

TAKASBANK-İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
PROCEDURE ON THE SETTLEMENT CREDIT MECHANISM RULES

CHAPTER ONE

General Provisions

ARTICLE 1 – Purpose

(1) The purpose of this Procedure on the Settlement Credit Mechanism Rules is to stipulate the principles and procedures of the credit mechanism that has been established for BIAS Equity Market participants by Takasbank-İstanbul Takas ve Saklama Bankası A.Ş. to meet their short-term fund needs which might arise during the restoration of collateral requested to cover the risks resulting from that market.

ARTICLE 2 – Scope

(1) The Procedure on the Settlement Credit Mechanism Rules covers the implementing principles for the settlement credit mechanism of Takasbank-İstanbul Takas ve Saklama Bankası A.Ş.

ARTICLE 3 – Basis

(1) The Procedure on the Settlement Credit Mechanism Rules has been prepared based on article 10 of the Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, article 23 of the Regulation on Activities of Payment and Securities Settlement Systems, the Directive on Takasbank-İstanbul Takas ve Saklama Bankası A.Ş. , Borsa Istanbul A.Ş. Equity Market Clearing and Settlement and Central Counterparty Service Principles, the Procedure on İstanbul Takas ve Saklama Bankası A.Ş., Borsa Istanbul A.Ş. Equity Market Clearing and Settlement and Central Counterparty Service Principles and Takasbank Credits Directive.

ARTICLE 4 – Definitions and Abbreviations

(1) The following terms used in this Settlement Credit Mechanism Rules shall bear the following meanings;

- a) **Bank:** Takasbank - Takasbank-İstanbul Takas ve Saklama Bankası A.Ş.
- b) **General Manager:** The General Manager of Takasbank-İstanbul Takas ve Saklama Bankası A.Ş.

- c) **Participant:** The CCP members authorized by Takasbank to become a party to the clearing and settlement services provided as central counterparty in Borsa Istanbul A.Ş. Equity Market in accordance with article 6 of the Central Counterparty Regulation and the institution for whom a Settlement Credit has been allocated.
- ç) **Borsa / BIAS:** Borsa Istanbul A.Ş.
- d) **Takasbank:** Takasbank-İstanbul Takas ve Saklama Bankası A.Ş. operating at Reşitpaşa Mahallesi, Borsa Istanbul Caddesi, No: 4 Emirgan, Sarıyer, 34467 Istanbul/ Turkey.
- e) **Takasbank Money Market (TMM):** The market established and operated by the Bank, which facilitates the matching of bids and offers of the members who have excess funds and/or fund needs.
- f) **CBRT:** The Central Bank of the Republic of Turkey
- g) **CCP:** The Central Counterparty.
- ğ) **Market:** Borsa Istanbul A.Ş. Equity Market.

CHAPTER TWO

Principles for the Use of Settlement Credit

ARTICLE 5 – Conditions for the participants

- (1) They must be a member of Borsa Istanbul A.Ş. Equity Market.
- (2) The Letter of Settlement Credit Undertaking and the pre-agreement information form of these letters of undertaking must have been signed.
- (3) The membership conditions for the Market subject to the margin call must have been fulfilled.
- (4) Other information and documents to be requested by the Bank must have been submitted.

ARTICLE 6 – Limit

- (1) The Bank allocates a “Settlement Credit Limit” setting out the upper limit of the credit that the participants can use.
- (2) In order to allocate a limit to the participant, it must have a minimum “C” rating note as a result of the internal credit rating conducted by the Bank.
- (3) The settlement credit limits shall be informed in writing to the participants in strict confidence and updated at least once a year.

(4) In case the participants have any limit increase and limit transfer request, such requests shall be reviewed and tried to be concluded in the shortest time possible.

ARTICLE 7 – Participant’s commencement of the activity

(1) The institutions who have met the conditions referred to in article 5 “conditions for the participants” above and to whom a “settlement credit limit” has been allocated shall become entitled to use credit.

ARTICLE 8 – Transaction limits

(1) The settlement credit has no lower amount limit.

(2) The upper amount limit of the settlement credit shall be up to the settlement credit limit” being allocated.

(3) For the accounts whose margin amount falls below the required margin level or which have Turkish Lira collateral deficiency, the amount to be allocated cannot exceed 75% of the amount for which the margin call is issued at the end of each business day and which is required to be restored on the next day.

(4) The maximum term of the settlement credit is overnight (O/N). The credit cannot be extended more than two consecutive times, and the credit shall be made re-available after giving at least one business day break.

CHAPTER THREE

Credit Extension Process

ARTICLE 9 – Term and the maturity payment hours

(1) The participants are obliged to pay their debts on account until 14:45 at the latest at the end of the term of the credit they have used. The credit principal debts shall be collected from their blocked margin accounts, and their interest and commission debts shall be collected from the free accounts of the institutions.

(2) No credit shall be made available to the participant unless its interest debts are fully collected.

ARTICLE 10 – Settlement credit utilization principles

(1) The settlement credit is extended overnight (O/N).

(2) A margin call must have been issued in the relevant Market on which the credit is requested.

(3) The Bank sets a daily interest rate for the Bank. At the maturity of each credit transaction, the interest amount calculated over the interest rate determined by the Bank shall be collected together with the legal deductions to be charged on the interest.

(4) The participants submit their Settlement Credit requests signed by the company officers to the Bank via electronic mail/fax. The instructions shall be valid until delivery of their originals. The Bank shall fulfill such requests until 14:45, and until 10:45 on half-business days. The Bank shall be entitled to not to partially or fully fulfill the instructions.

(5) The Settlement Credit utilization requests fulfilled by the Bank shall be informed to the participants by the Bank within the same day through the banking screens or via electronic mail/fax.

(6) The extended credit shall not be credited to the free accounts of the participant but it shall be transferred to PYIKR (Settlement Credit Account) blocked margin account being opened in the name of the participant.

ARTICLE 11 – Security

(1) The participants use credit by signing the amount-indicated “Letter of Settlement Credit Undertaking” they have executed with our Bank for the Settlement Credit transactions. Along with the letter of undertaking, Our Bank shall reserve its right to request personal guarantee of the company partners it may deem necessary.

ARTICLE 12 – Interest accrual on the Settlement Credit amounts

(1) The Settlement Credit amounts credited to the trade margin in a blocked manner are accrued interest by the Bank with the best possible conditions by taking account of the credit risk and liquidity conditions. The accrual process is performed within the limits of the Bank by way of placing the amount subject to the interest to the banks as deposit or depo and making it subject to a repo transaction. Interest accrual may not be performed in case of extraordinary market conditions. No interest shall be paid if the interest accrual is failed to be performed by the Bank due to market conditions.

(2) The balance remaining after deducting the Bank and Insurance Transaction Tax (BITT) and other legal costs and the amount to be collected by the Bank, from the gross interest amounts earned from accrual of interest on the Settlement Credit amount shall be credited as interest to the relevant account of the participant at the Bank.

(3) The members wishing to receive no interest should convey their requests to Takasbank in writing.

CHAPTER FOUR

Closing the Credit, Acceleration and Default

ARTICLE 13 – Closing the Settlement Credit debt

(1) The credit debt shall be closed at the maturity by collecting the principal amount of the credit from the blocked account and the interest and legal deductions from the free account of the participant until 14:45.

ARTICLE 14 – Acceleration of the Settlement Credit debt

(1) The Settlement Credit shall become due and payable in case of following situations;

- a) When the term of the participant’s Settlement Credit becomes due.
- b) When the operations of the participant are temporarily or permanently suspended by the competent administrative and judicial authorities.

ARTICLE 15 – Principles for Default Process

(1) In case of occurrence of any situations referred to in article 14, the member failing to fulfill its obligations shall be deemed to have defaulted without the need for any further notice.

(2) In case of default, the amount in the participant’s free account at the Bank shall be offset against its debt. If the cash amount fails to cover the participant’s debt, the credit collection shall be made by initiating a legal process for the companies from which personal guarantee has been received.

(3) A default interest shall be charged on total debt throughout the default period.

(4) Default interest rate shall be 50% more than the highest interest rate applied by the Bank for the settlement credit on the day the default has occurred.

(5) In calculating the default interest, the period between the default date and the date on which the obligation is fulfilled shall be taken into account.

(6) The default interest shall be collected together with its legal obligations from the members who have fulfilled their obligations after the designated time period.

(7) The defaulting participant cannot use “Takasbank Cash Credit” during the default period. In addition, the participant who has defaulted in Takasbank Money Market and Takasbank Cash Credit cannot use settlement credit during the default period.

(8) The interest amount to be paid to the defaulting member shall not be left to the free use of the member but it shall be used for the payment of the default debt.

(9) The default interest is calculated by the following formula and the legal obligations are added, if any.

$$\text{Default Interest} = (\text{Base amount} * (\text{base interest rate}/100) * (\text{days}/360))$$

(10) The member shall be notified of the accrued default interest by the Bank in writing and/or through reporting.

ARTICLE 16 – Objection to the default

(1) The default interest-accrued member may object at the Bank based on the reasons that the default has occurred without its own fault due to problems arisen from the clearing and settlement, relevant central depository system or payment system or on the fact that a material mistake has been made in calculating the default interest or it has timely fulfilled its obligations within the time periods set forth in the Procedure.

(2) The objections shall be made at the latest within 1 week from the default accrual date with a letter accompanied by the documents related to the objection.

(3) The objection of the defaulting member shall be evaluated and resolved by the Default Committee established within the body of the Bank.

(4) If the objection made by the member is justified, the default interest shall not be applied, and if it has already been collected, the relevant amount shall be refunded to the member.

(5) If the objection is declined, the decision shall be informed to the relevant member via a letter.

(6) The objection shall not inhibit the payment of the default interest within its time period.

ARTICLE 17 – Suspending the credit extension

(1) The allocated credit limit is not a commitment of the Bank. The credit extension can be suspended by the Bank when necessary.

(2) If, throughout the credit relationship, the participant experiences any financial and legal adversity such as protest, garnishment, precautionary attachment, etc. or in case any negative intelligence is received about the Company, the Bank may suspend the extension of the credit and its outstanding credit can be ex-officio closed without any notice. If the discontinuation of the adverse conditions is justified by the Company with legally valid documents, the Bank may re-start the credit extension.

(3) Upon occurrence of either one of the situations referred to in the items (a) and (b) below, the credit debt of the participant shall be liquidated and the credit extension shall be suspended; and in case either one of the situations referred to in the items (c) and (ç) below occurs, the credit debt shall be liquidated, the credit extension shall be suspended and the credit limit of the company shall be revoked.

a) Those whose activities are temporarily or permanently suspended.

- b) Those who have lost their credit ratings and the equity criteria set forth as a result of the intelligence, financial analysis and/or credit rating study conducted by the Bank in a periodic manner.
- c) Those who have identified to have no creditworthiness as a result of the intelligence, financial analysis and/or credit rating study conducted by the Bank in a periodic manner.
- (ç) Those against whom a legal proceeding has been initiated by the Bank or other finance companies and public entities and institutions due to failing to pay their debts.

CHAPTER FIVE

Miscellaneous and Final Provisions

ARTICLE 18 – Extraordinary situations

(1) The Bank is entitled to determine and enforce the measures to be taken in accordance with articles 9 and 10 of the Procedure on the Settlement Credit Mechanism Rules in case of presence of any extraordinary situation which it foresees the settlement credit practice may adversely affect the Bank. The Bank can suspend the credit extension independently from them, and shall inform these measures and implementations to the CBRT.

ARTICLE 19 – Disciplinary Provisions

(1) The following disciplinary provisions shall be applied to the participants failing to comply with the obligations stipulated in the Procedure on the Settlement Credit Mechanism Rules. The Bank can make the necessary decisions for a period of time that it would deem appropriate, including partially or fully rejecting the credit requests of the participants;

- a) Failing to comply with the regulations prepared by the Bank.
- b) Failing to fulfill their obligations resulting from the daily operations at the designated time.
- c) Failing to provide the information and documents required by the Bank for their business and transactions and failing to fulfill any amendment required to be made or performed.

(2) The participants whose trading are temporarily or permanently suspended shall be informed to the CBRT.

ARTICLE 20 – Business Continuity

(1) The business continuity plan and emergency rules have been stipulated by “Takasbank Business Continuity Directive” and by the sub-regulations and continuity plans associated to

Takasbank Business Continuity Directive. The general policy texts related to the business continuity shall be announced to the participants through the Bank's website.

ARTICLE 21 – Amendment to the Settlement Credit Mechanism Rules

(1) The Bank is entitled to make amendment to this “Procedure on the Settlement Credit Mechanism Rules”. If any amendment to these rules is made subject to approval of the competent authorities pursuant to the relevant legislation, such amendments shall be implemented following the said approval.

ARTICLE 22 – Announcements

(1) The details and revisions on the issues falling into the scope of this Mechanism Rules shall be announced to the participants through the General Letters or the Announcement to be published by the Bank.

TEMPORARY ARTICLE-1 (1) Membership of the institutions trading as a Settlement Credit member, which have signed the Letter of Settlement Credit Undertaking and the pre-agreement information form as of the enforcement date of the Procedure on the Settlement Credit Mechanism Rules shall continue to remain in force.

ARTICLE 23 – Enforcement

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

(2) The “Procedure on Settlement Credit Implementing Principles” shall be repealed as of the enforcement date of this Procedure.

ARTICLE 24 – Execution

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