

DIRECTIVE			
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TAKASBANK DIRECTIVE ON CONFLICT OF INTEREST POLICY

DOCUMENT BACKGROUND				
Version No.	Date	Prepared//Revised by	Approved by	Explanations
1.0	01/10/2018	Internal Control and Compliance Department	Board of Directors	Initial Version
2.0	21/03/2019	Internal Control and Compliance Department	Board of Directors	An amendment has been made to article 10 - Execution.
3.0	20/03/2020	Internal Control and Compliance Department	Board of Directors	It was updated within the scope of General Regulation on The Establishment and Operating Principles of Central Clearing Institutions.

TABLE OF CONTENTS

ARTICLE 1- Purpose	3
ARTICLE 2- Scope	3
ARTICLE 3- Basis	3
ARTICLE 4- Definitions and Abbreviations	3
ARTICLE 5- Defining and identifying the potential conflicts of interest	3
ARTICLE 6- Preventing and managing the conflicts of interest	4
ARTICLE 7- Things need to be done when there is a conflict of interest	6
ARTICLE 8-Reporting	6
ARTICLE 9- Enforcement	6
ARTICLE 10- Execution.....	6

TAKASBANK DIRECTIVE ON CONFLICT OF INTEREST POLICY

ARTICLE 1- Purpose

- (1) The purpose of this Directive is to stipulate the principles and procedures for Takasbank's "Conflict of Interest Policy".
- (2) This Directive does not constitute an integral part of any agreement signed by the Bank with its current or potential customers and cannot be construed in a manner to create any contractual right for these people. This Directive is not intended to create any non-prevalent contractual right for third parties nor to impose any contractual obligation on them.

ARTICLE 2- Scope

- (1) This Directive covers all departments and employees including the Board of Directors of the Bank.

ARTICLE 3- Basis

- (1) This Directive has been prepared based on the Capital Markets Law No. 6362, General Regulation on The Establishment and Operating Principles of Central Clearing Institutions, III-39.1 Communiqué on Principles of Establishment and Activities of Investment Firms, III-37.1 Communiqué on Principles Regarding Investment Services, Activities and Ancillary Services and III-56.1 Communiqué on Portfolio Depository Service and Providers of Such Service.

ARTICLE 4- Definitions and Abbreviations

- (1) The following terms used in this Directive shall have the following meanings,
 - a) **Bank (Takasbank):** Istanbul Settlement and Custody Bank Inc.
 - b) **Conflict of Interest:** Any type of interest measurable or non-measurable in terms of money, which affects or may affect the members of the Board of Directors' and the employees' impartial fulfillment of their duties and the state of having any personal interest thereof.
 - c) **General Manager:** The General Manager of the Bank.
 - d) **Related Party:** The Bank's shareholders, members of the Board of Directors, managers, employees, and the natural and/or legal person(s) from which any service is received.
 - e) **Customer:** Any natural and/or legal person(s) receiving service from the Bank.
 - f) **Member:** The entity and institutions being a member to Takasbank.
 - g) **Directive:** Takasbank Directive on Conflict of Interest Policy.
 - h) **Board of Directors:** The Board of Directors of the Bank.

ARTICLE 5- Defining and identifying the potential conflicts of interest

- (1) In order to identify any potential situation which would be contrary to the interests of the customers and the members, the situations of the Bank, its shareholders, members of the Board of Directors, managers, personnel and of the parties directly or indirectly related to them, in which they:
 - a) earn any financial gain or escape from any financial loss to the detriment of the customer and the member,

- b) Obtain any benefit from the service and activity provided to the customer and the member although the customer and the member have no interest,
- c) Earn any financial gain aside from the standard fee and commission from another person except for the customer and the member as a result of the service and activity provided to the customer and the member,

shall be considered as minimum criteria.

- (2) Central counterparty and central clearing activities, the investment services and activities and ancillary services provided by the Bank and out of which conflicts of interest may arise include but are not limited to those listed below:
- a) Custody of the capital market instruments on behalf of the customer/member and the portfolio depository service.
 - b) Credit services.
 - c) Activities for the markets being underwritten.
 - d) Fund management activities.
 - e) Services as part of the central counterparty activities.
 - f) Tapu Takas service.
 - g) Vehicle settlement system.
 - h) Gold ve gold backed transfer services.
 - i) Central clearing activities.
 - j) Title deed clearing services.

ARTICLE 6- Preventing and managing the conflicts of interest

- (1) The measures adopted to prevent potential conflicts of interest and the procedures and organizational arrangements to be applied in case of failure to do so are given under this section. As per this Directive, the potential conflicts of interest are intended to be handled by the Bank in a fair and prompt manner.
- (2) **General principles**
- a) The Bank deals with all customers and members in a fair and equitable manner.
 - b) The Bank makes the necessary notifications to its customers and members about the services it provides.
 - c) The Bank makes the appropriateness of its systems and controls subject to periodic reviews.
- (3) **Managing the information flow**
- a) The Bank is obliged to protect the secrecy of the customer and member information and can only share the confidential information to be able to sustain the relevant activity/provide the relevant service and to the extent it is required under the legal obligation. To that end, the security of customer and member information obtained as part of the investment services and activities and ancillary services shall also be ensured against other service units.
 - b) To ensure security of the customer and member information in accordance with the applicable legislation, the Bank establishes an Information Security Management System by taking account of the international standards and the relevant legislation in order to appropriately protect the confidentiality of this information, ensure its integrity as well as its accessibility only by the authorized people when needed. The Bank uses organizational set-ups along with the policies, standards and processes to ensure the information security as well as infrastructures and systems in order for the physical and logical security controls to be performed.

- c) The Bank ensures that the customer/member and transaction information are hold particularly in the data processing systems, in the reporting flow and by the personnel in a manner not to cause any conflict of interest, reflects this principle to its internal regulations and makes the efficiency of the system subject to periodic controls. The divisions have been positioned sufficiently independent from each other to serve this purpose.

(4) Obligations of the Bank personnel

- 1) The Bank creates its own internal regulations to enable its personnel to avoid conflicts of interest and, when they fail to do so, to notify the Bank authorities and conform to the decisions of the Bank in managing the conflict of interest, raises the awareness of its personnel on these regulations, and makes the efficiency of the system subject to periodic controls.
- 2) The Bank personnel is, at all times, under the obligation to serve the Bank with loyalty and monitor the Bank's internal regulations and the provisions of the legislation.
- 3) The Bank personnel is obliged to avoid any conflicts of interest that may arise during their activities, not allow any intervention which might affect their honesty and impartiality, and provide fair and objective service to the customers and members receiving the same service.
- 4) In performing their duties, the Bank personnel is obliged to act in accordance with the provisions of the applicable legislation and the Bank's Ethical Principles and comply with the arrangements stipulated in Takasbank Personnel Directive.
- 5) The Bank personnel is obliged to inform the customers and members in an accurate and impartial manner about the products and services provided to them.
- 6) The Bank personnel is obliged not to derive any personal interest to themselves or to others by using their duties and capacities, by benefiting from their own business environment as well as from the opportunities of the customers and members.
- 7) The Bank personnel is obliged not to disclose the secrets of the customers and members they learned by virtue of their duties and capacities to anyone other than the authorities expressly authorized in this regard by law.
- 8) In order to prevent the conflicts of interest between its personnel and its customer and members, the Bank has informed its personnel on this subject. In case of any conflict of interest, the personnel of the relevant department is obliged to comply with the orders and instructions given in the prevention and management of the conflict, and they are under the supervision of the Bank if they fail to fulfill their obligations.
- 9) In order to avoid any conflict of interest, the Bank is obliged to show the necessary care and diligence in the operations it performs in relation to the assignment and promotion of its personnel and similar matters and check that they act in compliance with the orders and instructions given on these issues.
- 10) The remuneration to be given to the Bank personnel at all levels must be compatible with the Bank's ethical principles, internal balances and strategic objectives. The premium payments are determined, without guaranteeing their amounts in advance, in a manner to have a favorable effect on the corporate values of the Bank and on the basis of objective conditions.
- 11) The Bank is obliged to take the necessary measures to ensure that the place of duty of its personnel shall be independently set in a manner to not cause any conflict of interest. In order for the conflicts of interest to be fairly handled, the control mechanisms shall be operated, if necessary, to enable the personnel to be checked in a separate manner.

12) The Bank avoids any conflict of interest by considering the issues in the Procurement Regulation when purchasing the good and services.

(5) Measures and procedures for the related parties

a) Utmost care is shown to ensure that the related parties cannot be involved in the decision-making processes / participated in their management which may give rise to conflicts of interest.

(6) Procedures to be followed in case of failure to prevent conflicts of interest

a) If a conflict of interest does not fall into the authority and competence of the department in question, the resolution of conflict shall be ensured by escalating it to the upper level being associated.

b) In addition to this Directive, the internal and external legislations shall also provide guidance for any conflict of interest that may arise.

c) Compliance with the procedures and directives are audited by the Internal Control and Compliance Department and the Internal Audit Department of the Bank to mitigate the conflict of interest risk that might be posed by the personnel.

ARTICLE 7- Things need to be done when there is a conflict of interest

(1) The Bank shall inform the relevant customer and member of any material conflict of interest within the scope of services it provides.

(2) The Bank shall take the necessary measures and/or may ask them to be taken for the content and reasons of the conflicts of interest that may arise in the event the conflict of interest is failed to be prevented or managed due to reasonable reasons.

ARTICLE 8- Reporting

(1) The actual or potential conflicts of interest shall be reported by the personnel detecting it to the manager he/she reports to and the Internal Audit Department.

(2) Depending on the reporting to be made, the Internal Audit Department shall make the necessary investigations and informs the senior management. The Senior Management shall take action if it deems it necessary.

ARTICLE 9- Enforcement

(1) The Directive shall enter into force upon approval by the Board of Directors of the Bank.

ARTICLE 10- Execution

(1) The provisions of this Directive shall be executed by the Board of Directors.