

## ISTANBUL SETTLEMENT AND CUSTODY BANK INC.

### BORSA ISTANBUL INC. DEBT SECURITIES MARKET DIRECTIVE ON CLEARING AND SETTLEMENT AND CENTRAL COUNTERPARTY SERVICE PRINCIPLES

#### CHAPTER ONE

##### General Provisions

###### Purpose

**ARTICLE 1-** (1) The purpose of this Directive is to regulate the principles and procedures regarding membership, collateral, clearing and settlement, default, discipline and revenues as well as the custody, exercise of a right, transfer operations and other issues related with the clearing and settlement and central counterparty services to be provided by Istanbul Settlement and Custody Bank Incorporation as the central clearing agency for Borsa Istanbul Inc. Debt Securities Market.

###### Scope

**ARTICLE 2-** (1) This Directive covers the matters regarding membership, collateral, clearing and settlement, default, discipline and revenues as well as the custody, exercise of a right, transfer operations and other issues related with the clearing and settlement and central counterparty services to be provided by Istanbul Settlement and Custody Bank Incorporation as the central clearing agency for Borsa Istanbul Inc. Debt securities Market.

###### Basis

**ARTICLE 3-** (1) This Directive has been prepared in accordance with the articles 77 and 78 of the Capital Markets Law no. 6362 published in the Official Gazette no. 28513 dated 30/12/2012, article 10 of the Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions published in the Official Gazette no. 28690 dated 27/06/2013 and Istanbul Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation published in the Official Gazette no. 28711 dated 18/07/2013, Istanbul Settlement and Custody Bank Inc. Central Counterparty Regulation published in the Official Gazette no. 28735 dated 14/08/2013 and the Regulation on Activities of Payment and Securities Settlement Systems published in the Official Gazette no. 29044 dated 28/06/2014.

###### Definitions and Abbreviations

**ARTICLE 4-** (1) The following terms used in this Directive shall bear the following meanings;

- a) **Open Offer Method:** The method where Takasbank interposes itself between the Market participants becoming seller against buyer or buyer against seller at the time the transaction is matched.
- b) **Debt Securities:** Bonds, share convertible bonds, exchangeable bonds, bills, precious metal securities, lease certificates (sukuk) drawn and issued in accordance with the provisions of the relevant legislation by the issuers in their capacity as debtor as well as all capital market instruments whose nature is accepted as debt instrument by the Board.
- c) **Exchange/BİAŞ:** Borsa Istanbul Incorporation.

- ç) **Multiple Position Account:** The accounts opened at Takasbank in the name of the CCP members, where positions belonging to the members' own portfolios or their customers are monitored in an aggregated manner but where, in any event, the positions pertaining to the CCP member itself and the positions pertaining to its customers are segregated.
- d) **Valued Collateral:** The amount calculated by applying collateral valuation haircuts, group limits and lower group limits to the total collateral deposited
- e) **GDDS:** The government domestic debt securities.
- f) **EFT:** The Electronic Fund Transfer System.
- g) **ESTS:** The Electronic Securities Transfer System.
- ğ) **General Manager:** The General Manager of Istanbul Settlement and Custody Bank Inc.
- h) **General Regulation:** The General Regulation on the Establishment and Operating Principles of the Central Clearing and Settlement Institutions published in the Official Gazette no. 28662 dated 30/05/2013.
- ı) **Intra-day Risk Calculation:** Risk and collateral valuations made by using the last balances and prices of collateral and positions determined during the day.
- i) **Issuer:** The legal persons issuing the capital market instruments, applying to the Board to issue them, or whose capital market instruments are offered to public.
- j) **Trading Institution:** An institution having authorization to trade in the market but executes settlement of the obligations of such transactions through intermediation of a general CCP member.
- k) **Law:** The Capital Markets Law No. 6362 published in the Official Gazette dated 30/12/2012 and numbered 28513.
- l) **Collective Investment Undertakings:** The mutual funds, private pension funds and investment trusts.
- m) **Board:** The Capital Markets Board.
- n) **CRA:** The Central Registry Agency Inc.
- o) **CCP:** The Central Counterparty.
- ö) **Securities:** Any type of capital market instrument traded at Borsa Istanbul Debt Securities Market and defined as securities in the Capital Markets Law no. 6362.
- p) **Central Counterparty Regulation:** Istanbul Settlement and Custody Bank Inc. Central Counterparty Regulation published in the Official Gazette dated 14/08/2013 and numbered 28735.
- r) **Central Clearing and Settlement Regulation:** Istanbul Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation published in the Official Gazette dated 18/07/2013 and numbered 28711.
- s) **PSDS:** The private sector debt securities.
- ş) **Market:** Borsa Istanbul Inc. Debt Securities Market.
- t) **Position:** Settlement payables and receivables arising in relation to the transactions conducted in the Market.
- u) **Procedure:** The implementing principles containing the procedures for operation and practices in accordance with the rules and principles regulated in the Directive, which have been approved by the General Manager.
- ü) **System:** Takasbank system established for clearing and settlement of the transactions being conducted in Borsa Istanbul Inc. Debt Securities Market.

- v) **Clearing and Settlement:** The definition of clearing and settlement referred to in the Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions and in the Central Counterparty Regulation.
- y) **Takasbank:** Istanbul Settlement and Custody Bank Incorporation.
- z) **Collateral accounts:** The accounts opened at Takasbank in the name of the CCP members, where margin requirement to be maintained by the members due to the positions of their own portfolio or of their customers portfolio is monitored.
- aa) **Collateral Received for Clearing and Settlement:** The amount collected from the members for the securities to which CCP service is not provided, in an effort to not to get affected from the risk of any price change of such securities subject to default during the time period elapsed from the occurrence of an event of default to its resolution.
- bb) **CBRT:** The Central Bank of the Republic of Turkey.
- cc) **TETS:** Takasbank Electronic Transfer System.
- çç) **TIC:** The cash accounts of the banks at the CBRT.
- dd) **Member:** The CCP members that are allowed, within the framework of the article 6 of the Central Counterparty Regulation, to become a party to the clearing and settlement services provided by Takasbank as the central counterparty in the Market.
- ee) **Investment Institution:** The brokerage houses that have received permission from the Board to engage in investment services and activities and other capital market institutions whose establishment and operating principles are determined by the Board to engage in investment services and activities, and the banks.
- ff) **Directive:** Istanbul Settlement and Custody Bank Inc. Borsa Istanbul Inc. Debt Securities Market Directive on Clearing and Settlement and Central Counterparty Service Principles.
- gg) **Board of Directors:** The Board of Directors of Takasbank.

## CHAPTER TWO

### Principles for Membership

#### Membership

**ARTICLE 5-** (1) The investment institutions meeting the requirements in article 8 of the Directive may become a member to the CCP service to be provided by Takasbank on the System for the transactions conducted in the Market provided that they are authorized by the Board of Directors. The CBRT is the natural member of the CCP service to be provided by Takasbank on the System for the transactions conducted in the Market, without requiring any application and assessment.

#### Membership types

**ARTICLE 6-** (1) The members are divided into two groups as direct CCP members and general CCP members. The CCP members are authorized to perform all transactions irrespective of whether or not the CCP service is provided in the Market. The direct CCP members are authorized to perform only the clearing and settlement transactions of themselves and/or of their customers.

(2) In addition to the clearing and settlement transactions of themselves and/or of their customers, the general CCP members are also authorized to perform the clearing and settlement transactions of the trading institutions.

(3) The general and direct CCP membership classification is made by taking into consideration the member's equity capital amount, the adequacy of their internal systems and technical infrastructure as well as the internal rating, financial analysis and intelligence studies carried out by Takasbank.

(4) The time for application for the general CCP membership in the Market is specified in the Procedure.

### **Transition between membership types**

**ARTICLE 7-** (1) The membership status of general and direct CCP members may be amended by considering their compliance with the conditions set forth by Takasbank. In this context, a direct CCP member may be accepted later as a general CCP member, likewise a general CCP member may also be accepted as a direct CCP member.

(2) The general CCP members may apply to become a direct CCP member. The applications of general CCP members to this effect may be accepted by Takasbank provided that all rights, obligations and accounts, if any, related to the trading institutions of which clearing and settlement transactions are executed transferred or settled completely.

(3) General CCP membership applications of the direct CCP members meeting the general CCP membership criteria shall be concluded by Takasbank.

(4) The members losing the general CCP membership eligibility conditions may be authorized as a direct CCP member in case they fail to meet the related criteria again within the time period specified by the Board of Directors from the date the loss of conditions has been notified to them by Takasbank. In such a case, transfer or settlement of all rights, obligations and accounts, if any, related to the trading institutions to another general CCP member must be completed. In case of failure to fulfill this requirement, article 13 of this Directive shall apply.

### **CCP membership conditions**

**ARTICLE 8-** (1) The right to determine and assess fulfillment of the membership conditions belongs to Takasbank and at least the following conditions must be met for membership:

- a) The conditions for membership of the Central Clearing and Settlement Regulation must be met.
- b) The trading authorization in the Market must not be revoked due to oppositions to the legislation.
- c) The CCP service-related agreements and/or undertakings whose content is determined by Takasbank must be signed and submitted to Takasbank.
- ç) Their financial structure must be at a level to fulfill their commitments towards Takasbank.
- d) Other information and documents to be requested by Takasbank must be submitted.
- e) The declaration in the format compatible with the template set by Takasbank for their data processing, risk management, internal control and internal audit systems must be approved by the Board of Directors of the Members and submitted.
- f) For the brokerage houses to become a direct CCP Member;
  - i.They must have a limited or general custody service license pursuant to the relevant legislation.



- ii.They must have a minimum equity capital of 10.000.000 TRY.
- iii.They must hold at least D rating as a result of the internal rating conducted by Takasbank.
- g) For the banks to become a direct CCP Member;
  - i.They must have a limited or general custody service license pursuant to the relevant legislation.
  - ii.They must have a minimum equity capital of 50.000.000 TRY.
  - iii.They must hold at least D rating as a result of the internal rating conducted by Takasbank.
- ğ) For the brokerage houses to become a general CCP Member;
  - i.They must have obtained the operating permit related to general custody service, which enables them to provide the custody of positions and collateral arising from the transactions being conducted.
  - ii.They must have a minimum equity capital of 75.000.000 TRY.
  - iii.They must hold at least B rating as a result of the internal rating conducted by Takasbank.
- h) For the banks to become a general CCP Member;
  - i.They must have obtained the operating permit related to general custody service, which enables them to provide the custody of positions and collateral arising from the transactions being conducted.
  - ii.They must have a minimum equity capital of 500.000.000 TRY,
  - iii.They must hold at least B rating as a result of the internal rating conducted by Takasbank.

(2) In the context of the internal rating study conducted by Takasbank to determine the rating of the company; the financial statements of such company, its activity report, company introductory information form, company key information form, its trading volumes in the markets, TRY custody balances, default and intelligence information, and the ratings received from the rating agencies, if any, and the market intelligence information and the news in the visual and printed media are used. Takasbank announces on its web site the parameters used in the internal rating methodology it adopts and the effect of these parameters on the rating notes.

(3) Takasbank is authorized to determine the minimum criteria that it would seek for technical infrastructure, data processing, risk management, internal control and internal audit systems, to grant time for compliance to institutions failing to meet the prescribed criteria, to get commitment and to check whether the criteria have been met or not.

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

## **Membership application and admission**

**ARTICLE 9-** (1) The institutions to be applied for membership are required to submit their application request addressed to the Takasbank Head Office together with a letter accompanied by the information and documents affirming the fulfillment of the conditions prescribed for membership in this Directive and to send the information and documents referred to in article 10 of the Central Counterparty Regulation as well as the following documents by appending them to the aforementioned letter to Takasbank.

- a) Membership application form,
- b) Authorization certificate,

- c) Document to be received from the Exchange, which verifies that the investment institution applying for a direct CCP membership are operating in the Market,
- ç) Membership Agreement and Pre-Agreement Information Form,
- d) Letter of Undertaking for Cash, Assets, Collateral, RTGS (Real Time Gross Settlement) and Electronic Funds Transfer (EFT) Instruction,
- e) Implementation Agreement for the Customer Instructions to be sent to Istanbul Settlement and Custody Bank Inc. via Fax Machine,
- f) Other documents that may be requested by Takasbank in accordance with the relevant legislation.

(2) For the membership applications to be eligible for assessment by Takasbank, the information and documents referred to in the first paragraph of this article as well as other documents that may be requested by Takasbank must have been completed. The filed applications shall be reviewed by Takasbank in terms of whether the conditions laid down in article 8 have been met or not. The decision made by Takasbank on the application shall be notified to those concerned within 2 months in writing.

(3) In order to commence its operations with Takasbank, the institution whose membership application is accepted should, within 1 month from the notification that its membership application has been found eligible;

- a) Deposit the membership admission fee,
- b) Deposit the membership collateral,
- c) Deposit the Guarantee Fund contribution amount,
- ç) Authorize the personnel who will trade on behalf of the Member in Takasbank system.

Otherwise the membership permission given to the relevant institution shall be revoked. The date on which such obligations have been fulfilled shall be deemed the date on which the institution has become a member to the clearing and settlement service provided in the Market, and the member shall become entitled to trade from that date.

## General obligations of members

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

- a) Act in accordance with all rules and principles laid down in this Directive and the other relevant legislation for the market clearing and settlement transactions and the central counterparty service.
- b) Act in accordance with the principles of honesty and good faith towards their customers and other members,
- c) Deposit the guarantee fund contribution amounts stipulated by Takasbank,
- ç) Take all necessary measures to ensure sustainability of the internal control, risk management and internal audit mechanisms necessary to become a CCP member,
- d) Inform the customers on the fact that the positions of other customers are also monitored in the multiple customer position accounts, that the collaterals associated with such accounts shall be used for the total risk arising from multiple position account, and that it is acknowledged by Takasbank that collaterals associated with such accounts belong to the member,
- e) Cover the collateral to be deposited for the portfolio accounts entirely from their own assets,

- f) Cover the collateral to be deposited for multiple customer position accounts from their own collateral or from the collateral on which it has gained the right of disposition in accordance with the Law,
  - g) If the collateral deposited for multiple customer position accounts have been obtained from the customers or other persons and institutions through transfer of ownership agreements, establish an effective recording and monitoring system which would ensure safekeeping of transfer of ownership agreements and matching of the customers, persons and institutions from which the collaterals have been obtained with the collateral deposited in the multiple customer position accounts,
  - ğ) Act in accordance with all principles and rules stipulated in the Law and other relevant regulations for monitoring and safekeeping of customer assets and collateral,
  - h) Fulfil the dues, charges, commissions and other obligations required by Takasbank in due time,
  - ı) Adapt the system revisions to be made by Takasbank within the prescribed time periods and participate in the tests,
  - i) Establish constant reconciliation between the records of the position accounts at Takasbank and of the portfolio/customer positions and collateral at itself,
  - j) Deposit the collateral to the relevant collateral accounts at Takasbank,
  - k) Convey all type of information and documents to be requested on issues deemed necessary by Takasbank and the Board in relation to their business and transactions within the scope of this Directive, and provide any support in the investigations to be carried out by those commissioned by Takasbank and the Board,
  - l) In addition to the books and records required to be kept legally, keep other records determined by Takasbank, draw the information and documents in due form; and convey them to Takasbank in a periodic manner or at times requested by Takasbank, and maintain such documents and records for a period of 1 year,
  - m) Fulfill other obligations under this Directive in a complete manner and within their time periods.
- (2) If any Member foresees that it will be unable to either partially or fully fulfill its obligations, this Member is obliged to notify such situation immediately to the Board and other relevant public entity and institutions together with all substantiating information and documents describing its reasons thereof. Such notification shall not constitute an impediment for Takasbank to take the necessary measures stipulated in this Directive.

## **Responsibilities of General CCP Members**

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

(2) A general CCP member shall be responsible for monitoring whether or not the obligations referred to in article 12 have been fulfilled by the trading institutions of whose custody and settlement operations

it performs; taking all necessary measures in cases where it is determined that such obligations have not been fulfilled; and acting in accordance with the provisions set forth in the third paragraph of the same article in cases where it is also determined that such obligations have still not been fulfilled despite the measures.

(3) The general CCP member shall be relieved from its responsibility referred to in the second paragraph of this article provided that all rights, obligations and accounts of the relevant trading institution towards Takasbank resulting from the transactions it has conducted in the Market are liquidated or transferred to another general CCP member.

## Trading Institutions

**ARTICLE 12-** (1) The positions and collateral of the trading institutions are monitored in the exclusively opened sub-accounts linked to the general CCP members.

(2) The trading institutions are obliged to ensure the following issues:

- a) Comply with the regulations stipulated in this Directive and in the Procedure to be issued based on this Directive for the collateralization procedures and monitoring of positions and collateral at their structure as well as at the general CCP member.
- b) Act in accordance with all rules and principles laid down in the Law and other relevant regulations for monitoring and safekeeping of customer assets and collateral.
- c) Establish continuous reconciliation between their customers' accounts at the general CCP member they are affiliated to and the records of the customer positions and collateral at their structure.
- ç) Ensure that their customers are informed in an accurate and complete manner of the fact that the power of disposition on the collateral accounts of their customers opened at the general CCP member or Takasbank belongs to the relevant general CCP member and that, this power is restricted by Takasbank as to be limited only to the accounts at their structure and the margin requirement.
- d) Convey all type of information and documents to be requested on issues deemed necessary by the relevant general CCP member, Takasbank and the Board in relation to their business and transactions within the scope of this Directive, and provide any support in the investigations to be carried out by those commissioned by Takasbank and the Board.

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

(4) In cases where the relevant trading institution has failed to fulfill its obligations despite all measures taken by the general CCP member, the positions and collateral of the customers of the trading institution, upon request of the relevant CCP member conveyed to Takasbank, shall be transferred to the relevant general CCP member making the request in accordance with the agreement between each other in order to ensure protection of the customers of the trading institutions. The transfer shall be made by taking into account of the prices of the positions and collateral determined by Takasbank. The trading institution shall notify the ownership information of the transferred customer positions and collateral to the Member taking over them. Takasbank shall inform the Board and the relevant public authority of the transfer operation within 1 business day together with the reasons of such transfer received from the relevant



general CCP member.

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

### **Restriction of member activities**

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

- a) Suspension of its activities in the markets or the capital market instruments for which clearing and settlement service is provided or termination of membership pursuant to article 13 of the Central Clearing and Settlement Regulation or article 14 of the Central Counterparty Regulation.
- b) Failure to fulfill the obligations stipulated in the Directive, the Procedure and the membership agreement.
- c) Identification of any unfavorable situation for the member such as protest, seizure, provisional injunction, etc., or temporary or permanent suspension of its activities, cancellation of its relevant operating permit, prohibition to conduct any transaction for the capital market instruments traded in the Market for any reason, or decision rendered on its gradual liquidation or bankruptcy or receipt of any negative intelligence about it.
- ç) Determination of the fact that the creditworthiness of the member has either diminished or does not exist at all as a result of the intelligence, financial analysis and/or rating studies periodically conducted by Takasbank.

(2) If any situation referred to in this article occurs, Takasbank may resolve the outstanding positions of the Member to be liquidated either in part or in whole.

(3) If the member's activities are restricted for reasons referred to in this article, the situation shall be immediately notified to the Exchange, the Board and the relevant public authority.

### **Termination of membership**

**ARTICLE 14-** (1) The CCP membership may be terminated by the Board of Directors' decision if any of the following takes place;

- a) Determination by Takasbank that any of the CCP membership conditions stipulated in this Directive and other relevant regulations is no longer met.
- b) Determination by Takasbank that risks of significant nature that would jeopardize the secure and uninterrupted functioning of the CCP system have arisen due to failure to fulfill the obligations stipulated in this Directive or other relevant regulations.
- c) Failure of the CCP members whose operations have been restricted in accordance with the provisions of the second paragraph of article 14 of the CCP Regulation to fulfil their respective obligations within a maximum period of six months granted to them pursuant to the sixth paragraph of the same article.
- ç) Upon direct request of the member.

(2) Those intending to terminate their CCP membership in accordance with the item (ç) of the first paragraph of this article shall notify Takasbank of the situation in writing. However, the relevant member intending to terminate its CCP membership must have fulfilled all of its obligations under the Directive and other relevant regulations. In such cases, the Board of Directors may consent the termination of its CCP membership. If the request for termination of the membership is submitted without fulfilling all obligations

under the Directive and other regulations, the member shall be given a period of 30 days for fulfilling such obligations. The member that fulfills such obligations within the period of time granted shall notify Takasbank of such case in writing, and the request for termination by the member shall be addressed at the next meeting of the Board of Directors following such notification. Members who fail to fulfill such obligations within a period of 30 days may only apply for terminating their membership once they have closed all their positions.

- (3) Takasbank seeks the opinion of the Exchange in terminating the membership of a CCP member.
- (4) Takasbank shall be entitled to take all necessary measures, including the transfer of positions of the relevant trading institutions and of their customers to another general CCP member, to ensure systematic and uninterrupted processing of the transactions of the trading institutions whose clearing and settlement operations are performed by those whose CCP membership has been terminated.
- (5) Even after the termination of CCP membership, the obligations of the relevant institution against Takasbank under this Directive and other relevant regulations in relation to the transactions conducted until the date of the Board of Directors' decision regarding the termination of membership shall prevail.
- (6) The Board, other relevant public entities and institutions and the relevant market operator must be immediately informed of the member whose CCP membership has been terminated.

## CHAPTER THREE

### Clearing and Settlement and CCP service principles

#### Takasbank's responsibility

**ARTICLE 15-** (1) Takasbank is the central counterparty with the open-offer method for the transactions conducted in the Market and cleared and settled in the System. For these transactions, Takasbank undertakes completion of clearing and settlement by acting as buyer against the seller and as seller against the buyer. Without prejudice to the limitations stipulated in article 36 of the Central Counterparty Regulation and the market liquidity conditions, Takasbank assumes, in its capacity as the central counterparty, the clearing and settlement obligations arising from the transactions conducted in the Market by the members in accordance with the principles and procedures stipulated in this Directive and the legislation.

- (2) In the open-offer method, the liability of Takasbank towards the parties of the transaction starts at the moment when the buy and sell orders are matched and ends upon completion of the clearing and settlement. For the transactions being cancelled by the Exchange, the liability of Takasbank towards the parties shall cease at the moment when the updates are made by Takasbank for cancellation of the transactions. Should the limit allocated by Takasbank to the Member on a transaction basis in accordance with the fourth paragraph of article 5 of the Central Counterparty Regulation be exceeded, Takasbank shall, without prejudice to the provisions of article 32, not be liable any loss arising out of the transactions it has refrained from.
- (3) For the transactions conducted in the Market, Takasbank deals only with the members. Takasbank shall not be liable for the obligations of the members towards their customers and of the general CCP members towards the trading institutions.
- (4) The risks arising from the issuer shall be excluded from the undertaking given in its capacity as a CCP.
- (5) In covering the liquidity needs and the losses to be incurred in case of any default, the provisions stipulated in Chapter Five of the Central Counterparty Regulation shall apply.

## **Marketplaces and platforms to which clearing and settlement and CCP service are provided**

**ARTICLE 16-** (1) Clearing and settlement of all transactions conducted in the marketplaces and platforms under the structure of the Market is performed by Takasbank except for the exemptions imposed by the Board. The provision of article 17 of the Central Clearing and Settlement Regulation thereof shall be reserved.

(2) Clearing and settlement of the foreign currency denominated transactions conducted in the marketplaces/platforms under the structure of the Market shall be concluded by Takasbank by using the accounts held at the correspondent bank and/or Takasbank.

(3) The Board of Directors of Takasbank may, if deemed appropriate by the Board, and upon request of the Exchange or by obtaining the Exchange's opinion, take a decision to provide only the clearing and settlement service and not to provide the CCP service or to terminate the CCP service for some of the marketplaces or platforms already existing or to be newly established within the Market or for some securities already traded or to be newly issued.

(4) The clearing and settlement operations for the marketplaces/platforms and/or securities to which the CCP service will not be provided based on the Board's affirmative opinion shall be performed by Takasbank in accordance with the provisions of Istanbul Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation and in line with the principles and procedures as per the rules stipulated in the Directive and the details thereof shall be stipulated by the procedures.

(5) Takasbank has no guarantee for completion of settlement of the marketplaces/platforms and/or securities to which CCP service is not provided. Completion of clearing and settlement operations in due time is conditional upon the fulfillment by the obligor members of their obligations on time.

(6) Collateral at an amount calculated in accordance with the methods determined by Takasbank may be received from the members as to be used for any default which may arise from the clearing and settlement transactions of the securities to which the CCP service is not provided in the Market. Collateral received for clearing and settlement shall be collected from the members to ensure not to get effected from the price change risk of the securities subject to default during the period from occurrence of any default to its resolution. Takasbank's liability for any default related to the securities to which CCP service is not provided shall be limited to the collateral received for clearing and settlement. The principles and procedures for default management shall be stipulated in the Procedure.

(7) For the transactions conducted in the Committed Transactions Market of Sukuk, Takasbank shall serve as the third party of the contract. Takasbank (excluding transactions to which the CBRT is a party) has the right to withdrawn from its commitment at the maturity of the transaction. Should the right to withdraw be exercised, no legal liability shall arise for Takasbank. In the transactions to which the CBRT is a party, the CBRT has the right to withdraw from the commitment of the CBRT at the maturity of the transaction.

(8) For the transactions conducted in the Committed Transactions Market of Sukuk, neither the payment of the amount before the delivery of the assets in Takasbank's transaction of buy nature nor the delivery of asset before the payment of the amount in its transactions of sell mature are possible.

(9) The principles and procedures regarding the Committed Transactions Market of Sukuk and the details about the obligations of the parties shall be stipulated in the Procedure.

(10) In the event of any default in the transactions to which the CBRT is a party, Takasbank's responsibility will be limited to delivering the securities held in exchange for cash receivables and the initial collateral received for this transaction to the CBRT.

## Settlement date and period

**ARTICLE 17-** (1) TL denominated transactions conducted in the Market shall be settled on the same day (T+0), and foreign currency denominated transactions shall be settled one day after the trade (T+1). Repo-reverse repo transactions, on the other hand, shall be made subject to settlement on the start and end dates of the transaction. Settlement of the future-dated transactions shall be performed on the value date.

(2) In determining the settlement periods, the business days on which Takasbank and the correspondent banks are open shall be taken into account.

(3) Settlement procedures to be applied on half-days shall be determined and announced to the members by Takasbank.

(4) It is not possible for the parties to conclude the settlement transactions by fulfilling their security or cash obligations before the settlement date.

(5) The settlement cut-off times of the Market shall be determined by Takasbank Board of Directors by obtaining the opinion of the Exchange.

(6) Cash and security settlement obligations related to the transactions conducted in the Market shall be fulfilled within the hours designated in the Procedure. Otherwise the default provisions shall apply.

(7) The settlement period can be temporarily changed by Takasbank General Manager due to the problems arising from the clearing and settlement, custody, payment or market operating systems.

## Currency

**ARTICLE 18-** (1) In the payment of cash obligations arising from the clearing and settlement operations, the currency in which the transactions are conducted shall be used.

(2) Takasbank may also allow fulfillment of the cash clearing and settlement obligations over any currency different from the currency in which the transactions are conducted in accordance with the principles it will stipulate in the Procedure.

## Finality of settlement

**ARTICLE 19-** (1) The settlement instructions and transactions and the payment operations arising from the trades conducted in the Market can neither be revoked nor can be cancelled including the state of temporary or permanent suspension of the member activities and initiation of liquidation actions before the administrative and judicial authorities.

(2) The Exchange shall be informed for immediate suspension of the transactions at the moment when suspension of the member's activities or any decision that may produce the same consequence has been notified to Takasbank.

(3) The settlement operations of all contracts executed in the Market and transferred to the clearing and settlement system shall be concluded in accordance with the provisions of this Directive.

(4) Collateral established by the member by its available cash and security balances held at Takasbank shall be used to fulfill its obligations.



## Netting

**ARTICLE 20-** (1) In calculating the net payable or receivable amount for the transactions conducted in the Market except for the transactions in the Committed Transactions Market of Sukuk and the International Bonds Market, employing multilateral netting method on security basis by observing customer/portfolio segregation and by transforming them to a single receivable or payable by way of netting the members' receivables and payables against each other is essential. At the end of netting, the cash receivable or payable amounts shall be created against the net security debts or receivables.

(2) Settlement of the transactions in the Committed Transactions Market of Sukuk and the International Bonds Market is performed on a transaction basis. No netting is made.

(3) The marketplaces/securities to which CCP service is provided and the marketplaces/securities to which CCP service is not provided are not netted-off together.

## Delivery versus payment principle

**ARTICLE 21-** (1) In the clearing and settlement operations, the delivery versus payment principle shall be applied. Pursuant to the principle, the settlement receivables of the members failing to fulfill their settlement obligations on the settlement date shall not be paid.

(2) The receivables shall also be partially paid in proportion to the debts paid against the obligations partially fulfilled on the settlement date.

## Rectifying the transactions conducted in the Market

**ARTICLE 22-** (1) Rectifying the transactions conducted in the Market are performed in Takasbank system. The principles and procedures for transaction rectification and the method to be used shall be determined by the Procedure and announced to the members.

## Repo Securities Allocations

**ARTICLE 23-** (1) The principles and procedures for allocation and substitution of the securities to be delivered against the repo transactions conducted in the Market shall be determined by the Procedure and announced to the members.

## Market settlement operations

**ARTICLE 24-** (1) Trading transactions of the repo and reverse repo marketplaces conducted in the Market are settled on their start and end dates, whereas trading transactions of other marketplaces are settled on their value dates, and the security/cash receivables and debts are determined on a security basis for the member's customers and its portfolio separately.

(2) The members' rights and obligations arising from their transactions subject to settlement are concluded on account by using the relevant cash or securities accounts designated by Takasbank. The obligations are fulfilled by the members having security debt by using their CRA or correspondent bank or Takasbank accounts, and by the members having cash debt by using their cash settlement accounts at Takasbank.

(3) The settlement is collectively concluded in the manner to settle the highest number of records at the time intervals set by Takasbank. It is also possible to partially fulfill the settlement obligations, and partial settlement is made against the partially fulfilled obligations at the time periods set by Takasbank.

- (4) The Exchange informs Takasbank of the transactions conducted in the Market but decided to be settled outside Takasbank.
- (5) The CCP member executing the transaction shall be responsible for the settlement of the transaction conducted in the Market on behalf of the collective investment undertakings.
- (6) Settlement of the transactions conducted by using the Equity Repo Market, the Committed Transactions Market of Sukuk and the foreign capital market instruments and settlement of the transactions conducted in other than those markets shall be made separately.

### **Intermarket offsetting operations**

**ARTICLE 25-** (1) It is possible for the members to offset their receivables from a market/marketplace against their debts arising from other market/marketplace transactions by ordering a cash offsetting instruction between the markets operated by Takasbank and the markets/marketplaces to which clearing and settlement service is provided. The principles and procedures for offsetting shall be determined by the Procedure and announced to the members.

## **CHAPTER FOUR**

### **Account Operations**

#### **Account structure**

- ARTICLE 26-** (1) All members intending to trade in the Market are obliged to open their cash and securities accounts necessary for execution of the settlement operations at Takasbank and the CRA and, if the nature of transaction necessitates, at the correspondent bank to be designated by Takasbank.
- (2) Trading, position and collateral accounts shall be opened at Takasbank to be able to monitor the trades, positions and collateral.
  - (3) Trading Account is the account where the orders matched in the Market are monitored on a transaction basis.
  - (4) The position accounts include the net amounts calculated upon netting of the transactions. The risk management is performed over the position accounts.
  - (5) Collateral accounts where collateral related to the positions of the members' own portfolios or of their customers are monitored shall be opened at Takasbank.

#### **Account types**

**ARTICLE 27 -** (1) The position and collateral accounts associated with the trading accounts can be opened at Takasbank in two different types: the "Customer" and the "Portfolio". The portfolio account is the account in which the transactions conducted by the member for its own portfolio is monitored. Monitoring customer positions in the multiple position accounts in a collective manner is essential. Customer and/or portfolio segregation shall be made for the collateral accounts opened for the marketplaces/platforms and/or securities to which the CCP service is not provided pursuant to the consent of the Board.

- (2) For the trading institutions, portfolio multiple customer portfolio accounts that are linked to the general CCP member but separate from other customer and trading institution accounts of the general CCP member shall be opened.
- (3) The members shall monitor the positions and collateral of their own portfolio and the customer

positions and collateral in a separate manner in the accounts to be opened at Takasbank. Collateral deposited by the members to the collateral accounts associated with the multiple position accounts by Takasbank shall be deemed to belong to the Member.

### Opening of the accounts

**ARTICLE 28-** (1) The accounts in which the transactions will be conducted should be defined in Takasbank system.

(2) Opening an account at the general CCP member is mandatory for the trading institutions.

### Segregation

**ARTICLE 29-** (1) In the Market, the customer transactions, positions and collateral are monitored in the multiple and single trading and position accounts opened and linked to the Member and in the collateral accounts associated with these accounts, in a separate manner from the member's own transactions, positions and collateral.

(2) Transactions, positions and collateral of the member's own portfolio are monitored in the single trading and position accounts to be exclusively opened for the members and in the collateral account associated with these accounts.

### Account Migration

**ARTICLE 30-** (1) The positions monitored in the position accounts and the collateral associated with these positions can be migrated by Takasbank between the CCP members upon instruction of the transferee and transferor CCP members, if deemed appropriate by Takasbank. In such a case, the transferor CCP member shall obtain the written consent of its customers whose positions and collateral are to be transferred.

(2) In order for the multiple positions accounts to be ported, the instruction of all customers holding positions in these accounts is required. Collateral associated with the multiple position accounts for which migrating instructions have been given by the customers shall be ported by the instruction of the member.

(3) Takasbank's right to refuse the account migration requests with respect to the soundness of clearing and settlement operations and the security of settlement shall be reserved.

(4) If the positions monitored in the accounts of any member whose membership activities have been restricted or whose membership has been terminated due to default or for other reasons are transferred together with the collateral associated with these positions to another member, the migration transactions shall be conducted by Takasbank;

a) If any pre-designation for the transferee member has been made in the agreement signed between the transferor member and Takasbank; in accordance with the provisions stipulated in the agreement.

b) If, although no pre-designation regarding the transferee member has been made in the agreement signed between transferor member and Takasbank, the transferor member makes an agreement with the transferee member until the date on which the migrating will be made; in accordance with the provisions stipulated in that agreement.

c) If no designation has been made in line with the provisions of the item (a) and (b) of this paragraph, but Takasbank achieves to find a transferee member.

- (5) Should the account migration be made, collateral available in the transferred accounts cannot be withdrawn until the reconciliation is achieved between the records of Takasbank and those at the member whose activities have been restricted or whose membership has been terminated. Provisions regarding any proceeding pursued by the administrative and judicial authorities shall be reserved.
- (6) Should the member's Market activities be restricted or its membership be terminated, the collateral amount that can be migrated from or returned to the associated customer accounts shall be limited to the collateral amount remaining after the variation margin amounts that have arisen following the default is reflected in the accounts.
- (7) Accounts failed to be migrated due to unable to find a member to take over the positions and collateral, or unavailability of sufficient time to do so, or any collateral deficiency, or those having collateral deficiency after the liquidation of positions may be made subject to liquidation in accordance with the principles of Chapter Five of the Central Counterparty Regulation. The collateral balance to be occurred after the liquidation of positions in the accounts failed to be ported due to unable to find a transferee member shall be returned pursuant to article 27 of the Central Counterparty Regulation.
- (8) For the accounts linked to a member whose membership activities have been restricted or whose membership has been terminated due to default or for other reasons; if such accounts are related to the marketplaces/platforms to which CCP service is not be provided in accordance with the Board permission or the securities held in the accounts are those of the securities to which the Board has given permission for non-provision of CCP service, then Takasbank may not provide migration service for the positions related to such marketplaces/platforms/securities.

## CHAPTER FIVE

### Risk Management and Collateralization Principles

#### Risk management

**ARTICLE 31-** (1) The risk management in the Market is performed by Takasbank.

- (2) At-trade and post-trade risk management methods can be applied for the securities to which CCP service is provided in the Market. Takasbank may apply the pre-trade risk management method to ensure availability of sufficient collateral in the account by considering the possibility of orders to turn into trades during the transmission of orders.
- (3) The settlement positions, guarantee fund contributions and collateral held in the accounts opened by the members at Takasbank shall be made subject to updating operation at least at the end of each business day by Takasbank.
- (4) A margin call shall be issued for the accounts whose collateral fails to be sufficient as a result of the valuation being made. Margin calls shall be issued via the member screens provided by Takasbank and/or by way of reporting. If the margin call is sent through the system, the member shall be deemed to have received the call without any need for further notice and warning. The responsibility of the member starts upon receipt by the member of the margin call served by Takasbank.
- (5) The members may fulfill their margin call obligations by depositing collateral or closing positions. Collateral deposit, withdrawal and valuation and account update and obligation fulfillment operations are performed on a position account basis. Intra-day and end-of-day risk management processes to be applied by Takasbank, the model and/or content of the parameters to be used in calculating the margins and the calculation methods and the margin call processes and the deadlines thereof shall be explained in the Procedure.



(6) In calculating the collateral amount received for clearing and settlement in relation to the marketplaces/platforms and/or securities to which CCP service is not to be provided in accordance with the Board permission, the method and parameters applied to the marketplaces/platforms and/or securities to which CCP service is provided shall be used. Other principles and procedures for collateral received for clearing and settlement shall be stipulated in the Procedure.

### **Risk limits**

**ARTICLE 32-** (1) In the Market to which it provides CCP service, Takasbank defines risk limits to the Members based on their financial capability. Risk limits can be determined separately for the Market but can also be determined in total for all markets to which CCP service is provided. Risk limits are determined over the margin requirements to be held due to the positions carried by the Members in the markets to which CCP service is provided.

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

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

(4) The members may be allowed to exceed their defined risk limit up to a maximum rate to be specified in the Procedure provided that they deposit additional initial margin. Should the maximum rate specified in the Procedure be exceeded, it may be requested from the Exchange to prevent the member from sending orders to the Market regardless of deposition of additional initial margin. Covering the additional initial margins from the member's own assets or the assets on which the member has the right of disposition is a must.

## **CHAPTER SIX**

### **Principles Regarding Collateral**

#### **Membership collateral**

**ARTICLE 33-** (1) The general CCP members and the direct CCP members shall deposit 10.000 TRY and 5.000 TRY, respectively, as membership collateral to cover the losses that may be incurred in case of failure to fulfill the obligations against Takasbank for the dues, fees and commissions and other liabilities within the time period given to them. The said amounts may be re-determined by the Board of Directors by taking the market developments into consideration provided that the Board's consent is obtained. The membership collateral shall be deposited in Turkish Lira.

(2) If the Members fail to fulfill their obligations under the first paragraph, Takasbank shall collect the relevant amount from the membership collateral. After the collection operation, the Member shall restore its membership collateral to the amounts referred to in the first paragraph within 3 business days. Should the deficit amount be failed to be restored, the relevant amount shall be collected ex officio from the member.

(3) In case of termination of the membership, the membership collateral shall be returned provided that all obligations of the member against Takasbank have been liquidated.

#### **Collateral**

**ARTICLE 34-** (1) Collateral shall be requested from the members to cover the risks arising from their

securities positions in BİAŞ Debt Market. In determining the parameters to be used for calculating collateral, the confidence levels and holdings periods to be designated in the Procedure provided that they are not less than 99,50% and 2 days respectively. The historical data set to be used for volatility calculations must minimum cover the last 12 months' period, if it can be obtained.

(2) In calculating the margin requirements for the securities positions to which CCP service is provided in the Market, the portfolio-based net collateralization method shall be used. When the margin requirement is calculated, no netting shall be made between the positions of the customers and the positions of the member portfolio. The implementing principles regarding the collateralization method shall be stipulated in the Procedure.

(3) The member must cover its collateral obligation arising from its own portfolio by collateral belonging to it and its collateral obligation arising from multiple customer position accounts by collateral belonging to it or on which it has disposition power, and its collateral obligation arising from the trading institution portfolio or customer positions by collateral belonging to it or those received from and belonging to the trading institution or on which the trading institution has the right of disposition. Collateral deposited by the members to the collateral accounts associated with the multiple position accounts by Takasbank shall be deemed to belong the Member.

(4) Positions regarding the marketplaces/platforms and/or securities to which CCP service will not to be provided in accordance with the Board permission shall be monitored in an individual account of the member separately from the positions to which CCP service is provided, and the collateral amount received for settlement shall be calculated over the netted positions in such account. In the valuation of collateral received for settlement, the parameters and assets determined in relation to the marketplaces/platforms and/or securities to which CCP service is provided shall be used.

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

**ARTICLE 35-** (1) The following assets can be used by the Members for the fulfillment of their margin obligations. Takasbank Board of Directors is authorized to also accept other assets designated in article 19 of the Central Counterparty Regulation as collateral or guarantee fund contribution.

- a) Cash (Turkish Lira),
- b) Convertible Currency,
- c) Government Debt Securities,
- ç) Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey,
- d) Lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Turkey,
- e) Shares in BIST100 Index,
- f) Equity Umbrella Fund Shares,
- g) Debt Instruments Umbrella Fund Shares,
- ğ) Standart gold traded on the Exchanges,
- h) Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities
- ı) Borsa İstanbul A.Ş. shares
- i) Electronic Warehouse Receipt

(2) Takasbank may not accept as collateral or guarantee fund contribution the securities and guarantees that it considers to be associated with the member due to the specific correlation relations

which may exist between the creditworthiness of the member and the value of assets it has received as collateral or may restrict their acceptance as collateral and guarantee fund contribution. The collateral implementing principles regarding the assets considered to be associated with the creditworthiness of the member shall be stipulated by the Procedure.

(3) The criteria regarding the assets to be accepted as collateral in the mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities group and the date on which above mentioned assets and Borsa Istanbul A.Ş. shares to be accepted as collateral are to be determined in the Procedure.

(4) For the assets it has accepted as collateral or guarantee fund contribution, Takasbank may apply concentration limits in accordance with article 43 of the Central Counterparty Regulation for any single market or the sum of all markets to which it provides CCP service. The implementing principles of the concentration limits shall be stipulated by the Procedure.

(5) Theoretical pricing formulas and methods that can be used in the valuation of assets accepted as collateral and guarantee fund contribution by Takasbank shall be published on Takasbank web site.

### Valuation haircuts

**ARTICLE 36-** (1) In calculating the valuation haircuts reflecting the deduction rates and to be applied to the collateral and guarantee fund contributions, the parametric, non-parametric or simulation-based statistical methods deemed appropriate by Takasbank shall be used. In determining the collateral valuation haircuts, the relevant asset's credit risk rated by Takasbank, its maturity, its volatility under extraordinary market conditions, its liquidity, and its currency risk, if any, shall be taken into account.

(2) The statistical confidence level and the liquidation period to be used in the calculations to be made cannot be less than 99.75% and 2 business days respectively. The historical data to be used in the calculations must not be shorter than 1 year. For the assets in which there is insufficient data or no data at all, the haircuts calculated for the assets in similar nature shall be defined as reference.

### Collateral composition limits

**ARTICLE 37-** (1) For other assets to be accepted as collateral apart from cash Turkish Lira and the composition limits thereof, the rates given in the following table shall be applied. Takasbank Board of Directors is authorized to set composition limits for the new assets to be accepted as collateral or make revision in the composition limits including those determined in this Directive.

Assets eligible as trade margin	Group Limit	Sub-Group Limit (as percentage of Group Limit)
Cash (Turkish Lira)	Max. 100%	-
Convertible Currency (USD/EUR/GBP )	Max. 100%	-
Government Debt Securities	Max. 100%	35% (on ISIN basis)
Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey	Max. 100%	35% (on ISIN basis)

Lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Turkey	Max. 50%	40% (on ISIN basis)
Shares in BIST100 Index	Max. 90%	20%
Equity Umbrella Fund Shares	Max. 50%	20%
Debt Securities Umbrella Fund Shares	Max. 50%	20%
Standard gold traded on the Exchanges	Max. 25%	-
Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset based securities	Max. 50%	40%
Borsa İstanbul A.Ş. shares	Max. 50%	-
Electronic Warehouse Receipt	Max. 25%	20%

(2) The valuation haircuts which will be used for calculating the collateral values of the assets to be deposited as collateral shall be described in the Procedure.

(3) Group limits are calculated over the total deposited collateral. In calculating the sub-group limits, the group-limit applied total valued portion of the relevant asset amount is taken into account.

(4) Assets accepted as collateral shall be made subject to valuation over the prices determined by Takasbank to ensure their valuation at current market prices, during the intra-day risk calculation times, the collateral withdrawal operations and at the end of each trading day. The implementing principles for determining collateral values shall be explained in the Procedure.

## Ownership of Collateral

**ARTICLE 38-** (1) Ownership of collateral received pursuant to the CCP service shall transfer to Takasbank in accordance with the second paragraph of article 78 of the Law. Takasbank shall acquire the ownership right upon establishment of the contract and by transfer of the assets subject to collateral in compliance with the legal procedures.

(2) In the event the receivables of Takasbank are required to be covered from collateral due to the default of the member or because of reasons stipulated in the provisions of the agreement or the relevant legislation, Takasbank shall be entitled to sell the asset subject to collateral and cover its receivables from the sale proceeds thereof or to offset the value of these instruments from the obligations of the debtor without being obliged to fulfill any precondition such as serving any notice or warning, allotting time, obtaining any permission or approval from the administrative or judicial authorities, turning the collateral into cash through auction or another way, etc.

(3) Since title of collateral belongs to Takasbank pursuant to article 78 of the Law, the rights arising from the collateral shall also belong to Takasbank. Takasbank shall return the collateral together with the rights thereon at the due date in accordance with the provisions of article 27 of the Central Counterparty Regulation and upon request of the Member, provided that the obligations have been fulfilled.

## Collateral monitoring and management

**ARTICLE 39-** (1) Collateral associated with the positions of the member's portfolio, the member's



customers, the trading institution's portfolio or its customers are monitored separately in the accounts linked to the member. Collateral associated with the positions of the trading institution or its customers cannot be used for closing any collateral deficit arising from the positions of the member's own portfolio or its customers nor for resolving any default. The member's collateral associated with its multiple customer positions cannot be used for closing any collateral deficit arising from the accounts of the member's own portfolio nor for resolving any default. Collateral associated with the member portfolio can be used for covering any margin requirement arising from all position accounts linked to the member or for resolving any default. The provision of the third paragraph of article 78 of the Law shall be reserved.

(2) Pursuant to article 79 of the Law, Takasbank's rights and entitlement on the assets it has received as collateral by virtue of the operations it performs as central counterparty cannot be restricted in any manner. The member's lack of power of disposition, for any reason, on the assets subject to collateral shall not prevent Takasbank from a bona fide real right acquisition. Any title or limited real right claim of third parties on the asset values subject to collateral cannot be raised against Takasbank.

(3) Granting of concordato period about the collateral provider, approval of its composition, granting of concordato period after bankruptcy, entering into composition process by abandoning its assets, restructuring by way of conciliation, 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 No. 2004 can under no circumstances limit Takasbank's rights and entitlement on collateral.

### **Collateral deposit or withdrawal operations**

**ARTICLE 40-** (1) The principles and procedures on deposit, withdrawal and replacement of assets eligible as collateral and the time periods in respect there of shall be stipulated in the Procedure.

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

**ARTICLE 41-** (1) Turkish Lira collateral and guarantee fund contributions deposited by the members are invested after deducting the portion to be set aside as reserve requirement, with the best effort basis conditions by Takasbank in accordance with the principles stipulated in the Procedure by taking the credit risk and liquidity conditions into consideration. The investment 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 investment purposes. Investment may not be made in extraordinary market conditions. No interest shall be paid if the investment process is failed to be made by Takasbank due to market conditions.

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

## **CHAPTER SEVEN**

### **Principles Regarding the Guarantee Fund**

### **Guarantee fund and its general principles**

**ARTICLE 42-** (1) As part of the CCP service it will provide in the Market, Takasbank establishes a guarantee fund created by the contribution amounts of the members as to be used for any loss that might be incurred in case of default of the members and exceed the collateral of the relevant members. Participation of the CCP members in the guarantee fund is mandatory.

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

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

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

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

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

(7) The contribution amounts to be deposited to the guarantee fund by the members must be covered from the assets in their possession.

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

(9) The positions of the marketplaces/platforms and/or securities to which CCP service cannot be provided pursuant to the permission of the Board shall not be taken into account in the guarantee fund calculations.

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

**ARTICLE 43-** The size of the guarantee fund cannot be less than the greater of the funding need that would arise in case of joint default of the member with the highest open position and the members with the second and third highest open position under the stress conditions. The funding need comprises of the portion of the members' risks calculated under the stress conditions and remaining out of the amount that can be covered by their trade margins. In estimating the risk under stress conditions through statistical methods, the statistical confidence level, the holding period and historical data stipulated in the Procedure shall be used as to be not less than 99.75%, 2 business days and 5 years respectively. Takasbank may set the minimum guarantee fund obligation as to be greater than the obligation calculated statistically by considering the market conditions, the margin concentrations and the adequacy of collateral management resources.

- (2) Calculation of the total size of the guarantee fund is renewed provided that it shall not be less than 3 months, and the sufficiency of the existing guarantee fund is tested.
- (3) The contribution to be made by the members to the guarantee fund is composed of the fixed and the variable contributions calculated pro rata to the risks they carry.
- (4) The fixed contribution amount is determined at a level not to exceed the average amount found by dividing the required size of the guarantee fund to the number of members and announced in the Procedure.
- (5) The variable contribution amount is calculated by Takasbank by taking account of the average collateral amount that the member must maintain in the market and announced through the member screens.
- (6) The deposited guarantee fund contribution of a member cannot be less than the fixed contribution amount.
- (7) The length of data set to be used in calculating the size of the guarantee fund to be established and determining the average market participation constituting the basis for the members' variable contribution amounts is explained in the Procedure.
- (8) Guarantee fund contribution obligations are calculated at the first business day of each month and updated as of the following business day. The valued collateral amount corresponding to the guarantee fund contribution amount reflected to the accounts by Takasbank must be deposited to the accounts within the time period designated in the Procedure. The default provisions shall be applied for any amount failed to be deposited.
- (9) The calculations of the members' guarantee fund contributions can also be made at any time by Takasbank irrespective of the date referred to in the eighth paragraph by taking account of the risk status of the relevant members and the market conditions.

### Assets eligible as contribution amount to the guarantee fund and the obligation to restore contribution amount

**ARTICLE 44-** (1) Assets eligible as contribution amount to the guarantee fund and the composition limits thereof are given in the following table. Takasbank Board of Directors is authorized to revise the composition limits of the assets to be accepted as guarantee fund contribution according to the market conditions and set composition limits for the new assets.

Assets eligible to guarantee fund	Group Limit	Sub-Group Limit (as percentage of Group Limit)
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Cash (Turkish Lira)	Max. 100%	-
Convertible Currency (USD/EUR/GBP)	Max. 100%	-
Government Debt Securities	Max. 100%	35% (on ISIN basis)
Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey	Max. 100%	35% (on ISIN basis)
Lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Turkey	Max. 50%	40% (on ISIN basis)
Shares in BIST100 Index	Max. 90%	20%
Equity Umbrella Fund Shares	Max. 50%	20%
Debt Instruments Umbrella Fund Shares	Max. 50%	20%
Standard gold traded on the exchanges	Max. 25%	-
Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset based securities	Max. 50%	40%
Borsa İstanbul A.Ş. shares	Max. 50%	-
Electronic Warehouse Receipt	Max. 25%	20%

- (2) The valuation haircuts representing the deduction rates to be used in calculating the collateral values of the assets to be deposited as guarantee fund contribution are explained in the Procedure.
- (3) Composition limits are calculated over the total deposited contribution amount. In calculating the sub- composition limits, total valued portion of the relevant asset amount is taken into account.
- (4) Non-cash assets used as guarantee fund contribution are made subject to valuation over the prices determined by Takasbank to ensure their valuation at current market prices.
- (5) A margin call shall be issued to the accounts having a contribution deficit as a result of the end-of-day valuation. The contribution amounts must be restored until the end of the time period designated in the Procedure. The default provisions shall be applied for any amount failed to be restored.
- (6) Non-cash assets in the Guarantee Fund can be replaced in accordance with the request of the Member.

### Principles for use of the guarantee fund

- ARTICLE 45-** (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 first paragraph of article 36 of Takasbank Central Counterparty Regulation fail to be adequate and upon determination that the guarantee fund contributions deposited in cash will remain insufficient.
- (2) The contribution amounts deposited 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 amount 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 the contribution amounts starts with the most liquid assets, and their ability to quickly be turned into cash shall be taken as the base. Cash amounts turned into cash from non-cash collateral in the guarantee fund but not used shall be returned pro-rata to the members whose non-cash collateral have been used.
- (5) In distributing the loss attributed to the guarantee fund to the non-defaulting members, the shares of the members in the guarantee fund shall be taken as the base.
- (6) The members are obliged to re-deposit, within 3 business days, their deposited guarantee fund contribution amounts being used in accordance with the default management.
- (7) If the loss to be attributed to the guarantee fund seems likely to exceed 50% of the fund size, the members may be asked to deposit the additional contribution amounts they have committed. The members are obliged to deposit the additional contribution amounts within 5 business days after the request thereof. The additional contribution amounts not used either in part or at all for resolving the relevant default may be returned. If they, albeit requested, are returned without being used for resolving the default, the request for additional guarantee fund contribution shall be deemed not to have been made. The additional guarantee fund contribution amount that can be requested from a member in a month's time period cannot exceed the member's guarantee fund contribution amount calculated and required to be deposited for that month.
- (8) If the additional guarantee fund contribution amounts requested from the members due to the default are used either in part or in whole, the members shall be asked to restore their guarantee fund obligations to the amount being calculated pursuant to article 43. The guarantee fund contribution amounts exceeding the maximum loss threshold that any Member would assume in the same month upon the default of other members shall only be used in the event of their own default until the end of the month. The standard guarantee fund contribution amounts to be requested from the members who have fulfilled their maximum additional guarantee fund contribution amount obligation within the one year period between the dates of 1 April-31 March shall only be used for their own default until such one year period is completed.

## CHAPTER EIGHT

### Principles Regarding Default Procedures for CCP Service-Provided Assets

#### General principles

**ARTICLE 46-** (1) In case of presence of the following situations, the relevant member shall be deemed to have defaulted without the need for any further notice and the default provisions shall be applied.

- Failure to fulfill the intra-day and end-of-day margin call obligations calculated by Takasbank within the time period prescribed in the Procedures.
- Failure to fulfill the obligation related to the clearing and settlement operations until the end of the time set forth in the Procedure.
- Failure to fulfill the guarantee fund and the additional guarantee fund contribution amount restoration obligations within their time period.
- Decision by Takasbank for the liquidation of the member's obligations pursuant to article 13 of the Directive.

(2) In the event of default, Takasbank does not allow the member to withdraw its collateral in its relevant accounts. By taking the size of default and the market conditions into consideration, Takasbank may ask from the Exchange to restrain the order transmission over the member's accounts.

(3) The member can be allotted time by Takasbank to resolve its event of default until, at most, the time prescribed in the Procedure on the business day following the default date. Should the event of default be failed to be resolved until the end of the allotted time period, Takasbank may place an order to the Market to close the position deficit arising from the default. In order for the order to be processed, the trade margin and guarantee fund contribution amounts of the member can be used in addition to its receivables kept blocked against its settlement debt.

(4) Default interest shall be applied in the event the settlement, collateral and guarantee fund obligations are failed to be fulfilled within the time periods set forth in the Procedure.

### Asset default

**ARTICLE 47-** (1) Without prejudice to the limits set forth in article 36 of the Central Counterparty Regulation, the financial liability of Takasbank for the asset defaults under the item (b) of the first paragraph of article 46 of this Directive shall be limited to the delivery of asset on the settlement date; and should the asset be failed to be delivered on the settlement date, to its delivery by accommodating it from the Market in accordance with the following principles and procedures; and if the asset is again failed to be delivered in that way, to the payment of the cash equivalent of the asset failed to be delivered being calculated based on the principles and procedures mentioned below plus the default interest to be calculated until the date on which the payment will be made.

(2) In the clearing and settlement operations, delivery of asset subject to settlement to the beneficiary member by Takasbank is essential upon default of the member obliged to deliver the asset. Without prejudice to the default provisions of the asset settlement obligor, should the asset debt be obtained in part or in whole, it shall be delivered to the beneficiary of settlement within the same day. Any cost incurred by Takasbank during the accommodation of asset from the Market shall be collected from the defaulting member.

(3) If the asset required to be delivered by Takasbank is failed to be accommodated from the Market within the business day following the asset default, the value of the asset failed to be delivered shall be paid to the beneficiary over the price determined by Takasbank.

(4) In case of asset default, the default interest shall be applied pursuant to article 49. A payment shall be made to the asset beneficiary member for the period to be elapsed until the delivery is fully executed or the asset debt is settled by cash payment, up to two-thirds (2/3) of the collected default interest amount for the portion failed to be delivered.

(5) If the calculated interest amount remains below the minimum default penalty, the payment shall be made over the calculated amount.

(6) Should the receivable of the asset beneficiary be paid by Takasbank in cash, the debt of the asset obligor shall also have been converted into cash. Upon conversion of asset delivery debt into cash, the obligor shall be obliged to pay such cash together with its default interest to be calculated in accordance with article 49.

(7) In case of any asset default for the transactions and marketplaces subject to the securities designated in the procedure by Takasbank, the Takasbank's liability arising from the default to the beneficiary shall be limited to the cash amount calculated over the price subject to the transaction and the initial margin calculated for such transaction.

(8) Other issues related to the asset default shall be stipulated by the procedures.

### Cash default

**ARTICLE 48-** (1) Without prejudice to the limits set forth in article 36 of the Central Counterparty Regulation, the financial liability of Takasbank for the cash defaults under the item (b) of the first paragraph of article 46 of the Directive shall be limited to the payment of cash on the settlement date; and should the cash be failed to be paid on the settlement date, to its payment in accordance with the market conditions and the following principles and procedures depending on Takasbank's liquidity facilities plus the designated portion of the default interest to be calculated until the date on which the payment will be made.

(2) If the cash debt is paid off in part or in whole, payment shall be made to the settlement beneficiary within the same day. For the member failing to resolve its event of default until the end of the given time period, an order shall be placed with the same day value (T+0) by Takasbank to the Market until the end of the business day following the default date to dispose its assets kept blocked against the cash obligation. The collateral and guarantee fund contribution amounts of the member can be used for the termination of the obligation.

(3) In case of cash default, the default interest shall be applied pursuant to the provision of article 49. A compensation payment shall be made to the cash delivery beneficiary for the period to be elapsed until the cash delivery is fully executed, up to two-thirds (2/3) of the collected default interest amount for the portion failed to be delivered.

(4) If the calculated interest amount remains below the minimum default penalty, the payment shall be made over the calculated amount.

(5) The cash delivery obligor shall be obliged to pay such cash together with its default interest to be calculated in accordance with article 49.

(6) In case of any cash default for the transactions and marketplaces subject to the security types designated in the procedure by Takasbank, the Takasbank's liability arising from the default to the beneficiary shall be limited to the sum of the amount of the asset subject to the transaction being turned into cash by Takasbank at best effort basis and the initial margin amount calculated for such transaction.

(7) Other issues related to the cash default shall be stipulated by the procedures.

### Default interest

**ARTICLE 49-** (1) Default interest shall be collected together with its legal obligations from the member who have fulfilled its settlement, collateral and guarantee fund obligations after the designated time.

(2) 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. However; the default interest haircut can be differentiated for the obligations being fulfilled after the designated cut-off time on the settlement date but in the same day.

(3) The defaulting member shall be charged a default interest up to the amount to be calculated over the non-fulfilled obligation amount based on the haircuts set forth in the Procedure by applying the higher of the weighted average overnight interest rates formed in BİAŞ Repo Reverse-Repo Market, CBRT Interbank Money Market or Takasbank Money Market.

(4) Lower and upper limits shall be applied to the default interests to be collected. The minimum and maximum default interest shall be determined by the Procedure.

- (5) The upper limit shall not be applied for the obligations failed to be fulfilled within the same day.
- (6) Amounts of the minimum and maximum default interest shall be determined by the Board of Directors in accordance with the Market conditions by also taking account of the revaluation rate published by the Ministry of Finance each year and announced to the members before enforcement.
- (7) If Takasbank incurs any loss exceeding the default interest rate due to non-payment of the debt in full or in part, such loss shall be indemnified by the defaulting Member.
- (8) If the obligation being defaulted is denominated in a foreign currency, TRY value of the cash or security shall be calculated by taking the foreign currency buying rate announced by the CBRT on the relevant value date as the base. On the other hand, in case it is defaulted in any foreign currency denominated obligation, Takasbank may also decide to calculate the default interest over the haircuts it may determine separately for each foreign currency.

### **Accrual, notification and collection**

**ARTICLE 50-** (1) The accrued default interest shall be paid together with other legal liabilities within 3 business day following the accrual date.

(2) Notification of the accrued default interest shall be made in electronic environment through the member screens. Upon delivery of the notification in the electronic environment, the member shall be deemed to have received it without the need for any further warning or notice.

(3) The default interest and other legal liabilities failed to be paid, albeit accrued, by the member within their time period shall be collected ex-officio by Takasbank from the free account of the member in the next business day. If they are failed to be collected, interest and other legal liabilities shall also be collected in accordance with the provisions of article 52 regarding the default management process.

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

**ARTICLE 51-** (1) The member to whom a default interest has been accrued may object at Takasbank based on the reasons that the default has occurred without its own fault due to problems arisen from the clearing and settlement, relevant central depository system or payment system or a material mistake has been made in the calculation of the default interest. The objection shall not inhibit the payment of default interest.

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

(3) The objection of the defaulting member shall be evaluated and resolved by the Default Committee established within the structure of Takasbank in accordance with article 35 of the Regulation.

(4) If the objection made by the member is justified, the default interest shall not be applied and if it has 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 in writing with its justification.

### **Default management process**

**ARTICLE 52-** (1) The relevant default of the Member failing to close its settlement, collateral and guarantee fund contribution obligations on time and whose settlement, collateral and guarantee fund contribution debts have been failed to be closed as a result of the transactions conducted in the Market



by Takasbank within the time periods set forth in the Directive shall be informed to the Exchange, the Board, CBRT and the relevant member pursuant to article 13 of the CCP Regulation, and all trading authorization of the member on its accounts shall be suspended.

(2) In addition to the member, revocation of trading authorization of the trading institutions linked to that member, if any, in the Market may also be requested from the Exchange.

(3) Takasbank may resolve the cash trade margin amounts and guarantee fund contributions of the defaulting members to be excluded from the interest accrual process.

(4) Takasbank may take one or more than one of the following measures, including but not limited to those, about the defaulting member in accordance with the relevant articles of the Central Counterparty Regulation. However, in using the default management tools, the reason of default and its impact on the markets shall be taken into account.

a) Migrating the settlement positions in the non-defaulting member accounts to a non-defaulting member either in whole or in part together with their collateral pursuant to article 26 of the Central Counterparty Regulation.

b) Turning into cash any non-cash collateral and guarantee fund contributions in the customer accounts with collateral deficit that are associated to the defaulting member's own portfolio and to itself.

c) Using the excess trade margin of the member in other markets.

ç) Using the guarantee fund contributions of the member in other markets to the extent it has no risk in the relevant Market.

d) Acting in accordance with article 45 of the Directive to make use of the guarantee fund contributions of the non-defaulting members.

e) Migrating the positions and collateral of the customers either ex officio when necessary or upon request of the customers to other members without seeking the consent of the defaulting member.

f) Closing the positions in an ex-officio manner.

g) Netting any payable, receivable, position, collateral, right and obligations existing with the same party.

(5) Any deficit occurred after the enforcement by Takasbank against the defaulting member of the default provisions stipulated in this Directive and the provisions of Chapter Five of the Central Counterparty Regulation and failed to be covered by the collateral and guarantee fund contributions of the defaulting member shall be defined as the loss of Takasbank and other Members and assumed in order as laid down in the first paragraph of article 36 of the Central Counterparty Regulation. Collections to be made later on from the defaulting member shall be distributed pursuant to the fifth paragraph of article 36 of the Central Counterparty Regulation.

(6) Should the capital allocated in accordance with article 36 of the Central Counterparty Regulation against the covered risks be used due to the default, Takasbank shall restore the used amount within a month. The allocated capital amount to be restored in this way during one year period cannot exceed the amount determined in the beginning of the period. If any default reoccurs within the period of one month to be lapsed until the restoration of the used capital, the remaining portion of the allocated capital, if any, shall be used. The guarantee fund of the non- defaulting members shall be resorted for the portion which cannot be covered. Restoration of the capital shall not necessitate the return of the guarantee fund contribution amounts being used.

## CHAPTER NINE

### Transaction Relating to Custody and Exercise of Rights

#### Custody Service

**ARTICLE 53-** (1) Institutions that have become a Takasbank member by satisfying the membership conditions can receive custody service.

(2) The balances of the capital market instruments qualified as debt securities held in the member accounts at Takasbank are monitored separately from Takasbank's assets, in different depo accounts detailed on customer basis according to their purpose.

(3) The custody service is provided by Takasbank in accordance with the principles stipulated in the Procedure.

#### Transactions Relating to Exercise of Rights

**ARTICLE 54-** (1) The transactions relating to exercise of rights (redemption/coupon payments) of the debt securities safe kept at Takasbank are performed by Takasbank.

(2) In the event that redemption and/or coupon payments in Debt Securities Market are paid as Turkish Lira and Foreign Currency, payments are made to member's account at Takasbank; paid as Gold, they are made to member's account at Borsa Istanbul Precious Metal and Diamond Market.

(3) Redemption and coupon proceeds of the debt securities held as collateral at Takasbank are transferred to the collateral accounts at Takasbank.

## CHAPTER TEN

### Transfer Operations

#### General Principles

**ARTICLE 55-** (1) The members can transfer the assets held in their custody accounts to another member account.

(2) Book-entry security transfer operations shall be executed in the CRA system between customer accounts.

(3) Transfer operations between the members can be executed in the system in two ways: free of payment and delivery vs. payment.

(4) Asset transfer from the accounts at Takasbank to another account at the CBRT via ESTS is also possible.

(5) Execution of the transfer operations through the user codes and passwords allocated to the personnel authorized by the members and within the hours designated by Takasbank in the Procedure is essential.

(6) The time periods to be applicable for half-day public holidays shall be separately determined by Takasbank and announced to the members.

(7) The time periods for the transfer operations shall be determined in the Procedure and can be amended by the approval of the General Manager.

(8) The principles regarding the transfer operations may be differentiated by Takasbank according to the type of the asset and the transaction.

## CHAPTER ELEVEN

### Repo Notification and Depo Transfer Operations

**ARTICLE 56-** (1) The members, except the CBRT, are obliged to notify Takasbank within the period designated in the Procedure of the repo and reverse-repo transactions they have conducted with their non-Exchange customers or other brokerage houses and the banks as well as of the transactions out of those conducted on the previous days, whose maturity has been broken (broken term).

(2) The capital market instruments subject to the transactions conducted in OTC (not traded at the Exchange) must be made depo in the “Repo Blockage Account” at Takasbank.

(3) If the debt securities issued abroad by the Undersecretariat of Treasury are made subject to the repo and reverse- repo transactions being conducted, the member must;

- a) Open an account by signing the “Supplementary Agreement For Foreign Securities Correspondence” in addition to the outstanding custody agreement with Takasbank in accordance with Takasbank foreign capital market instruments correspondence service,
- b) Transfer the capital market instrument subject to the transaction to the account opened at the correspondent bank in the name of Takasbank,
- c) Store the capital market instrument in its Free Depo Account in its “Repo Blockage Account”.

(4) In line with the agreement of the customers and the institution or the bank conducting the repo, safekeeping of the capital market instruments subject to the repo transaction in the account at Takasbank of another investment institution to which custody authorization has been given by the CMB is possible.

(5) Notifications of the capital market instruments of the repo and reverse-repo transactions conducted in the Market but whose clearing and settlement is performed outside Takasbank shall be made directly to Takasbank on the start date of the transaction.

(6) Transactions conducted with the CBRT in accordance with the Open Market Transactions shall not be included in the scope of notification.

(7) The principles and procedures regarding the depo conditions and notifications shall be stipulated in the Procedure and announced to the members.

(8) In case of determination of any contradiction with the principles stipulated by Takasbank, a notification shall be served to the supervision authority to which the brokerage house or the bank is related.

## CHAPTER TWELVE

### Repo Term Decrease and Corporate Actions

#### Repo Term Decrease

**ARTICLE 57-** (1) The maturity of the transactions conducted in the Equity Repo Market can be subject to term decrease provided that either party conducting repo or reverse-repo makes a written notification, to the extent the conditions stipulated in the Procedure have occurred.

(2) The principles and procedures for repo term decrease shall be stipulated in the Procedure.

#### Corporate Actions

**ARTICLE 58-** (1) In case of presence of any corporate action for the shares subject to repo transactions,

in the form of capital increase through bonus issue, capital decrease, dividend payments and capital increase through rights issue made available to the shareholders by subscription right, the rules to be applied thereof and the principles regarding how the settlement balances of undue transactions are to be exchanged shall be stipulated by the Procedure.

- (2) Sub-Group Limit, set as 40% for mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities, is to be applied as 100% until 31/12/2019.
- (3) Borsa İstanbul A.Ş. shares are considered as collateral while the buy-back guarantee of Borsa İstanbul remains.

## CHAPTER THIRTEEN

### Final Provisions

#### Fees and commissions

**ARTICLE 59-** (1) For the fees and commissions to be charged by Takasbank to its Members in relation to the services it provides under this Directive, the provisions of article 35 of the General Regulation shall apply.

- (2) Transactions conducted by the CBRT at Takasbank are exempt from any commission.

#### Disciplinary provisions

**ARTICLE 60-** (1) In addition to those contemplated in this Directive, the disciplinary provisions stipulated in the Chapter Seven of the Central Clearing and Settlement Regulation shall also be applied to the members failing to comply with the obligations stipulated in this Procedure.

#### Measures to be taken in extraordinary situations

**ARTICLE 61-** (1) Takasbank is authorized to determine and enforce the measures to be taken in case of presence of extraordinary situations where it foresees the clearing and settlement operations of the Market may be adversely affected. In such cases, Takasbank is entitled to take the measures referred to in article 48 of the Central Counterparty Regulation.

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

**ARTICLE 62-** (1) In case of no provision in the Directive, the provisions of the Central Counterparty Regulation and the Central Clearing and Settlement Regulation shall be applied.

#### Temporary Provisions

**ARTICLE 63-** (1) Guarantee letters can be accepted as collateral and guarantee fund contribution until 01/07/2020. The outstanding guarantee letters shall lose their qualification for being collateral and guarantee fund contribution as of 02/07/2020. The members are obliged to replace their guarantee letters by one or several of other collateral types during this time period. The principles and procedures thereof shall be stipulated by the Procedure.

- (2) The additions to the assets accepted as collateral and revisions made to the composition limits of the assets accepted as collateral become effective after publication in the Procedure.



## Exemptions and exceptions

**ARTICLE 64-** (1) Pursuant to the first paragraph of article 52 of the Central Counterparty Regulation, the Central Bank of the Republic of Turkey is the natural CCP member and it is not subject to the provisions of this Directive nor the provisions of the Procedure to be issued in accordance with this Directive.

(2) The CBRT instructions relating to the securities traded by the CBRT are given priority in accordance with the delivery versus payment principle.

(3) Securities it has purchased by the reverse repo as a result of the transactions to which the CBRT is a party are not blocked at Takasbank.

(4) The CBRT is not obliged to pay any pre-default interest to the extent it fulfills its obligations for the transactions it has conducted in the Market until EFT/ESTS closing time within the same day.

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

## Enforcement

**ARTICLE 65-** (1) The Directive shall enter into force on the date of its publication.

(2) Istanbul Settlement and Custody Bank Inc. Borsa Istanbul Inc. Debt Securities Market Clearing and Settlement and Collateral Management Directive shall repeal as of the effective date of this Directive.

## Execution

**ARTICLE 66-** (1) The provisions of the Directive shall be executed by the Board of Directors.