securities issued by USA and Germany	Max% 50	%50

- (2) The valuation haircuts representing the deduction rates to be used in calculating the collateral values of the assets to be deposited as guarantee fund contribution are explained in article 28.
- (3) Composition limits are calculated over the total contribution amounts deposited. In the calculation of lower composition limits, the total appraised portion of the related asset amount is taken into account.
- (4) Non-cash assets used as guarantee fund contribution are made subject to valuation at the end of the day over the prices determined by Takasbank to ensure their valuation at current market prices.
- (5) A call to restore contribution amount shall be issued to the accounts having a contribution deficit as a result of the end-of-day valuation. The contribution amounts must be restored until 15:00 the following trade date. When it is half business-day, margin call of default fund ends at 11:00.
- (6) Non-cash assets in the Guarantee Fund can be replaced in accordance with the request of the Member.

### **Principles for use of the guarantee fund**

**ARTICLE 43 -** (1) In default management, the non-defaulting members' non-cash contributions in the guarantee fund shall be started to be turned into cash when the funds available for use up to the item (d) of the first paragraph of article 36 of Takasbank Central Counterparty Regulation fail to be adequate and upon determination that the guarantee fund contributions deposited in cash will remain insufficient.

- (2) The contribution amounts deposited to the guarantee fund by the members joined to the guarantee fund after the date on which the relevant default has occurred or the contribution amounts deposited by the existing members against the risks they assumed after the occurrence of the default shall not be used.
- (3) In cases which necessitate resorting to the guarantee fund, withdrawal of any contribution from the guarantee fund shall not be allowed during the time period to be elapsed until the loss incurred due to such default is fully covered.
- (4) The use of contribution amounts starts with the most liquid asset; and high convertibility to cash is taken as basis. Cash amounts derived from conversion into cash of non-cash collaterals in the guarantee fund, but not used, are returned to the members whose non-cash collaterals have been used on a pro-rata basis.
- (5) In distributing the loss to be attributed to the guarantee fund to the non-defaulting members, the shares of the members in the guarantee fund shall be taken as the base.
- (6) The members are obliged to re-deposit, within 3 business days, their deposited guarantee fund contribution amounts that have been used in accordance with the default management.
- (7) If the loss to be attributed to the guarantee fund seems likely to exceed 50% of the fund size, the members may be asked to deposit the additional contributions they have committed. The members are

obliged to deposit the additional contributions within 5 business days after the request. The additional contributions that have not been used either in part or at all for resolving the relevant default shall be returned. If they, albeit requested, are returned without being used for resolving the default, the request for additional guarantee fund contribution shall be deemed not to have been made.

(8) The additional guarantee fund contribution amount that can be requested from a member in one month's time period cannot exceed the member's guarantee fund contribution amount calculated and required to be deposited for that month.

(9) If the additional guarantee fund contributions requested from the members due to the default are used either in part or in whole, the members shall be asked to restore their guarantee fund obligations to the amount being calculated pursuant to article 30. The guarantee fund contributions exceeding the maximum loss threshold that any Member would assume in the same month upon the default of other members shall only be used in the event of their own default until the end of the month. The standard guarantee fund contribution amounts to be requested from the members who have fulfilled their maximum additional guarantee fund contribution obligation within the one year period between the dates of 1 April-31 March shall only be used for their own default until such one year period is completed.

## **CHAPTER EIGHT**

### **Principles Regarding Default Processes**

#### **General principles**

**ARTICLE 44-** (1) Debts arising from the transactions conducted shall become due and payable in the following situations.

- a) Failure to fulfill the intra-day and end-of-day margin call obligations calculated by Takasbank within the time period prescribed in the Procedure.
  - b) Failure to fulfill the guarantee fund and additional guarantee fund contribution restoration obligations within their time periods.;
  - c) Failure to make the contract-related periodical payments and to fulfil the obligations to deposit variation collateral margin and the financing cost of contract value within due period;
  - ç) Decision by Takasbank for the liquidation of the member's obligations pursuant to article 13 of the Directive.
- (2) In case of failing to fulfill the obligations in accordance with the principles and procedures stipulated in the Procedure at the date on which the debt becomes due and payable, the Member shall fall into default without serving any further notice. If the member falls into default due to any debt of the member which became due and payable, all debts of the member shall become due and payable.
- (3) If Takasbank has incurred a loss exceeding the default interest due to failure to fulfil the debt in part or as a whole, this loss is compensated by the defaulting member.
- (4) In case of any default, Takasbank does not allow the defaulting member to withdraw its collaterals held in the respective accounts.
- (5) The Member can be allotted time by Takasbank to resolve its event of default until the business day following the default date at most to the hour set forth in the Procedure. In case of failing to resolve the event of default until the end of the allotted time period, Takasbank may trade in the organized and over-the-counter markets. To be able to execute the transaction, the trade margin and guarantee fund contribution amounts of the member can be used
- (6) The default provisions shall be applied in the event the collateral and guarantee fund obligations are failed to be fulfilled within the time periods set forth in the Procedure.

## **Default Management Group**

**ARTICLE 45 -** (1) Default management shall be carried out by the Default Management Group, which comprises Takasbank officials and the relevant employees of the members designated by Takasbank Board of Directors with a view to supporting the execution of the decisions made by the Default Management Committee.

(2) The Default Management Group is tasked with conducting the necessary transactions, analyses and reporting for the proper execution of the decisions made by the Default Management Committee.

(3) The Default Management Group is composed of three member representatives: EVP for the CCP Department (Committee Chairman), Director of the CCP Department, and the Department Directors responsible for OTC operations. Takasbanks employees are also assigned roles in the Default Management Group upon the invitation of the Committee Chairman. The qualifications sought in member representatives and the principles for designating member representatives are announced via a General Letter.

(4) Member participants are determined by Takasbank Board of Directors each year in January, for a term of two years.

(5) The Chairman of the Default Management Group has the power to ask for the replacement of any member participant.

## **Default penalty and grievance/compensation payment**

**ARTICLE 46-** (1) In case of defaults, Takasbank's financial liability is, without prejudice to the limits specified in article 36 of the Central Counterparty Regulation as well as market liquidity constraints, limited with payment of the debt on settlement date; and in case of non-payment of debt on settlement date, payment in accordance with the principles and procedures specified below depending on market conditions and Takasbank's liquidity facilities, and in addition, the grievance/ compensation payment to be calculated until the day of actual payment.

(2) If any event of default is not terminated until the end of the period granted by the Default Management Committee, Takasbank tries to source funds from organized and/or over-the-counter markets, showing best efforts with the member's blocked receivable and default management resources in order to ensure that the related receivable amount is paid to the related creditor until the end of the following business day.

(3) If the debt is closed out in full within the hours specified in the procedure, the settlement creditor is paid within the same day.

(4) In case of default, the default penalty is imposed pursuant to the provisions of article 38. An amount up to  $\frac{3}{4}$  of the default penalty collected is paid to the creditor member as grievance/compensation payment with respect to the undelivered part and for the period until the receipt by such creditor member of the receivable amount in full.

(5) If the Member, who has been defaulted by not paying its short cash balance requirements within their time periods, cannot fulfill its obligation from 11:00 of the settlement date (T+1) to EFT closing time then, a default fine calculated at the rate of 50% of the highest among the weighted average overnight interest rates occurred in the repo-reverse repo market where government securities are traded, CBRT Interbank Money Market or Takasbank Money Market, that have been formed by the Exchange, shall be applied on the default amount. For the default amounts that have been closed on the settlement date (T+1) after EFT closing time, a default fine at the rate of the double of the highest of the foregoing shall be applied.

- (6) The debtor member is liable to pay such debt together with the default penalty.
- (7) If the Member, who has been defaulted by not paying its margin call requirements within their time periods, cannot fulfill its obligation from 15:00 of the settlement date (T+1) to EFT closing time then, a default fine calculated at the rate of 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, shall be applied on the default amount. For the default amounts that have been closed on the settlement date (T+1) after EFT closing time, a default fine at the rate of the double of the highest of the foregoing shall be applied times.
- (8) Lower limits, applied for the default penalty to be collected, is 50.00 TRY. If default penalty is calculated lower than 50.00 TRY, member pays 50.00 TRY.
- (9) If Takasbank has incurred a loss exceeding the default penalty due to failure to fulfil the debt in part or as a whole, this loss is compensated by the defaulting member.
- (10) If the defaulted obligation is denominated in a foreign currency, the related amount is calculated on the basis of the foreign exchange buying rate effective on the related value date as announced by the CBRT. In addition, in case of default in relation to the obligations denominated in foreign currency, Takasbank may decide for calculation of the default penalty over the coefficients that it may determine individually for each foreign currency.
- (11) Default fine is reflected to member together with clearing and settlement fees originated from market transactions and the amount. In case the Member fails to fulfill the default fine obligation, Takasbank shall have the rights to settle, offset and retention on all assets, rights and receivables of the Member with itself.
- (12) A notification shall be served to the member for the default interest being accrued. Upon delivery of the notification in the electronic environment, the member shall be deemed to have received it without the need for any further warning or notice.

#### **Objecting to default interest accruals**

- ARTICLE 47 -** (1) The default interest-accrued members may object at Takasbank based on the reasons that the default has occurred without its own fault due to problems arisen from the clearing and settlement, relevant central depository system or payment system or a material mistake has been made in the calculation of the default interest. The objection shall not inhibit the payment of default interest
- (2) The objection must be made at the latest within 1 week after the default interest accrual date with a letter accompanied by the documents related to the objection.
- (3) The defaulting member's objection shall be evaluated and resolved by the Default Committee Established within the structure of Takasbank in accordance with article 35 of the Regulation.
- (4) If the objection made by the member is justified, the default interest shall not be applied, and if it has been collected, the relevant amount shall be refunded to the member.
- (5) If the objection is declined, the decision shall be informed to the relevant member in writing with its justification.

#### **Default management process**

**ARTICLE 48-** (1) The relevant default of the Member failing to close its settlement and/or collateral obligations on time and whose settlement debt has been failed to be closed as a result of the transactions conducted in the Market by Takasbank within the time periods set forth in the Directive shall be informed to the, the Board, Banking Regulation and Supervision Agency, The Central Bank of the Republic of Turkey and the relevant member pursuant to article 13 of the CCP Regulation, and all trading authorization of the member on its accounts shall be suspended.

- (2) Takasbank may take one or more than one of the following measures, including but not limited to those, about the defaulting member in accordance with the relevant articles of the Central Counterparty Regulation. In using the default management tools, the reason of default and its impact on the markets shall be taken into account.
- a) Porting the open positions in the non-defaulting member accounts to a non-defaulting member either in whole or in part together with their collateral pursuant to article 26 of the Central Counterparty Regulation.
  - b) Liquidating the guarantee fund contribution amounts and the non-cash collaterals in the own portfolio of the defaulting Member and in the customer accounts associated with itself which have collateral deficit.
  - c) Using the transaction collateral surplus of the Member in other markets
  - ç) Using the guarantee fund contribution amounts of the Member in other markets, provided that it has no risk in the relevant market
  - d) Acting in accordance with Article 43 for the use of guarantee fund contribution amounts belonging to non-defaulting Members.
  - e) Migrating the positions and collateral of the customers either ex officio when necessary or upon request of the customers to other members without seeking the consent of the defaulting member
  - f) Closing the positions in an ex-officio manner.
  - g) Netting any debt, receivable, position, collateral, right and obligations existing with the same party
  - ğ) Entering into hedging transactions to mitigate risks that may arise from the open interest.
- (3) Takasbank may organize a tender to close the open interest. The tender can be cancelled by Takasbank either in full or on portfolio or position basis. Participation to the tender is open to all Members and also to the customers through the Members, however; it is mandatory for the general clearing members. If all positions cannot be transferred as a result of the tenders to be opened, or if the tender is cancelled; then the remaining positions may be transferred compulsorily to the members by Takasbank. Certain factors, such as the risk limits of the members, the position amounts they took over in the tenders and the existence of the counter-positions of the positions to be taken over shall be taken into consideration for the determination of the members to whom the compulsorily transfer shall be made. For the compulsory transfers; theoretical prices, accepted tender prices or prices to be determined by Takasbank by considering the risk threshold that can be assumed in accordance with the relevant legislation can be used.
- (4) In case of existence of the conditions referred to in article 48 of the Central Counterparty Regulation, Takasbank, without closing of the open positions, may make deductions from the profit distributions arising as a result of the account updating process, in order to allocate the losses originating from the defaulting Member.
- (5) Despite all efforts for the fulfillment of all obligations resulting from the open positions of the defaulting Member and the risk reduction thereof, if it is determined that the risk generating positions cannot be completely closed, such positions may be liquidated by cash settlement either partially or fully. Pursuant to the third paragraph of article 36 of the Central Counterparty Regulation; the prices of the counter-positions related to the positions to be liquidated shall be determined by taking the loss amount to be assumed by Takasbank into consideration.
- (6) The deficits that arise after application by Takasbank of the default provisions specified in this Directive and the provisions of Chapter Five of the Central Counterparty Regulation against the defaulting member and that cannot be covered using the defaulting member's collaterals and guarantee fund contributions are defined as the loss of Takasbank and other members and are assumed in the given order



specified in the first paragraph of article 36 of the Central Counterparty Regulation. The collections that will be subsequently made from the defaulting member are distributed pursuant to the fifth paragraph of article 36 of the Central Counterparty Regulation.

(7) 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 nondefaulting Members shall be returned. The returns are 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, are fully liquidated.

(8) If the capital that has been allocated in accordance with article 36 of the Central Counterparty Regulation against the risks being covered is used due to a 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 a 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.

## **CHAPTER NINE**

### **Final Provisions**

#### **Fees and commissions**

**ARTICLE 49 -** (1) For the fees and commissions to be charged by Takasbank to its Members in relation to the services it provides under this Procedure, the provisions of article 35 of the General Regulation shall apply.

(2) CBRT is exempt from the commission and feed to be collected.

#### **Exemptions and exceptions**

**ARTICLE 50 -** (1) Pursuant to the first paragraph of article 52 of the Central Counterparty Regulation, the Central Bank of the Republic of Turkey is the natural CCP member and it is not subject to the provisions of Procedure.

(2) The rules related to the functioning of the transactions to be conducted by CBRT in the Market shall be determined by a separate Protocol to be signed between Takasbank and CBRT.

(3) CBRT is not obliged to pay any default interest to the extent it fulfills its obligations for the transactions it has conducted in the Market within the same day.

(4) Transactions in Takasbank system can also be executed by Takasbank on behalf of CBRT.

#### **Disciplinary provisions**

**ARTICLE 51 -** (1) In addition to those contemplated in this Procedure, the disciplinary provisions stipulated in the Chapter Seven of the Central Clearing and Settlement Regulation shall also be applied to the members failing to comply with the obligations stipulated in this Procedure.

### **Measures to be taken in extraordinary situations**

**ARTICLE 52-** - (1) Takasbank is authorized to determine and enforce the measures to be taken in case of presence of extraordinary situations where it foresees the clearing and settlement operations of the Market may be adversely affected. In such cases, Takasbank is entitled to take the measures referred to in article 48 of the Central Counterparty Regulation.

### **Provisions to be applied in case of no provision in the Directive**

**ARTICLE 53 - (1)** In case of no provision in the Procedure, the provisions of the Central Counterparty Regulation and the Central Clearing and Settlement Regulation shall be applied.

### **TEMPORARY ARTICLE**

**ARTICLE 54-** Government debt securities issued by USA and Germany will be accepted on the date of announcement in General Letter.

### **Enforcement**

**ARTICLE 55 - (1)** The Procedure shall enter into force on the date of announcement.

### **Execution**

**ARTICLE 56-** (1) The provisions of this Procedure shall be executed by the General Manager.