

**PROCEDURE
ON
SETTLEMENT CREDIT
IMPLEMENTATION
PRINCIPLES**

TABLE OF CONTENTS

CHAPTER ONE	4
Purpose, Scope, Basis, Definitions and Abbreviations	4
ARTICLE 1- Purpose.....	4
ARTICLE 2- Scope.....	4
ARTICLE 3- Basis.....	4
ARTICLE 4- Definitions and Abbreviations.....	4
CHAPTER TWO	5
Transaction Limits, Credit Limits, Letters of Undertaking and Agreements	5
ARTICLE 5- Letters of Undertaking and Agreements.....	5
ARTICLE 6- Credit Limit.....	5
ARTICLE 7- Transaction limits	5
CHAPTER THREE	6
Credit Disbursement Process	6
ARTICLE 8- Notification of credit requests and credit disbursement hours	6
ARTICLE 9- Maturity and end-of-maturity payment cut-off times.....	6
ARTICLE 10- Types of settlement credits, their prices and payment principles	6
ARTICLE 11- Collateral.....	6
ARTICLE 12- Utilization of settlement credit amounts	7
CHAPTER FOUR	7
Credit Payment, Acceleration of Debt and Default	7

ARTICLE 13- Payment of Settlement credit debt.....7

ARTICLE 14- Acceleration of Settlement Credit debt.....7

ARTICLE 15- Default.....8

ARTICLE 16- Suspension of credit disbursement8

CHAPTER FIVE9

Miscellaneous and Final Provisions.....9

ARTICLE 22- Repealed procedure.....9

ARTICLE 23- Entry into Force.....9

ARTICLE 24- Execution9

PROCEDURE ON SETTLEMENT CREDIT IMPLEMENTATION PRINCIPLES

CHAPTER ONE

Purpose, Scope, Basis, Definitions and Abbreviations

ARTICLE 1- Purpose

- (1) The purpose of this Procedure is to set forth the principles and procedures regarding the Settlement credits extended/disbursed by the Bank.

ARTICLE 2- Scope

- (1) Settlement credits extended/disbursed by the Bank fall within the scope of this Procedure.

ARTICLE 3- Basis

- (1) This Procedure has been prepared based on the Bank Credits Regulation that has entered into force upon its approval at the Board of Directors' meeting no. 328 dated 25 May 2017.

ARTICLE 4- Definitions and Abbreviations

- (1) In the implementation of this Procedure; the following terms shall have the following meanings:
 - a) **Bank:** means Takasbank - Istanbul Takas ve Saklama Bankası A.Ş. (Istanbul Settlement and Custody Bank Inc);
 - b) **General Manager:** means the General Manager of the Bank;
 - c) **Settlement Credit:** means the credits extended to meet the Clearing and/or CCP members' daily fund requirements which they may need for fulfillment of their clearing or central clearing obligations;
 - d) **BIST:** means Borsa Istanbul Inc.;
 - e) **Member:** means the institution for which Settlement Credit limit is allocated.

CHAPTER TWO

Transaction Limits, Credit Limits, Letters of Undertaking and Agreements

ARTICLE 5- Letters of Undertaking and Agreements

- (1) Settlement Credit letter of undertaking is used for credit transactions.

Settlement Credit Letter of Undertaking: This is the letter of undertaking that should be addressed to the Bank and signed by the members wishing to use settlement credit. The members cannot use credit of an amount higher than the amount of the letter of undertaking that they have signed.

ARTICLE 6- Credit Limit

- (1) A “**Settlement credit limit**” is allocated by the Bank to the members, which designates the upper limit of the credit that they can use.
- (2) For allocation of a credit limit to a member, the related member must have received at least C rating score as a result of the internal rating analysis performed by Takasbank.
- (3) Settlement credit limits are notified to members in written form in a confidential manner and revised in specific time periods.
- (4) If the members have limit increase and limit transfer requests, then such requests shall be evaluated and tried to be concluded in the shortest time possible.

ARTICLE 7- Transaction limits

- (1) The settlement credits have no lower amount limit.
- (2) The upper amount limit of the settlement credits is up to the Settlement credit limit allocated.
- (3) The amount to be allocated cannot exceed 75% of the total collateral obligation of the member in the Equity Market on the date of request of the credit.

CHAPTER THREE

Credit Disbursement Process

ARTICLE 8- Notification of credit requests and credit disbursement hours

- (1) The members shall convey their requests for extension of a Settlement credit to Takasbank every day (until 14:30; or until 10:30 a.m. for half business days) by sending their instructions signed by the authorized signatories of the related institutions via fax/electronic mail. Instructions shall be valid until the receipt of their originals. The Bank shall have the right to not meet these requests either in part or as a whole.
- (2) Settlement credit utilization requests met by the Bank shall be notified to the members by the Bank within the same day via fax/electronic mail.

ARTICLE 9- Maturity and end-of-maturity payment cut-off times

- (1) The maximum maturity of the settlement credits is O/N (overnight). The credit cannot be disbursed for more than 2 times successively; it can be extended after an interval of 1 usage period (overnight).
- (2) The members are obliged to pay their debts at the end of the maturity of their credits that they have used on account until 14:30 at the latest on the maturity date of the credit. The credit principal debts are collected from the blocked collateral account; and the related interest and commission debts are collected from the free accounts of the institutions.
- (3) No new credit can be disbursed to the member unless and until the interest debts have been collected.

ARTICLE 10- Types of settlement credits, their prices and payment principles

- (1) Settlement credit is extended on an O/N (overnight) basis.
- (2) The Bank shall determine the daily interest rate for the credit. At the end of maturity of each credit transaction, the interest amount calculated over the interest rate designated by the Bank and the legal deductions to be applied on such interest shall be collected.

ARTICLE 11- Collateral

- (1) The members shall use credits without providing collaterals in consideration for signing of the "Settlement Credit Letter of Undertaking" signed with our Bank and containing the amount designated for their Settlement credit transactions. Our Bank

reserves its right to request for personal sureties/guarantees from the partners of the institution together with the letter of undertaking if and when deemed necessary.

ARTICLE 12- Interest accrual of settlement credit amounts

- (1) The Settlement Credit amounts transferred to Margin as a blocked amount are utilized by Takasbank Fund Management.
- (2) From the gross accretion interest amounts gained after utilization of Settlement Credit transferred as margin, BITT (Banking and Insurance Transactions Tax) and other statutory costs and the commissions and charges deducted by Equity Market are deducted; then, the remaining balance is added to the relevant accounts as accretion interest on the next business day.

CHAPTER FOUR

Credit Payment, Acceleration of Debt and Default

ARTICLE 13- Payment of Settlement credit debt

- (3) The credit debt shall be paid by way of collection of the principal of the credit, its interest and legal deductions from the accounts until 14:30 at the end of maturity. The principal, interest and the legal deductions to be collected over the interest may be collected from separate accounts.

ARTICLE 14- Acceleration of Settlement Credit debt

- (1) The Settlement Credit shall become immediately due and payable in the following circumstances:
 - a) The failure of the members to fulfil their end-of-maturity obligations of their Settlement Credits;
 - b) Temporary or permanent suspension of the member's transactions by the competent administrative and judicial authorities;
- (2) In the event the credits become immediately due and payable and the members fail to fulfil their obligations, the default provisions shall apply.

ARTICLE 15- Default

- (1) In case of any default, the cash of the member held at the Bank shall be offset against its debts. If the available cash amount cannot cover the member's debt, the legal process is initiated for collection of the credit from the institutions from which personal sureties/guarantees have been received.
- (2) During the default period, a default interest shall be charged to the total debt. The default interest rate is 50% more of the higher interest rate applied to the Settlement credit by the Bank on the date the default has occurred.
- (3) The defaulting member cannot use Takasbank Cash Credit during the default period; in addition, the member falling into default in relation to Takasbank Cash Credit and in Takasbank Money Market cannot also use any Settlement credit during the default period.

ARTICLE 16- Suspension of credit disbursement

- (1) The allocated credit limit is not a commitment of the Bank. Credit disbursement can be suspended by the Bank, whenever deemed necessary.
- (2) In case of occurrence of any financial and legal adversity such as any protest, attachment, preliminary injunction, etc. or receipt of any negative intelligence about the Member institution during the continuation of the member's credit relationship, credit disbursement may be suspended by the Bank and the member's outstanding credit can be ex-officio closed out without any further notice related thereof. If the member proves with legally valid documents that its unfavourable conditions have ceased; then the Bank may restart the disbursement of the credit.
- (3) In case of occurrence of any of the situations referred to in the subparagraph (a) below, the member's credit debt shall be liquidated and the credit disbursement shall be stopped. If any of the situations referred to in subparagraphs (b), (c) and (d) below occurs, the credit debt shall be liquidated, the credit disbursement shall be stopped and the Institution's credit limit shall be cancelled:
 - a) The institutions whose activities are temporarily or permanently suspended;
 - b) The institutions determined to have no creditworthiness as a result of the intelligence, financial analysis and/or rating studies conducted by the Bank in a periodical manner;
 - c) The institutions against whom any legal proceeding is initiated by the Bank or other financial institutions and public entities and institutions due to failure to pay their debts;

- d) The institutions that have lost their ratings and equity criteria as a result of the intelligence, financial analysis and/or rating studies conducted by the Bank in a periodical manner.

CHAPTER FIVE

Miscellaneous and Final Provisions

ARTICLE 22- Repealed procedure

- (1) The Procedure on Settlement Credit Implementing Principles enforced on 25 July 2017 has been repealed as of 26 October 2017.

ARTICLE 23- Entry into Force

- (1) This Procedure shall enter into force on 26 October 2017.

ARTICLE 24- Execution

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