

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

### TAKASBANK MONEY MARKET PROCEDURE

#### CHAPTER ONE

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

##### Purpose

##### ARTICLE 1

(1) The purpose of this Procedure is to determine the principles and procedures relating to the functioning and implementation of Takasbank Money Market operations at Istanbul Takas ve Saklama Bankası A.S.

##### Scope

##### ARTICLE 2

(1) Takasbank Money Market operations fall within the scope of this Procedure.

##### Basis

##### ARTICLE 3

(1) This Procedure has been prepared on the basis of Takasbank Money Market Directive.

##### Definitions and abbreviations

##### ARTICLE 4

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

- a) **Exchange/Borsa İstanbul:** Borsa Istanbul Inc.
- b) **BITT:** Banking and Insurance Transaction Tax.
- c) **GDS:** Government Debt Securities.
- ç) **General Manager:** The General Manager of Takasbank
- d) **Beginning of Day Report:** Report containing information about the limit allocated for TMM, buying limit availability, selling limit of the members authorized to trade in the TMM, their collaterals, margin calls, collaterals with critical maturity dates, debit/credit positions and net receivables or payables as of the recent day.
- e) **Law:** The Capital Market Law.

- f) **Public Funds:** The institutions designated within the scope of Public Treasurership Regulation and Türkiye Wealth Fund and its portfolio.
- g) **MKK (CRA):** Central Securities Depository Institution.
- ğ) **Customer:** The real person and legal entity customers of the members who trade in the TMM.
- h) **Procedure:** This “Takasbank Money Market Procedure” covering the principles and procedures for the operation and implementation of the TMM transactions, which has been prepared on the basis of the Directive and approved by the General Manager.
- ı) **Current account:** The 11-1 current accounts of the members at Takasbank,
- i) **Takasbank:** Istanbul Takas ve Saklama Bankası A.S.,
- j) **Takasbank Money Market (TMM):** The market established and operated by Takasbank, which enables the matching of bid and ask orders of the members who have fund surplus and/or lack of fund.
- k) **CBRT:** The Central Bank of the Republic of Turkey.
- l) **Representative:** Those who are authorized by the members to trade in the TMM.
- m) **Member:** Legal entities that are TMM participants and which meet the membership conditions and are authorized by Takasbank.
- n) **Directive:** Takasbank Money Market Directive
- o) **Board of Directors:** The Board of Directors of Takasbank.

## CHAPTER TWO

### Guidelines for Membership

#### Membership

#### ARTICLE 5

- (1) Institutions that satisfy the conditions prescribed in article 6 of this Procedure may become a member of the TMM provided that they are authorized by Takasbank. The CBRT is a natural member of the TMM.

#### Membership conditions

#### ARTICLE 6

- (1) The following conditions must be met for membership;

- a) Being one of the investment institutions and mortgage finance institutions designated in the Law, being one of the financial institutions designated in the Financial Leasing, Factoring and Financing Companies Law, being asset management companies operating within the Banking Law, being one of the institutions operating on the financial markets and subject to the Insurance Law and the Private Pension Savings and Investment System Law or being one of the complementary pension funds being subject to their own private law and operating on a defined contribution model and there must be no restriction in their regulation that may prevent them from trading in the TMM,
- b) Takasbank Money Market Agreement, whose content is outlined by Takasbank, must have been signed and submitted,
- c) Guarantee fund contribution amount stipulated by Takasbank must have been deposited,
- ç) Information and documents to be requested by Takasbank must have been presented,
- d) The equity capital of the member must not be less than the amount set forth in the legislation that the member is subjected to.

#### **Restriction on trading activities of the member**

#### **ARTICLE 7**

(1) The TMM activities of the members may be restricted by Takasbank in the following situations;

- a) Restriction of its activities or default status in the financial markets for which the central counterparty or settlement service is provided,
- b) Failure to fulfil the obligations stipulated in the Directive, the Procedure herein and in the Takasbank Money Market Agreement required to be signed between the member and Takasbank before starting to trade,
- c) Identification of any unfavorable situation about the member such as protest, garnishment, precautionary attachment, etc., temporary or permanent suspension of its activities, decision rendered on its gradual liquidation or bankruptcy,
- ç) As a result of the financial analysis and/or rating studies periodically conducted by Takasbank; determination of the fact that the credit worthiness of the Member is either diminished or does not exist; or upon receipt of any negative intelligence,
- d) Becoming unable to satisfy the conditions for membership.

(2) The Members cannot trade in the TMM if they are in default at TMM or Takasbank Cash Credit transactions. However, the members may be allowed to engage in no risk bearing transactions in compliance with article 16 of this Procedure.

- (3) If any situation referred to in this article occurs, Takasbank may decide the winding up of the outstanding obligations of the Member at the TMM either in part or in whole. Should any decision be made by Takasbank for liquidation, the obligations of the member shall become due and payable in accordance with the relevant article of chapter 8 of this Procedure and shall be liquidated pursuant to the same chapter. In case of occurrence of any situation referred to in this article, Takasbank may, in addition to the liquidation decision, also ask the member to pledge additional collateral or may restrain the member from trading.

## **Termination of membership**

### **ARTICLE 8**

- (1) The membership may be terminated in any of the following situations:

- a) Determination by Takasbank that any of the membership conditions set forth by this Procedure is no longer met,
- b) Determination by Takasbank that risks of a significant nature are arisen that would jeopardize the secure and uninterrupted functioning of the TMM system due to the non-fulfillment of the obligations stipulated in this Procedure or other relevant regulations,
- c) Upon the direct request of the member,
- ç) Restriction of the Member's activities pursuant to the Central Counterparty regulations of Takasbank.

- (2) Those who wish to terminate their TMM membership in accordance with the item (c) of the first paragraph of this article shall notify such request to Takasbank in writing. The member wishing to cease its TMM membership must have fulfilled all its obligations under this Procedure and other relevant regulations.

- (3) Even after the termination of TMM membership, the obligations of the relevant institution against Takasbank under this Procedure and other relevant regulations in relation to the transactions conducted until the termination date of membership shall prevail.

## **CHAPTER THREE**

### **TMM Operating Principles**

#### **Status of Takasbank and the obligations of the parties**

## ARTICLE 9

- (1) Takasbank is the institution that operates the TMM.
- (2) Members can trade at the TMM in accordance with the trading limits allocated to them by Takasbank and through pledging the collaterals stipulated in this Procedure by Takasbank. Takasbank undertakes the fulfillment of the obligations relating to the bid and ask orders matched at the TMM; and in case of any default, to fulfill them by using the collaterals held, guarantee fund contributions, the allocated and committed capital amount for TMM.
- (3) The Members are required to;
  - a) act in accordance with the rules and principles stipulated for the TMM operations by Takasbank in this Procedure and the Directive,
  - b) deposit the guarantee fund contribution amount stipulated by Takasbank
  - c) notify Takasbank of their representatives and the relevant updates thereof and inform and/or provide the information and documents requested by Takasbank within the prescribed time period.
- (4) In the fulfilment of obligations arising from the transactions conducted by the Members for their customers and investment funds, trusts and for the public funds, Takasbank deals only with the Members. Takasbank shall not be held liable for the obligations of the Members against their customers and investment funds, trusts and the public funds.
- (5) The liability of Takasbank against the parties of the transaction starts at the moment of the bid and ask orders routed by its members are matched and ends with the fulfilment of the obligations.
- (6) Takasbank is entitled to cancel the orders and transactions in fictitious nature that cannot be explained with a reasonable economic and financial justification as set forth in article 104 of the Law.
- (7) Takasbank is responsible for paying the principal to the borrowing member on the value date of its transaction, and the principal and interest amount to the lending member on the maturity date of its transaction, pursuant to the provisions of article 48 of this Procedure in case of default, to the extent that the members fulfill their obligations.
- (8) The obligation of the borrowing member against the TMM is to pay the principal and interest amount on the maturity date of the transaction. The borrowing members have no right to redeem the debt before the maturity and terminate the transaction.
- (9) Takasbank shall return the collaterals subject to the transaction upon request of the member and in accordance with the provisions of the agreement that it has signed with the member, provided that the members have fulfilled their obligations pursuant to the article hereof.

- (10) The obligation of the lending member against the TMM, on the other hand, is to pay the principal amount on the value date of the transaction.
- (11) The lending member is responsible against the official bodies for the fulfilment of the BITT, Income Tax and other tax obligations that may arise thereof. Legal obligations relating to the funds invested in TMM on behalf of the customer shall be fulfilled by the members.
- (12) For the transactions that are cancelled due to technical reasons after the order matching or where the parties of the transactions changed their wills by mutual agreement in accordance with the principles and procedures specified in article 24 of this Procedure, Takasbank and the parties of the transactions shall not enter into any obligation.
- (13) Other rights and obligations of the borrowing and lending members set forth by this Procedure shall be reserved.

### **Principles regarding the representatives of the member**

#### **ARTICLE 10**

- (1) Transactions at the TMM are conducted through the orders placed via the representatives.
- (2) The representatives can place orders on behalf of the member in the TMM, amend the orders, cancel the orders and redeem its debts in accordance with the conditions set forth in this Procedure.
- (3) Members may designate maximum eight (8) representatives for executing orders.
- (4) The members may change or cancel the representatives by sending a written notice.
- (5) The members must submit their authorization requests in written form, stating the representative's name-surname, Turkish identification number, corporate email address, and the copy of the Turkish Republic identity card attached. If the representative is not a citizen of Republic of Türkiye, the foreign identification number on the work permit card issued by the Ministry of Labor and Social Security is specified in the written instruction and a copy of the work permit card is attached. If the representative has a record in the blue card register, the identification number on the blue card issued by the Ministry of Interior is indicated in the written instruction and a copy of the blue card is attached.
- (6) Takasbank issues a confidential password and a representative number to each representative. It is mandatory to change the password when entering Representative Password Entry Screen for the first time with the password given by Takasbank. The responsibility of the orders placed at the TMM with their representative passwords shall belong to the member.
- (7) The representatives may change their confidential passwords provided by Takasbank by using Takasbank member applications and in accordance with the principles laid down by Takasbank.

### **Limits and trading thresholds**



## ARTICLE 11

- (1) Takasbank allocates a “TMM Limit” to the members. Such limit is not a commitment of Takasbank.
- (2) The “TMM limit” determined by Takasbank is defined in the system, and Takasbank is entitled to make changes in the TMM limit allocated to the members, whenever it deems necessary.
- (3) The buying limit ;
  - a) cannot be higher than the TMM limit.
  - b) is calculated by deducting the total buying transactions and adding the matured buying transactions to the TMM limit.
  - c) Is used within the available collateral of the member.
  - d) The collateral adequacy of the bid order’s principal and interest amount is checked by Takasbank at the time of order routing.
- (4) Selling limit;
  - a) is calculated by deducting total buying transactions and adding matured selling transactions to the TMM limit.
  - b) is increased up to the amount of debt paid from the current account of the member at Takasbank during the trading session.
  - c) is not affected from Blocked Ask Order.
- (5) Buying and selling limits notified to the members at the beginning of the day decline independent from each other pro rata to the amount of the bid and ask orders routed during the day.
- (6) The members may monitor their “TMM limits” and the buying and selling limits calculated over TMM limit, from the “Beginning of Day Report” as at the beginning of each day, and follow their limits being updated as per the transaction and collateral movements from the “Order Entry Screen” and the “Risk Blockage Report”.

## Trading hours

## ARTICLE 12

- (1) Trades are executed in a single session with the same day value between 09:30 a.m.-03:30 p.m. For half-business days due to official holidays, transactions shall be executed between 09:30 a.m. and 11:30 a.m.
- (2) The routed orders are valid between 09:30 a.m. - 03:30 p.m.

- (3) In case of the occurrence of any situation such as technical problems, natural disasters, a great number of incorrect transactions, etc., Takasbank shall be entitled to make changes in the trading and other relevant hours and periods. Such changes are notified to the members via the system.

## **Maturity**

### **ARTICLE 13**

- (1) The executed transactions may have a maturity of;
- a) each day up to 2 months,
  - b) 2, 3 and 6 months, and (+/-) 3 business days before and after these maturities.

## **TMM transactions of the investment funds, investment trusts and pension funds**

### **ARTICLE 14**

- (1) Members can transact for the investment funds, investment trusts and pension funds within the limitations specified in the relevant legislation by the Capital Market Board.

## **CHAPTER FOUR**

### **Orders and Matching**

## **Order elements**

### **ARTICLE 15**

- (1) After defining their representative numbers and passwords to the system, the representatives must fill out the following required fields of an order:
- a) **Customer Type:** It can be a “Portfolio”, a “Customer” or a “Fund/IT” (Investment Fund/Investment Trust/Public Fund). When an order is placed for an investment fund, an investment trust, or a public fund, the code of the relevant fund or trust or public fund shall be indicated.
  - b) **Order Feature:** It can be a “Bid”, an “Ask” and a “Blocked Ask”.
  - c) **Order Type:** It can be a “Limit”, “Limit/Fill or Kill”, “Limit/Immediate or Cancel”, “Market” or “Market/Fill –or Kill” order.
  - ç) **Order Maturity:** It can be any of the maturity types referred to in article 13 of this Procedure.
  - d) **Interest Rate:** The interest rates of the executed trades are set freely by the parties. The interest rate is defined for the “Limit”, “Limit/Fill or Kill” and “Limit/Immediate or Cancel” orders. For other order types, the interest rate is not entered. Interest rate tick are **0.05 %** (five basis points) and its multiples. **1 year** is taken as **365 days in the interest calculation**.



- e) **Order Amount:** The minimum tradable amount is TRY 5.000- and it can be increased by multiplies of TRY 1.000-.

### **Blocked ask order**

#### **ARTICLE 16**

- (1) It is a type of **non-risk bearing sell-order** that can be quoted by the members who have sufficient balances in their current accounts up to the amount they wish to sell.
- (2) If the Blocked Ask Order entered to the system is standing, the relevant amount shall be blocked in the current account of the member entering the order. If the order is matched, the matched amount shall be collected from the blocked amount at the moment of matching.
- (3) Blocked Ask Orders may be preferred by the members who;
  - a) have no selling limit left because of their outstanding position,
  - b) wish the ask orders to be placed on the basis of a fund and/or customer code not to affect their selling limit.
- (4) The members who have no assigned limit can also conduct selling transactions in the TMM through a Blocked Ask Order.

### **Order routing**

#### **ARTICLE 17**

- (1) The member representatives route their orders by using Takasbank member applications.
- (2) In the TMM, the bid and ask orders are routed collectively by the member for the customers. Orders routed for the portfolios, investment funds, investment trusts and public funds, on the other hand, are conducted by quoting their relevant codes.
- (3) TMM system assigns an “Order Number” to the orders routed by the representatives. The representatives conduct their transactions related to the order by using that order number.
- (4) In order for a bid order to be entered into the system, the member to whom the order is routed must have a sufficient limit and collateral. In order for the ask orders (except for the blocked ask orders) to be entered to the system, the member must have a sufficient limit.
- (5) In case of failure to connect to the Takasbank system due to the system or connection problems, the members may call the TMM by dialing (212) 315 20 00 session line during the trading hours and enable the orders to be entered into the system by Takasbank. In such a situation, the time of order-entry shall be the time that the order is entered into the system by Takasbank.

- (6) All calls made to (212) 315 20 00 session line are recorded by a voice recording device at Takasbank, whereas, the orders routed via remote access tools are recorded in electronic environment. In case of any dispute, the phone recordings and/or the records kept by Takasbank electronically shall be considered as the basis.
- (7) In the event that Takasbank cannot take orders over the session line (212) 315 20 00 due to natural disasters, pandemics and similar extraordinary conditions; orders can be entered into the system by Takasbank provided that the written instruction containing the elements of the order is sent by e-mail to the [ppe@takasbank.com.tr](mailto:ppe@takasbank.com.tr) during session hours. In this case, the order entry time is the time that Takasbank enters the order. The original of the written instruction sent by e-mail must be submitted to Takasbank within 5 working days at the latest.

## Types of orders

### ARTICLE 18

(1) Types of orders that can be placed in the TMM are as follows;

- a) **Limit Order:** It is an order type which is entered by designating the customer type, order feature, maturity, interest rate and order amount. The unexecuted portion of the order waits in the system in -standing status. It is the only order type where the unexecuted portion waits in the system.
- b) **Limit/Immediate or Cancel Order:** It is entered by designating the customer type, order feature, maturity, interest rate and order amount. It is an order type which is placed under the partial execution condition. When the order is routed, it matches with the standing orders waiting in the system, and its unexecuted portion shall be cancelled automatically.
- c) **Limit/Fill or Kill Order:** It is entered by designating the customer type, order feature, maturity, interest rate and order amount. It is an order type which is placed under the full execution condition of the entire amount of the order. If the full execution condition is failed to be matched with the standing orders waiting in the system when the order is routed, it shall be cancelled automatically.
- ç) **Market Order:** It is an order type which is entered by designating the customer type, order feature, maturity and order amount but without quoting the interest rate. When a market order is placed, it matches either partially or fully with the standing orders waiting in the system, and the unexecuted portion of the order shall be cancelled (killed) automatically.
- d) **Market/Fill or Kill Order:** It is an order type which is entered by designating the customer type, order feature, maturity and order amount but without quoting the interest rate, under the full execution condition. Market/Fill or Kill Order is fully executed (filled) with the standing orders waiting in the system. If the full execution condition is failed to be met when the order is placed, it shall be cancelled (killed) automatically.

## Order amendment

## ARTICLE 19

- (1) The portion of any limit order failed to be executed neither fully nor wholly and still standing in the market can be amended at any time by the representatives during the session.
- (2) The amendments conducted about the customer type, the investment trust, investment fund and public funds codes, the interest rate and amount of the unexecuted portion of the Limit Orders shall change the order number and priority of the order.
- (3) There must be sufficient collateral of the member in order to conduct the amendments which will incur extra collateral liability.
- (4) Should only the amount of the order be reduced, the order number shall remain the same and the order shall not lose its priority.

## Order cancellation

## ARTICLE 20

- (1) The standing portion of the routed orders waiting in the market can be cancelled during the session. The standing orders that remain unexecuted at the end of the session shall be cancelled by the system.
- (2) All standing orders of any member whose operations are suspended either temporarily or permanently shall be cancelled by Takasbank.
- (3) With the “**Multi Cancellation**” option, the partially or fully unexecuted orders shall be listed according to the criteria entered to the system and all listed orders or those selected can be totally cancelled at the same time.

## Order matching

## ARTICLE 21

- (1) Orders are matched by giving priority to the orders with the highest interest rate at the bid side and the lowest interest rate at the ask side.
- (2) For the orders with the same interest rate, the time priority shall apply.
- (3) When an ask order with a rate lower than an existing bid order is routed, the transaction is processed over the rate of such bid order; or, when a bid order with a rate higher than an existing ask order is routed, it is processed over the rate of such ask order.
- (4) Orders can be executed by being split into more than one transaction.
- (5) For the bid and ask orders wherein the same member is involved, the following waiting period and principles shall be applied further to the time and price priority:

- a) The waiting period for matching of the routed orders by the same institution is 15 seconds.
- b) If the counter order transmitted before the elapse of 15 seconds is at a price compatible with the orders of other members, then it shall be executed either partially or fully with the orders of other members; and the remaining portion of the order shall be cancelled automatically.
- c) If either one of the bid or ask orders of the same member that may match with each other is quoted by designating an investment fund/trust or public fund code, the order quoted with the investment fund/trust or public fund code should have been entered to the system at first. Otherwise, these orders do not match with each other.

## **Order broadcasting**

### **ARTICLE 22**

- (1) TMM data can be accessed via the screens of data broadcasters that have an agreement with Borsa İstanbul and the “Market Monitoring Screen” on Takasbank member applications. Both the orders entered into the system and the executed trades are disseminated to the TMM screens.
- (2) Among the quoted orders, the bid orders with the highest price and the ask orders with the lowest price, and total volume and price data of the recent transactions with the latest traded price are broadcasted.
- (3) If a trade is conducted with the best bid or ask quotes, than the next best bid or ask waiting on the bid or offer side shall be displayed on the screens.
- (4) Bid and ask orders with the same price are displayed in total.
- (5) The best five bids and asks can be followed via the depth pages.
- (6) The minimum, maximum and average prices of the executed trades and the total trading volume per maturity date are displayed on the summary information screens.

## **Transaction notification and monitoring**

### **ARTICLE 23**

- (1) The members follow the information about their orders entered into the system and the executed transactions from the relevant reports and screens via Takasbank member applications. The user guide containing detailed information about the reports can be obtained from Takasbank Money Market Operations Menu available on Takasbank member application.
- (2) Each morning; the buying limit gap, selling limit, collateral valuations, default situations, collaterals with critical maturity dates, and the net credit and debit balances are notified to the members with the “Beginning of Day Report”.

- (3) Transactions conducted by the members by quoting the codes of the portfolio, customer, investment fund, investment trust and public funds n are monitored in the member accounts at Takasbank.
- (4) In the TMM, positions are monitored separately on portfolio, investment funds, investment trusts and public funds basis, whereas, collectively for the customers. In the TMM, no single position account can be opened in the name of the customers.

### **Transaction amendment and cancellation**

#### **ARTICLE 24**

- (1) Takasbank is entitled to cancel the orders and transactions of fictitious nature, which cannot be explained with a reasonable economic and financial justification as set forth in article 104 of the Law.
- (2) As a principle, transactions executed as a result of the member's own fault cannot be cancelled. However, transactions requested to be cancelled until 15:35, which are notified in a written instruction, or via the session line by the representatives of the buyer and seller members can be cancelled upon Takasbank's receipt of the counterparty approval until the netting time. In such a case, Takasbank shall cancel the transaction after the consent of the requesting member and the counterparty member/members for the relevant transaction via the session line or through a written instruction.
- (3) The corrections relating to the transactions executed as a result of the incorrectly entered customer type can be executed by either Takasbank upon the request sent to TMM on the same day in writing or by the members via Takasbank member applications. The correction shall be processed in the following manner;
  - a) The order's customer type can be amended among the portfolio, customer or Fund/Investment Trust types.
  - b) If the order's customer type is a Fund/Investment Trust than, the code of the investment fund, investment trust and public fund can be changed.

## **CHAPTER FIVE**

### **Principles Regarding the Collaterals**

#### **General provisions regarding the collaterals**

#### **ARTICLE 25**

- (1) If the capital market instruments held in book-entry form are subject to be used as collateral, then a written collateral agreement shall be executed between Takasbank and the member pursuant to article 47 of the Law.
- (2) In the collateral agreements pertaining to the capital market instruments held in book-entry form, the title transfer of collaterals to Takasbank can be determined. Should the title transfer of collaterals to

Takasbank be determined, Takasbank shall acquire the ownership right at the moment the agreement is established and as a result of the transfer of capital market instruments subject to be used as collateral in accordance with the legal procedures.

- (3) If other assets are subject to collateral, ownership of such assets is also transferred to Takasbank through written collateral agreements.
- (4) In the event that the receivables of Takasbank are required to be covered from collaterals due to the default of the Member or because of the reasons set forth in the provisions of the agreement or the relevant legislation; then without being obliged to fulfil any precondition such as serving any notice or warning, allotting time, obtaining a permission or approval from the administrative or judicial authorities, converting collateral into cash through an auction or another way; Takasbank shall be entitled to sell the assets pledged as collateral in the exchanges or other organized markets, if such asset is listed in any of these markets, provided that it shall not be below the market value and cover its receivable from the sale proceeds thereof. Takasbank shall also be entitled to offset the value of the capital market instruments subject to collateral and/or other assets from the liabilities of the borrower provided that the title of collaterals has been transferred to Takasbank.
- (5) The members are obliged to pledge the collateral referred to in article 30 to the relevant collateral account for the transactions they have conducted for their customers and for the portfolio and the investment funds, investment trusts and public funds. The collateral obligation must be fulfilled by the assets on which the member has the right of disposition.
- (6) The rights and powers of Takasbank on the collaterals for the TMM operations cannot be limited in any way. The member's lack of right of disposition, for any reason, on the collaterals shall not prevent Takasbank from establishing a real right in good faith. Remuneration or limited real right claims of third parties on the assets subject to the collateral cannot be asserted against Takasbank.
- (7) Devoting time for composition about the collateral supplier, approval of its composition, devoting time for composition after bankruptcy, entering into composition process by abandoning its assets, restructuring by an arrangement, its bankruptcy, postponement of its bankruptcy, or the relevant provisions of the Law regarding gradual liquidation, or the proceeding procedures under the Execution and Bankruptcy Law can under no circumstances limit Takasbank's rights and powers on collaterals.

### **Assets accepted as eligible collateral**

#### **ARTICLE 26**

(1) The collateral types that can be used in TMM are as follows:

- a) Cash (TRY, USD and EURO)
- b) Government Domestic Debt Instruments
- c) Stocks selected by Takasbank and traded on the Exchange
- ç) Letters of Guarantee



- d) Investment Fund Participation Certificates
- e) Eurobonds issued by Republic of Turkey Ministry of Treasury and Finance
- f) Bank bonds/bills
- g) Lease certificates issued by the Asset Leasing Inc. of the Treasury of the Republic of Türkiye
- ğ) Gold with the standard traded on the Exchange
- h) Asset backed securities
- ı) Borsa Istanbul shares

## **Depositing, withdrawing and replacing collateral**

### **ARTICLE 27**

- (1) Members who have signed the “Takasbank Cash, Security, Collateral and RTGS DvP Undertaking Agreement” can pledge and withdraw collateral by using Takasbank member applications.
- (2) All collaterals are defined to the system with the portfolio details. Member cannot pledge collaterals from the customer accounts. Members except intermediary institutions and banks can pledge assets held at MKK from their own investor accounts as collateral. In the TMM, collaterals are monitored collectively in the member accounts. Collaterals to be pledged must be covered by those on which the member has the right of disposition.
- (3) Collaterals to be deposited by the members from the portfolio and investor accounts are required to be in nature of assignment to serve as collateral. Collaterals are transferred to Takasbank for collateral purposes by transferring to collateral accounts
- (4) For pledging and withdrawing collaterals from portfolio accounts, Takasbank’s approval is required following member’s entry and verification thereof. For pledging and withdrawing collateral from investor accounts, after member’s entry and verification, approval of the “investor institution” and then the approval of Takasbank is required.
- (5) Collateral pledging and withdrawing operations of the members are performed by the members, as a rule, by using Takasbank member applications. However, if the collateral depositing and withdrawing operations cannot be performed by the members, the members can also execute their transactions by written instructions.
- (6) Such instructions are accepted via facsimile or the e-mail addresses written in the TMM contract, and the original instructions are required to be submitted to Takasbank within 5 business days at the latest.
- (7) Members can perform their collateral pledging and withdrawing operations until 05:00 p.m. For the half-business days due to the official holidays, the collateral depositing and withdrawing operations can be performed until 12:30 p.m.
- (8) Collateral operations related to the stocks, investment fund participation certificates, asset backed securities, bank bonds/bills and Borsa Istanbul shares create a transfer record on the accounts held at

the MKK. In order to be able to deposit the collaterals related to these assets, the related member must have a portfolio account (4 account class) and investor account (1 account class) at MKK.

(9) If **cash** is provided as collateral;

- a) Cash collateral can be in the form of TRY, US Dollars or Euro.

(10) If a **Letter of Guarantee** is provided as collateral;

- a) its form and content shall be determined by Takasbank,
- b) it can be issued on paper or as electronic document
- c) it shall be accepted within Takasbank limits,
- ç) it must be a performance guarantee valid for minimum one year or indefinite time period ,
- d) Letters of guarantee issued reciprocally to each other by the banks affiliated to the same group or holding and those received by the members from the group and holding banks to whom they are affiliated shall not be accepted,
- e) Before the letter of guarantee is received, the limit availability of the issuer bank and the amount of the letter of guarantee must be confirmed by contacting TMM Team,
- f) Members shall convey the letters of guarantee issued on paper they obtained to the TMM,
- g) Letters of guarantee issued on paper shall be accepted as collateral by Takasbank after its receipt of a written confirmation from the issuer bank's Head Office or confirmation of the active risk record at the issuer Bank through the "Status Inquiry of Letter of Guarantee" system developed by Credit Reference Agency of Turkey (Kredi Kayıt Bürosu).
- ğ) Electronic letters of guarantee are checked and accepted through the "Electronic Letter of Guarantee Platform (ETMP)" prepared and operated by the Credit Reference Agency of Türkiye, and accepted as collateral if deemed appropriate.

(11) If **Stocks** traded on the stock exchange are provided as collateral;

- a) Stocks accepted as collateral shall be limited to the stocks included in BIST-100 Index.
- b) For each specified stock, Takasbank determines the upper limit to be accepted as collateral.
- c) Stocks accepted as collateral shall be in lots and its multiples.
- ç) Stocks of those companies which are a subsidiary of the member or in which the member has an ownership interest shall not be accepted as collateral for that member.

(12) If the **treasury bills, government bonds and lease certificates** are provided as collateral;

- a) TRY denominated lease certificates shall be accepted as collateral.
- b) The collateral transfers shall be made from 501-Current Deposit accounts at Takasbank.

(13) If the **Euro bonds** are provided as collateral;

- a) After the delivery of Eurobonds pledged as collateral to Takasbank's account no. 15512 held at Euroclear; the member delivering the assets must send either a free format SWIFT message (MT199, 299 or 599) or a written instruction to Takasbank so that the relevant securities can be deposited to the member's current collateral account at Takasbank. If the member's securities correspondent is Euroclear, until 16.30 Turkish time and if it is Clearstream, until 14.00, the free format SWIFT message and the written instruction must be sent to the e-mail address (glo@takasbank.com.tr) of Global Custody and Numbering Team or BIC code (TVSBTRISXXX) of Takasbank. Transfers, related with the instructions and SWIFT messages that have been sent after relevant hours, are processed on next day value. The original of the written instruction must be delivered to Takasbank within 5 working days at the latest. In the instructions, the security correspondent of the member, the account number at the relevant correspondent, the ISIN code of the securities subject to the order, the nominal amount, and the value date should be stated. In addition, which member's 5080 collateral account held in Takasbank will be used for this transfer must be declared in the instructions.
- b) Such assets transferred by Takasbank to the relevant member's 5080-Eurobond Collateral Deposit Account under the Takasbank International Settlement and Custody Operations menu shall be transferred by the member to 5081-TMM Collateral Project Deposit Account by using Takasbank member applications.
- c) In order for the assets transferred to 5080 - Eurobond Collateral Deposit Account as a result the collateral transfer to be further transferred to the member's account held at its securities correspondent; a written instruction or either a free format SWIFT message (MT199, 299 or 599) must be sent to Takasbank Global Custody and Numbering Team. The written instruction and free format SWIFT message must be sent to the e-mail address (glo@takasbank.com.tr) of Global Custody and Numbering Team or BIC code (TVSBTRISXXX) of Takasbank, until 02:00 p.m. Turkish Time, if the securities correspondent of the member is Clearstream, and until 04:30 p.m., if it is Euroclear. Transfers related to the instructions to be sent after the aforesaid hours shall be processed with next day value. The original of the written instruction must be delivered to Takasbank within 5 working days at the latest. The securities correspondent of the member, its account number at that correspondent, the ISIN code of the securities subject to the order, the nominal amount, and the value date must have been mentioned in the said instructions.

(14) If **bank bonds/bills** and asset backed securities are provided as collateral;

- a) TRY-denominated ones are accepted as collateral,

- b) These shall be accepted within Takasbank limits,
- c) Takasbank determines the upper limit of the total bank bonds and bills, asset backed securities that can be accepted as collateral for each issuer.
- ç) Bank bonds and bills, asset backed securities issued by the group or holding banks to which the member is affiliated shall not be accepted as collateral for that member,
- d) Before depositing the bank bonds and bills and asset backed securities, the limit availability of the issuer bank must be confirmed by contacting TMM Team,
- e) The relevant security can be deposited at the latest one business day after the deposit request.

(15) If **investment fund participation certificates** are provided as collateral;

The members cannot pledge the investment fund participation certificates as collateral of which the companies and banks affiliated to the same group or holding with the members are either the founder or manager. Funds other than stock umbrella funds and debt instruments umbrella funds are not accepted as collateral.

(16) If **gold** are provided as collateral;

- a) Gold with the standard traded in Borsa Istanbul Precious Metals and Diamond Market are accepted as collateral.
- b) The Borsa Istanbul Precious Metals and Diamond Market member transfers the gold subjected to the collateral to member's sub-account, which is linked to TMM account at the related market in within the working hours.

(17) If **Borsa Istanbul shares** are provided as collateral; in addition to the approval of Takasbank, collateral entry take place upon the approval of Exchange followed by the instruction whose shape and scope is determined by Takasbank sent to the Exchange's email address (takasbankpayteminati@borsaistanbul.com). In collateral withdrawing of Borsa Istanbul shares; sending the instruction to the Exchange's email address and approval of Exchange are required.

(18) For the services provided by Takasbank in relation to the assets held in the collateral accounts, Fees and Commission Tariff published on Takasbank website shall be applied.

## **Collateral groups, valuation haircuts and upper limit ratios**

### **ARTICLE 28**

(1) The valuation haircuts that reflect the deduction rates to be used in calculating the collateral values are determined by taking into account the credit risk of the relevant collateral being evaluated by Takasbank, its maturity, its volatility in the extraordinary market conditions, its liquidity, and its currency risk, if any.

- (2) Trade margins are calculated over the available collateral. Available collateral amount is obtained by applying upper limit ratios based on group and asset over the valuated collateral calculated by multiplying the market value of collaterals by the valuation haircuts according to the collateral types and groups.
- (3) The collateral groups, haircuts, group and upper limit ratios on the basis of assets to be used for the collateral valuation are given below:

Collateral Group	Collateral Type	Time to Maturity/Index	Valuation Haircut	Group Based Upper Limit Ratio (%)	Asset Based Upper Limit Ratio (%)
1	Gold		0,87	25,00	100,00
2	Borsa Istanbul shares		1,00	100,00	100,00
3	Government Domestic Debt Instrument (TRY, USD and EUR denominated)	0-1 year	0,97	100,00	100,00
		1-5 year	0,84		
		5 year and more	0,84		
4	Eurobond -USD denominated	0-5 year	0,89	100,00	100,00
		5-10 year	0,89		
		10-30 year	0,88		
		30 year and more	0,86		
4	Eurobond -EUR denominated	0-5 year	0,89	100,00	100,00
		5-10 year	0,85		
		10-30 year	0,72		
		30 year and more	0,72		

5	Lease Certificate	0-1 year	0,95	100,00	100,00
		1-5 year	0,82		
		5 year and more	0,82		
6	Share	BIST-30	0,83	90,00	50,00
		BIST-100	0,79		
7	Cash-EUR		0,89	100,00	100,00
7	Cash- USD		0,90	100,00	100,00
7	Cash-TRY		1,00	100,00	100,00
8	Bank Bond / Bill		0,73	50,00	40,00
9	Letter of Guarantee		1,00	100,00	100,00
10	Asset-Backed Security	0-1 year	0,95	50,00	40,00
		1-5 year	0,82		
		5 year and more	0,82		
11	Investment Fund Participation Certificate		0,89	50,00	20,00

## Collateral valuation

### ARTICLE 29

- (1) Takasbank performs the valuation of collaterals at the end of each day in accordance with the prices set forth below:
- For **stocks**, the weighted average price formed in the last session of Borsa Istanbul Equity Market on the day the valuation is effected; and, if no transaction is executed in the Exchange, the arithmetic mean of the best bid and best ask orders of the last session; however, should either of the best bid or best ask orders be unavailable, the weighted average price of the last session they are traded,
  - For **government bonds and treasury bills**, the theoretical price to be determined by using Takasbank yield curve on the day the valuation is effected; and should such rates be unavailable,



the daily indicative values of the Government Domestic Debt Instruments determined by the CBRT.

- c) For **foreign currencies**, the CBRT foreign currency-buying rate set for the next day on the day the valuation is affected.
  - ç) For **investment fund participation certificates**, the price announced on that day.
  - d) For **euro bond**, the theoretical price to be determined by using Takasbank yield curve on the day the valuation is effected.
  - e) For **bank bonds/bills and asset backed securities**, the theoretical price determined by Takasbank considering the transactions in the market.
  - f) For **lease certificates**, the theoretical price calculated by Takasbank, and should such rates be unavailable, the daily indicative values of the Lease Certificates determined by the CBRT.
  - g) For **gold**, the price calculated with the weighted average USD/Ounce price formed in the last session of the Borsa Istanbul Precious Metals and Diamond Market for the transactions with T+0 value day and CBRT foreign currency buying rate on the valuation date, if no transaction is realized, then the weighted average price formed in the previous session.
  - ğ) For **Borsa Istanbul shares**, the price determined by the protocol concluded between Exchange and Takasbank. If Exchange determines a new price after dividend payment and capital increase, collaterals shall be evaluated with new prices.
- (2) Foreign currency denominated Government Bonds, Treasury Bills and letter of guarantee having a definite period of validity, with less than 5 days remaining to maturity are not included in the collateral valuation and are asked to be replaced accordingly.

## Trade margins

### ARTICLE 30

- (1) Initial margin shall be requested from the members to cover the risks arising from the transactions in TMM. The initial margin shall be received at the beginning to cover, in the event the member falls into default, any interest change that may occur in the Market during the time period elapsed from the moment in which the default occurs to its resolution.

- (2) The initial margin ratio is determined by Takasbank at least 1-year data set and 99% confidence level, 2 business days holding period, and is reviewed quarterly in light of market conditions. Takasbank may revise initial margin without waiting for the end of quarterly period in light of market conditions.
- (3) Parameters and ratios related to initial margin, compulsory margin and maintenance margin are announced via general letter.
- (4) Initial margin; is calculated by multiplying the principal and interest total of the buy order by the initial margin ratio.
- (5) Compulsory margin; is calculated by multiplying the principal and interest total of the buy order by the compulsory margin ratio and must consist of collateral types other than the letter of guarantee. Compulsory margin ratio refers to the value in the tranche determined by Takasbank and announced via general letter, which the member lies based on the ratio of the member's 3-month risk average. Takasbank reviews compulsory margin ratios quarterly; may revise compulsory margin without waiting for the end of quarterly period in light of market conditions and differentiate the margin on member basis.
- (6) Maintenance margin is the minimum maintenance level of the initial margin, required by the sum of the principal and interest amounts borrowed in the TMM.
- (7) No collateral condition is required in sales transactions in TMM.

### **Margin call**

### **ARTICLE 31**

- (1) When the available collateral falls below the maintenance margin and/or compulsory margin level, Takasbank issues a margin call to the member, and shall ask its collateral to be restored to the initial levels.
- (2) The margin call shall be issued by messages and reporting to the member screens provided by Takasbank and or via e-mail. If the margin call is issued through the system, the Member shall be deemed to have received the call without any further notice or information. Members are responsible for following the information relating to the margin call from the "Beginning of Day Report".
- (3) The addressee member of the margin call is allowed to execute transaction in the TMM as much as the limit and margin allow. The requested additional collaterals must be deposited until the end of the day that the margin call is issued.
- (4) The addressee member of the margin call can exit the margin call status by depositing additional collateral and / or by trading in a way that reduces the buying transactions and brings the collateral to the initial and compulsory margin levels.
- (5) Takasbank may grant extra time to the member to comply with its margin call.

## Rights arising from the collaterals

### ARTICLE 32

- (1) The rights arising from the assets held as collateral belong to the collateral provider. However; if the title transfer of collaterals to Takasbank has been decided by the agreement made between Takasbank and the collateral provider pursuant to article 47 of the Law, then the rights arising from such collateral shall belong to Takasbank. Takasbank shall return the collateral on the maturity date together with their rights accrued thereof upon request of the member; provided, however, that, its obligations have been completely fulfilled.
- (2) Collaterals are essentially returned in non-fungible form. In case they cannot be returned in kind, the return shall be made in fungible form. Collaterals failed to be returned neither in non-fungible nor in fungible form shall be returned over their equivalents.
- (3) The capital increase or dividend rights of stocks and Borsa Istanbul shares provided by the members as collateral shall be used by Takasbank on behalf of the members.
- (4) If the capital increase is conducted through rights issue, the member can use its subscription right by paying the related amount after transferring the number of subscription (coupon) rights (transferring the collaterals) to the current sub-account at MKK.
- (5) Cash proceeds arising from dividend shall also be deposited to the collateral account of the member.
- (6) Partnership shares and dividends obtained as a result of the free capital increase of the Borsa Istanbul shares are transferred to Takasbank collateral account. The Member may exercise its rights arising from the capital increase by paying the essential amount.
- (7) The **redemption** operations of the TRY denominated Treasury Bills and Government Bonds, lease certificates, asset backed securities, and bank bonds and bills held in the collateral accounts on the redemption date shall be conducted in the collateral accounts and the redemption proceeds shall be transferred to the Members' collateral accounts. The redemption payments of foreign currency denominated Treasury Bills and Government Bonds shall be transferred to Member Foreign Currency Current Account.
- (8) The **coupon payments** of the Eurobonds, lease certificates, asset backed securities, bank bonds and bills and the TRY denominated Treasury Bills and Government Bonds held in the collateral accounts of the members shall also be transferred to the Members' collateral accounts. The coupon payments of foreign currency denominated Treasury Bills and Government Bonds shall be transferred to Member Foreign Currency Current Account.

## Accrual of Interest on Cash Collateral and Guarantee Fund Contribution Amounts

## ARTICLE 33

- (1) The collateral and guarantee fund contributions in cash Turkish Lira deposited by the members are valued over the amount remaining after deducting the portion to be maintained as compulsory reserve, with the best possible conditions by Takasbank 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. In extraordinary market conditions, Takasbank may not accrual interest to cash collateral and contribution amounts. In the event that the interest accrual is to be failed due to the market conditions, Takasbank shall not pay interest.
- (2) The interest accrual process of trade margin and guarantee fund contributions is performed over the member's Turkish Lira-denominated cash collateral balances at 3:40 p.m. No interest shall be accrued on cash Turkish Lira collateral deposited after 3:40 p.m. to Takasbank as collateral. Interest accrual deadline on half business days is 11:40 a.m. and no interest shall be accrued on Turkish Lira collateral deposited after that time.
- (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 deemed appropriate by Takasbank 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.
- (4) Members wishing no interest should convey their request to Takasbank in writing.

## CHAPTER SIX

### Guarantee Fund Principles

#### Guarantee fund and general principles

## ARTICLE 34

- (1) Takasbank establishes a guarantee fund consisting of contribution shares of members, to be used for the portion of losses that may be incurred in the event of members' default, in excess of respective member margins. Members' participation in the guarantee fund is mandatory.
- (2) Members' guarantee fund contribution shares consist of deposited and additional guarantee fund contribution shares to be deposited upon Takasbank's request. If Guarantee Fund is used subject to the default provisions, members may be asked to deposit additional contribution share not exceeding deposited guarantee fund contribution amount. Members may be asked to deposit an additional contribution share up to 4 in a year between 1 April and 31 March. Additional guarantee fund contribution share that may be requested at one time cannot exceed the guarantee fund contribution share amount calculated per member to be deposited in the month that the defaults constituting the

basis for the request, have occurred. Additional guarantee fund contribution amount may be requested more than once on the condition of not exceeding the total amount deposited at once or in slices.

- (3) The maximum guarantee fund liability members may be exposed to where members have requested to leave membership but such requests have not been yet decided by the Board of Directors or request to leave membership has been accepted by the Board of Directors but members have been granted time for the return of deposited guarantee fund contribution, is double the guarantee fund amount, otherwise three times, if there is no default which is still being resolved at the request date. Members, who are understood to have left membership or requested to leave to avoid potential guarantee fund liabilities, may not again admitted into TMM membership.
- (4) Guarantee fund contribution shares of other Members cannot be referred to unless trade margins, guarantee fund contribution of defaulted Member, and Takasbank's capital allocation for risks covered at TMM is inadequate.
- (5) Assets in guarantee fund cannot be used beyond the objective.
- (6) It is essential that contribution shares to be deposited by members into the guarantee fund are covered from assets under their ownership. Members fail to complete the guarantee fund contribution liability within the period cannot make transactions in TMM.
- (7) Takasbank represents and manages the Guarantee fund.

#### **Size of guarantee fund and amount of contribution share to be delivered from members**

#### **ARTICLE 35**

- (1) The size of guarantee fund cannot be less than larger of the resource requirement that shall arise from simultaneous default of the Member who has the largest buying debt or members who have second and third largest buying debt, under stress conditions. The respective resource requirement consists of the portion of Member risks that cannot be covered by trade margins at a confidence level. In the estimation of risk under stress conditions by statistical methods respectively minimum 99.75% statistical confidence level, and two business days holding period are used. Takasbank can determine the minimum guarantee fund liability higher than the statistically calculated liability by considering the market conditions, collateral concentrations and the adequacy level of default management resources.
- (2) The capability of the existing guarantee fund is tested by renewing the calculation regarding total size of guarantee fund for no longer than 3 months.
- (3) In order to obtain the minimum size of the guarantee fund, member based daily purchase amount (open position) data of the past three months, if available, is used
- (4) Members' guarantee fund contribution shares consist of deposited and additional guarantee fund contribution shares to be deposited upon demand.
- (5) Deposited guarantee fund contribution shares consist of fixed and variable guarantee fund contribution shares.



- (6) A member's deposited guarantee fund contribution share cannot be less than fixed contribution amount. The fixed contribution share that members must deposit is 10,000 TRY. This amount is revised at least once a year considering the developments in TMM, domestic or global economy and may be changed if deemed necessary.
- (7) Variable contribution shares consist of consecutive ranges with lower and upper limits. The fixed contribution is determined at a level not exceeding the average amount to be found by dividing the guarantee fund size by the number of members.
- (8) In calculating guarantee fund contribution share that each member must deposit, members' average margin requirements for the previous month are taken into account. The relevant amount is found by dividing the average collateral amount that the Member must hold in the TMM in the previous month by the average collateral amount of the TMM and then multiplying by the minimum guarantee fund size corresponding to the relevant period.
- (9) If the guarantee fund risk value calculated for each member is below the fixed guarantee fund contribution amount, shall be the fixed contribution amount, if it is above, then it shall be the upper limit of the tranche that such amount corresponds to. Tranches that belong to guarantee fund risk values and corresponding guarantee fund contribution shares are provided below.

Calculation Tranche	Guarantee Fund Risk Value (TRY)	Total Contribution Share (TRY)
1. Tranche	0 – 10.000	10.000
2. Tranche	10.000– 11.000	10.000 + (2-1) x 1.000
3. Tranche	11.000- 12.000	10.000 + (3-1) x 1.000
4. Tranche	12.000- 13.000	10.000 + (4-1) x 1.000
n. Tranche	Previous Tranche + 1.000	10.000 + (n-1) x 1.000

*n: The tranche, which corresponds to guarantee fund risk value*

- (10) The guarantee fund liabilities of the members for the next month are calculated as of the last working day of each month and updated as of the first working day of the following month.
- (11) Guarantee fund contribution share calculations of members may be performed taking into account the risk status of the relevant Members and TMM conditions, without waiting for the first business day of the subsequent month.

#### **Assets eligible as guarantee fund contribution share**

#### **ARTICLE 36**

- (1) The assets eligible as guarantee fund contribution share are shown in the following table. Takasbank 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. Letter of guarantee is not accepted as guarantee fund contribution share.



Assets Eligible to Guarantee Fund	Time to Maturity	Group Based Upper Limit Ratio (%)	Asset Based Upper Limit Ratio (%)
<b>Gold</b>		25,00	100,00
<b>Borsa Istanbul Shares</b>		100,00	100,00
<b>Government Domestic Debt Instrument (TRY, USD and EUR denominated)</b>	0-1 year	100,00	35,00
	1-5 year		
	5 year and more		
<b>Eurobond–USD and EUR denominated</b>	0-5 year	100,00	35,00
	5-10 year		
	10-30 year		
	30 year and more		
<b>Lease Certificate</b>	0-1 year	100,00	25,00
	1-5 year		
	5 year and more		
<b>Share</b>		90,00	20,00
<b>Cash -EUR</b>		100,00	100,00
<b>Cash -USD</b>		100,00	100,00
<b>Cash -TRY</b>		100,00	100,00
<b>Asset-Backed Security</b>	0-1 year	50,00	40,00
	1-5 year		
	5 year and more		
<b>Investment Fund Participation Certificate</b>		50,00	20,00

- (2) Assets to be deposited by the members from the portfolio and investor accounts are required to be in nature of assignment to serve as guarantee fund contribution share. Guarantee fund contribution share assets are transferred to Takasbank for guarantee fund contribution purposes by transferring to guarantee fund contribution accounts.
- (3) Guarantee fund contribution shares are transferred to the system from a single portfolio account.
- (4) Group limits are calculated over the total deposited contribution. In calculating the asset based limits, total valued portion of the relevant asset amount with the group limit applied is taken into account.
- (5) Takasbank evaluates the assets given to the guarantee fund at the end of each day. Prices in article 29 of this Procedure are used in valuation of assets accepted as guarantee fund contribution.
- (6) 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 of this Procedure
- (7) Assets deposited in the Guarantee Fund can be replaced daily at the request of the member. Contribution surpluses can be withdrawn daily.
- (8) Members can deposit and withdrawn their contribution amounts through the guarantee fund' contribution accounts in parallel with the hours and rules specified in Article 27 of this Procedure.
- (9) If Euro bonds are provided as a guarantee fund contribution, the member should transfer them to the 5088-TMM Guarantee Fund Guarantee account using Takasbank member applications.

### **Guarantee fund margin call**

#### **ARTICLE 37**

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

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

#### **ARTICLE 38**

- (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 item (d) of the eight paragraph of article 51 of this Procedure fail to be adequate and upon determination that the guarantee fund contributions deposited in cash will remain insufficient

- (2) The contributions deposited by the members joining 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) Resorting to contribution shares are started from the most liquid asset, based on highness of ability to convert to cash. Cash amounts converted from non-cash collateral in the guarantee fund but unused, are returned to members using non-cash collateral on pro-rate basis.
- (5) Distribution of loss to be attributed to guarantee fund is based on share of members in guarantee fund.
- (6) Members are obliged to re-deposit, deposited guarantee fund contribution share amounts expended under default management, in three (3) business days.
- (7) If it is thought that the loss that shall be attributed guarantee fund may possibly exceed 50% of the fund size, members may be asked to deposit committed additional contribution share. Members are obliged to deposit additional contribution shares in five (5) business days following the demand. Additional contribution shares, which have been partially used or not at all used to close out the respective default, are returned. If returned without using to close out the default notwithstanding the demand, additional guarantee fund's contribution share demand is considered to have not happened.
- (8) Any Member may be asked at most 4 monthly deposited and additional guarantee fund contribution amounts due to the default of other members during the period to be elapsed starting from April of each year to the end of March of the following year. The total guarantee fund's contribution amount to be requested from any Member due to the default of other members within the same month cannot exceed the sum of the guarantee fund contribution amount that is calculated and deposited for the relevant month and the additional guarantee fund contribution amount, if requested.
- (9) The amount of additional guarantee fund's contribution amount that may be requested within one month cannot exceed the guarantee fund contribution amount deposited by the member for the same month.
- (10) If additional guarantee fund's contribution amount demanded from members due to default, are partially or fully expended, members are asked to replenish their guarantee fund requirements up to the amount calculated pursuant to article 35. Normal guarantee fund contribution amounts that shall be demanded from members, who have fulfilled additional guarantee fund contribution share requirements within one-year period between 1 April and 31 March, are expended only for their own defaults until the current period is completed.

## **Returning of guarantee fund contribution amounts**

### **ARTICLE 39**

- (1) The contributions other than the fixed guarantee fund contributions in the guarantee fund of the institutions whose membership ends pursuant to article 8 of this Procedure and all revenues and rights related thereto shall be returned to such institutions after deduction of any tax and other legal liabilities required to be paid by taking into consideration of their obligations arising from the transactions they

have conducted in the TMM and the payment obligations which Takasbank might face due to any default that may occur during the time period elapsed from the Board of Directors' resolution for the termination of membership to the date on which the termination procedures were completed.

- (2) The guarantee fund of the member, who requests to terminate its membership, shall be paid when Takasbank receives the request for leaving the membership, provided that the member fulfills all its obligations of the longest term transaction in the market on the date of termination. Until this date, the guarantee fund of the member can only be used for its all transactions in the market that have not expired on the date when the request to leave membership reaches Takasbank.
- (3) The fixed guarantee fund contributions of the institution whose membership ends shall be returned at the end of the period to be designated by the Board of Directors by taking the maturity of all open positions in the market.
- (4) The guarantee fund's contribution amounts of any member whose membership has been terminated shall be returned in kind. The contribution amounts that are failed to be returned in kind shall be returned over their equivalents. In the return of the equivalents, the prices prevailing at the date Takasbank has converted such contribution amounts to cash shall be applied.
- (5) If there is any cash in the guarantee fund contribution(s) of the institutions whose membership ends, the return operation for returning the cash shall be performed by deducting any tax and other legal obligations required to be paid over the amount to which interest has been accrued.

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

#### **ARTICLE 40**

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

#### **General principles of capital allocation**

#### **ARTICLE 41**

- (1) In determining the allocated and committed capital amounts in TMM, Takasbank uses the total capital allocation guarantee fund ratio of the markets where Central Counterparty service.
- (2) The amount of capital allocation to TMM from the first day of April every year until the last day of March of the next year is announced via the Takasbank website.

## CHAPTER SEVEN

### Clearing and Payments

#### Netting

#### ARTICLE 42

- (1) Netting is executed at 3.45 p.m., whereas, at 11.45 a.m. on the half-business days due to official holidays.
- (2) In netting, the receivables and debts of the members arising from buy and sell transactions on value and maturity basis are netted and a “Clearing Report” is formed.
- (3) If the members have receivables or debts due to default, which were transferred one day before, they are included in the netting. Except for default, obligations and receivables are not netted between days.
- (4) Members shall follow up their debt and receivable amounts through the “Receivable Debt Report” until the netting time during the day, and after the netting time the netted amounts that will be subject to clearing shall be followed through the “Clearing Report”.

#### Clearing

#### ARTICLE 43

- (1) The clearing principles are outlined below:
  - a) Clearing transactions are made on the member based netted amounts.
  - b) Cash liabilities related to the transactions carried out in TMM are fulfilled by using TMM Clearing Accounts (TPPTK) opened on the basis of members at Takasbank.
  - c) The clearing of TMM operations is executed at 4:00 p.m.; whereas, at 12:00 p.m. on the half-business days due to official holidays.
  - ç) The obligor members after netting must fulfil their obligations (settle their debts) in book-entry until the clearing cut-off time (4:00 p.m.). The relevant amounts shall be collected ex officio from the member TMM Clearing (TPPTK) accounts.
  - d) The receivable amounts of the members are transferred to the members' current accounts at the clearing time.
  - e) The receivables recorded to the current accounts of the banks with a credit balance on the clearing time shall be transferred, unless otherwise instructed, to their TIC (Turkish Interbank Clearing) accounts at the CBRT.
  - f) In the case of the members' partial fulfillment of their debts (obligations), Takasbank distributes the receivables to members pro rata basis.



- g) The completion of settlement transactions shall be conditional upon timely fulfillment by the obligor members of their obligations. As the obligor members complete their obligations, the receivables are distributed pro rata basis to the creditor members.

## Offsetting

### ARTICLE 44

- (1) It is possible to make offsetting between the TMM and Borsa Istanbul Debt Securities Market and Equity Market.
- a) Members who owe debts to the TMM over the net balance can offset their receivables arising from their transactions, which have not been transferred to their current accounts, in Borsa Istanbul Debt Securities and Equity Markets where CCP service is provided against their debts in the TMM. In the same manner, members who have receivables from the TMM over the net balance can also offset such amounts to their debts arising from their transactions in Borsa Istanbul Debt Securities and Equity Markets.
- b) Members are required to enter their offset instructions to “**Takasbank Member Application > Banking Operations > Set-off Operations Screen**” until 3:45 p.m. at the latest. For the half-business days due to official holidays, the offset instructions must be entered until 11:45 a.m. at the latest.
- c) In case the TMM debt amount is failed to be collected until end of day from the creditor market/marketplace despite the given offsetting instruction, the obligor member shall be obliged to pay its debt within the same day.

## Debt payment

### ARTICLE 45

- (1) The member who owes debt may pay its TMM debt either in part or in whole within the trading hours by using Takasbank member applications and until the netting time by calling Takasbank from the session line.

## Fees and Commissions

### ARTICLE 46

- (1) Takasbank commission enters into force by the resolution of the Board of Directors; and be published on Takasbank website. Takasbank commission and 5% BITT over the commission amount shall be collected on the transaction date ex-officio from the current accounts of the parties of the transaction.

- **For the transactions with maturities up to one week including 7 days:**

$$\text{Commission} = \text{Principal} \times 0.0025\% \text{ (0.25 basis points)}$$



• **For other maturities:**

Commission = Number of Days x (Principal x 0.0003% (0.03 basis points))

- (2) TMM membership fee is collected on a monthly basis together with BITT from all TMM members and announced with Fees and Commission Tariff published on Takasbank website.
- (3) In case Takasbank commission and/or membership fee is not paid, the member's transaction authorization is abolished until the payment is completed.
- (4) Takasbank determines and announces the other fees and commissions with Fees and Commission Tariff published on Takasbank website.

## **CHAPTER EIGHT**

### **Acceleration and Default Provisions**

#### **General principles**

#### **ARTICLE 47**

- (1) The default, which is expressed in this Procedure, refers to the failure of the TMM members to fully fulfill their obligations to Takasbank within the periods specified in the Procedure.
- (2) Takasbank's financial responsibility to TMM is the amount allocated from the capital and the amount committed under the principles set out in article 41 of this Procedure.
- (3) Regarding the financial responsibility of Takasbank, the provisions of Article 48 are reserved.

#### **Acceleration of debt and default**

#### **ARTICLE 48**

- (1) Members' debts arising from their TMM transactions shall become immediately due and payable under the following circumstances:
  - a) On the value or maturity dates of transactions;
  - b) The member's failure to fulfil its margin call obligation in compliance with the principles and procedures specified in article 31 of this Procedure;
  - c) A decision made by Takasbank for the liquidation of the member's outstanding obligations pursuant to article 7 of this Procedure.
- (2) When members' debts arising from the transactions that they have executed in the TMM become immediately due and payable, they have to fulfil their obligations in accordance with the principles and procedures specified in this Procedure. In case that the obligations are not fulfilled on the due date of the debt in accordance with the principles and procedures specified in this Procedure, the member shall be deemed in default without any further notice.

- (3) If the member is in default, the related member's all outstanding debts become immediately due and payable. Takasbank decides whether the undue debts will be accelerated or not considering the source of the default.
- (4) If the member's outstanding obligations are decided to be liquidated by Takasbank pursuant to article 7 of this Procedure, the borrowing member is required to fulfil its obligations **within one (1) business day at the latest** providing that it shall not exceed the maturity date.
- (5) If the borrowing member's debt becomes immediately due and payable before its maturity date for any reason whatsoever, the borrowing member shall be obliged to pay to Takasbank the interest of the early paid-off amount that will accrue until the end of maturity period.
- (6) The members fulfilling their cash obligations arising from the transactions executed in the market after the settlement hour shall be deemed to be in default without any further notice.
- (7) In the fulfilment of cash obligations; for the payments made through EFT, the hour in which the funds are credited to member's TMM Clearing (TPPTK) account at Takasbank, and for the payments made through virement from the accounts at Takasbank, the transaction hour shall be taken as the basis.
- (8) Takasbank may grant a period to the Member to terminate the event of default until the end of 2 business days following the date of default at the latest. In case the default is not terminated until the end of the given period, Takasbank may place bid order in TMM on behalf of the member in default to obtain the amount subject to the default. In this case, the Member who is in default is obliged to pledge the collateral required by the transactions.
- (9) The default bid order on behalf of the member is carried out by Takasbank under the best possible conditions and with the most convenient maturity / maturities to close the default at the time of the transaction.

## Default interest

### ARTICLE 49

- (1) From the members that fail to fulfil their cash and collateral obligations within the prescribed periods, a default interest calculated over the unfulfilled obligation amount is collected together with the other legal liabilities thereon, considering the periods specified in this article.
- (2) In the calculation of default interest, the calendar days elapsing between the date of default and the date of fulfilment of the obligation are taken into account.
- (3) On the day of default,
  - For the liabilities fulfilled until the end of the day in TMM, default interest is calculated over 1 day,
  - For the liabilities fulfilled after the end of day in TMM, default interest is calculated by considering the next working day.
- (4) Default interest rate shall be applied as;

- if the debt is paid until 04:30 p.m. on full business days or until 12:30 p.m. on half-business days due to official holidays, 50%
  - if the debt is paid after 04:30 p.m. on full business days, or after 12:30 p.m. on half-business days due to official holidays, two times of the highest among the average overnight interest rates occurring at Borsa Istanbul Repo-Reverse Repo Market, CBRT Interbank Money Market or Takasbank Money Market for each day.
- (5) For the partial payment of the defaulted debt on the day of default, the rates and limitations that are effective during the hours when the debt is partially paid shall apply.
- (6) For the debts paid until 04:30 p.m. on full business days or until 12:30 p.m. on half-business days due to official holidays, the default interest upper limit is determined each year by using the revaluation rate announced by the Ministry of Treasury and Finance and announced to the members before the implementation.
- (7) The upper limit is increased by the revaluation rate announced by the Ministry of Treasury and Finance every year and rounded to the next 50-TRY tranche.
- (8) There is no default interest upper limit for the debts paid after 4:30 p.m. on full business days or after 12:30 p.m. on half-business days due to official holidays.
- (9) Minimum default base amount does not apply in TMM.
- (10) Default interest is calculated using the following formula;

Base Amount x Default Interest Rate (%) x (day/365) and the legal obligations, if any, are added.

## **Accrual, notification and collection**

### **ARTICLE 50**

- (1) The defaulting member is obliged to pay default interest in accordance with the principles specified in article 49 of this Procedure. If the debt that has become due is not paid off by the payment cut-off time, the default interest calculated by Takasbank over the default interest rate set forth in article 49 herein shall be accrued to the relevant member account. If Takasbank has incurred any loss exceeding the default interest due to the member's failure to settle its debts either in part or as a whole; then such loss shall be indemnified by the member.
- (2) Accrued default interest is notified to the related member by way of reporting via the member screens provided by Takasbank.
- (3) Takasbank collects the default interest and other legal obligations ex officio from the member's TMM Clearing (TPPTK) account.

## **Default management process**

## ARTICLE 51

- (1) The member that fails to timely fulfil its cash and collateral obligations and to pay off its debt within the periods specified herein power to execute transactions on TMM cannot trade on TMM due to suspension of its right to execute transactions.
- (2) The assets pledged as collateral by the member cannot be withdrawn until the related member's default is duly settled and rectified.
- (3) The member cannot utilize any Cash Credit from Takasbank throughout its default. The member that is in default in respect of its Takasbank Cash Credit cannot trade in the TMM during the period of such default.
- (4) Takasbank shall first refer to the TMM Clearing (TPPTK) account of the defaulting member and then to its collaterals if the cash held in its clearing account fails to be sufficient. If the member's collaterals will be used due to its default, Takasbank shall be entitled to sell, using best endeavors, the assets provided as collateral of the related transaction in the organized and/or over-the-counter markets and to cover its receivables from the proceeds thereof, without being obliged to fulfil any precondition such as serving any notice or warning, granting an additional time period, obtaining a permission or approval from the judicial or administrative authorities, converting the collateral into cash through an auction or another way. In the case that the used collateral is Borsa Istanbul share, Takasbank liquidates the collateral by transferring the collateral corresponding with the member's debt to Borsa İstanbul and offsets the amount obtained.
- (5) In case that the borrowing member's debt becomes immediately due and payable due to its failure to fulfil its margin call obligation; Takasbank shall be entitled to liquidate all debts of the related member by converting its collaterals into cash in accordance with the default provisions or a portion of its debts by starting from those that are nearest in terms of maturity date until the margin rate reaches the initial margin rate.
- (6) Takasbank decides on which collaterals of the defaulting TMM member will be converted into cash, considering their liquidity, the reason of the default and their impacts on the markets.
- (7) Takasbank may resolve the cash trade margin amounts and guarantee fund contributions of the defaulting member to be excluded from the interest accrual process.
- (8) In the use of collaterals, guarantee fund contribution shares and Takasbank resources to be applied in case of default of TMM members, the following priority should be taken in order:
  - a) The TMM Clearing (TPPTK) account balance and the collaterals in the accounts of the defaulted TMM member,
  - b) Guarantee fund contribution deposited by the defaulted TMM member,
  - c) Capital allocated by Takasbank,
  - d) Guarantee fund contributions deposited by the other TMM members,
  - e) Additional guarantee fund contributions that may be requested from TMM members,
  - f) The amount of the commitment made from the capital of Takasbank.

- (9) Takasbank's responsibility towards the lender in TMM operations shall be limited with the payment of the principal and the interest calculated over the principal amount on the maturity date of the transaction; whereas its responsibility towards the borrower shall be limited with the payment of the principal on the value date of the transaction, in accordance with the principles specified in this Procedure and the Directive. If Takasbank underpays or fails to pay the member's receivable on the value / maturity date of the transaction, it shall pay compensation payment to the member. The member cannot claim or request from Takasbank to indemnify its loss by asserting that the loss incurred exceeded the compensation payment.
- (10) Takasbank has the rights of clearing, offsetting and retention on the defaulting TMM member's assets held at Takasbank as well as such member's other rights and receivables.

## **Compensation Payment**

### **ARTICLE 52**

- (1) A compensation payment shall be made in accordance with the conditions set forth in the fifth paragraph to the underpaid member on the settlement date due to the default of the member in fulfilling its commitment. However, no compensation payment shall be made for any payment made with delay within the same day.
- (2) For making the compensation payment, no member request shall be sought. If, on the other hand, the member wishing not to receive any compensation payment informs Takasbank in writing of its request thereof, no payment shall be made to that member.
- (3) Two-thirds (2/3) of the default interest collected from the defaulting member shall be paid as a compensation payment against the delayed days to the member to whom payment has been failed to be made due to the defaulting member. If the default interest is failed to be collected, no compensation payment shall also be paid. The compensation payments are calculated on a daily basis.
- (4) The compensation payments shall be to the members' free current accounts at Takasbank.
- (5) In order for the compensation payment to be made;
- a) if the defaulting member has made a written objection, the objection should have been deemed null and the collection of the default interest should have been resolved,
  - b) the default should not have been originated from any problem occurred at the Exchange, Takasbank, CRA and CBRT system,
  - c) the beneficiary member should have been fulfilled its settlement obligations on time.

## **Objection to default**

### **ARTICLE 53**

- (1) The member subject to accrual of default interest may object to Takasbank on the grounds that the default has occurred due to the reasons arising from settlement, respective central clearing system or payment system and without any fault attributable to the member, or a material error/error in fact has been made in the calculation of default interest, or the related member has promptly fulfilled its obligations within the time periods specified in the Procedure.



- (2) Objections are filed with a letter and documents related to such objection attached to such letter, within 3 working days from the default accrual date at the latest.
- (3) The defaulting member's objection is evaluated and decided by the Default Committee established under the structure of Takasbank.
- (4) If the objection filed by the member is found justified, no default interest shall apply; and if such default interest is already collected, the related amount is refunded to the member.
- (5) In case of rejection of the objection, the decision is notified to the related member with a letter.
- (6) Any objection filed shall not preclude the payment of default interest within its due period.

## CHAPTER NINE

### Miscellaneous and Final Provisions

#### Exemption

##### ARTICLE 54

- (1) CBRT can trade in the TMM by being exempt from the provisions of chapters 2, 5, 6, 8 and articles 11 and 46.

#### Measures to be taken in extraordinary situations

##### ARTICLE 55

- (1) Takasbank shall be entitled to determine the measures to be taken in case of the occurrence of any extraordinary situation where it foresees the operations and reliability of the TMM may be adversely affected, and to implement these measures accordingly. In such cases, Takasbank shall also be entitled to alter the limits, change the risk calculation method and parameters, ask for additional collateral, amend the clearing periods and conditions, restrict collateral withdrawing with specific time and conditions, change the trading hours, stop the order placements, cancel the transactions and amend the maturities, and any other measure thereof.

#### Borsa Istanbul Shares

##### PROVISIONAL ARTICLE 1

- (1) Borsa İstanbul A.Ş. shares are accepted as collateral as long as the purchase guarantee of Borsa İstanbul A.Ş. continues.

#### Enforcement

##### ARTICLE 56

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



## Execution

### ARTICLE 57

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