

## **REGULATION**

**From the Capital Markets Board:**

### **ISTANBUL SETTLEMENT AND CUSTODY BANK INCORPORATION**

#### **CENTRAL COUNTERPARTY REGULATION**

### **CHAPTER ONE**

#### **Initial Provisions and General Principles**

##### **Purpose**

**ARTICLE 1** – (1) The purpose of this Regulation is to regulate the procedures and principles related to the central counterparty practice whereby the Istanbul Settlement and Custody Bank Incorporation undertakes to complete the clearing and settlement service by acting as a seller against the buyer and as a buyer against the seller with regard to the markets or capital market instruments if deemed as appropriate by the Capital Market Board.

##### **Scope**

**ARTICLE 2** – (1) This Regulation determines the procedures and principles related to the membership, members' liabilities, collaterals, guarantee fund, default management, capital, internal audit and risk management systems as well as the fees in central counterparty services provided by the Istanbul Settlement and Custody Bank Incorporation related to the markets or capital market instruments regulated by the Capital Market Law numbered 6362.

##### **Basis**

**ARTICLE 3** – (1) This Regulation has been prepared on the basis of Article 77 and 78 of the Capital Market Law dated 6/12/2012 and numbered 6362.

##### **Definitions and Abbreviations**

**ARTICLE 4** – (1) The terms used in this Regulation shall bear the following meanings:

- a) Open offer method: The method, where Takasbank interposes itself between market participants becoming buyer against the seller and seller against the buyer at the time a trade is executed.
- b) BRSA: Banking Regulation and Supervision Agency,
- c) Capital determined according to the BRSA legislation: Capital amount determined by adding the capital amount required by the banks to maintain the standard capital adequacy ratio in accordance with the Banking Law dated 19/11/2005 and numbered 5411 and the supplementary capital amount required by Takasbank which is determined through BRSA's evaluation of Takasbank internal capital adequacy assessment system.
- ç) Exchange: Systems and market places authorized in accordance with the Capital Market Law numbered 6362 and dated 6/12/2012 and established in the form of joint stock corporations that are operated and/or managed by themselves or a market operator to ensure smooth and secure trading of capital market instruments, foreign exchange, precious metals and precious stones and other contracts, documents and assets deemed appropriate by the Board under free competition conditions and to determine and declare the

prices formed, which operate on a regular basis to bring together buy and sale orders so as to execute them or to facilitate bringing together of such orders,

d) Gross margining : Margin that CCP members are required to deposit on behalf of their customers corresponding to the aggregated amount of the margin obligations calculated separately for each customer without netting of the customer positions against each other,

e) Multiple position account: The accounts, which are opened with Takasbank on behalf 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 case, the positions pertaining to the CCP member itself and the positions pertaining to the customers are segregated,

f) Guarantee Fund [Default fund]: The fund(s) established by the contributions, other than collaterals, of CCP members, which is held with Takasbank and shall be utilized when clearing and settlement obligations arising from capital market instruments or the markets where CCP service is provided are not fulfilled.

g) General Manager: General Manager of Istanbul Settlement and Custody Bank Inc.,

ğ) General Regulation: General Regulation on the Establishment and Operating Principles of the Central Clearing and Settlement Institutions published in the Official Gazette dated 30/5/2013 and numbered 28662,

h) Trading Institution [Non-clearing member]: The institutions that trade on the markets or capital market instruments where Takasbank provides CCP service, but executing the fulfillment of settlement obligations arising from aforementioned transactions through intermediation of a general CCP member,

ı) Law: Capital Market Law dated 06/12/2012 and numbered 6362,

i) Covered Risk: The risks that Takasbank is exposed to, arising from services that Takasbank provides as a CCP, but which are safeguarded through collaterals, guarantee fund and amount allocated from Takasbank's capital.

j) Board: Capital Markets Board,

k) Central counterparty service: Service, that Takasbank commits to complete clearing and settlement for markets and capital market instruments deemed appropriate by the Board through open offer, novation or another legally binding method by acting as buyer against seller and seller against buyer.

l) Central Clearing and Settlement Regulation: Istanbul Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation published in the Official Gazette numbered 28711 dated 18/7/2013,

m) CRA: The Central Registry Agency Incorporation,

n) CCP: Central counterparty,

o) CCP member [Clearing member]: The institutions which are deemed appropriate by Takasbank to be a party to the rights and obligations arising from the transactions executed on the markets or capital market instruments for which the CCP service is provided, and to the fulfillment of these rights and obligations,

ö) Net margining: Margin, which the CCP members have to deposit on behalf of their customers for the customer positions being equal to the margin requirements calculated after the customer's positions have been netted against each other,

p) Market: Places authorized by the Board for Takasbank to provide CCP service,

- r) Market Directive: The regulations approved by the Board of Directors for the markets and capital market instruments to which CCP services are to be provided under this Regulation, and that are approved by the Board and published in the internet site of Takasbank,
- s) Market operator: The joint stock corporations operating the exchanges or the markets under exchanges as well as institutions that manage and/or operate the exchanges being active abroad and any organized market places and over-the-counter markets,
- ş) Portfolio-based margining: Calculation of margin amounts to be received by Takasbank from the CCP members, by taking into consideration the risk-mitigating effects of the correlations between the assets on the same account,
- t) Procedure: The regulations prepared by taking into consideration the general framework determined in this Regulation and the market directives, which comprise the rules, procedures and principles related to the operation and practices of the CCP activity, which are approved by the General Manager and presented to the information of the Board of Directors during the first subsequent meeting of the Board of Directors.
- u) Capital market instruments: Securities and derivative instruments as well as other capital market instruments including investment contracts determined by the Board to be within the scope of this Regulation,
- ü) Novation method: The cancellation of the contract having been made by and between the parties in transactions realized on the market or the capital market instruments to which the CCP service is provided, in the framework of the principles determined in the market directives, and in any case prior to the finalization of the clearing and settlement, and the renewal of contracts by Takasbank with the parties separately,
- v) Clearing and settlement: All of the processes regarding the transactions executed in the market that enable transfer of cash and/or assets between the parties upon fulfillment of the obligations by the CCP members determined in this Regulation, within the deadlines and on the terms and conditions set forth by Takasbank by taking the opinion of the market operator,
- y) Takasbank: Istanbul Settlement and Custody Bank Inc.,
- z) Single position account: The accounts opened with Takasbank on behalf of the CCP members, where the positions pertaining to a single customer of the members or pertaining to the members' own portfolios are monitored as sub-accounts,
- aa) Collateral accounts: The accounts opened with Takasbank on behalf of the CCP members, where the collaterals related to the members' own portfolios or of their customers' positions are monitored.
- bb) Other organized market places: Alternative trading systems, multilateral trading facilities and other organized markets that bring together the buyers and sellers of the capital market instruments outside of exchanges, that act as intermediary for the buy and sales of these instruments and that develop and operate the systems and platforms for such transactions, cc) Board of Directors: the Board of Directors of Takasbank.

### **General principles**

**ARTICLE 5** – (1) The services provided and the liabilities determined within the scope of this Regulation are for CCP members and, in case it is expressly stated, for trading institution.

(2) Takasbank cannot be held liable for any obligations of the CCP members and trading institution towards their customers, in any market or capital market instruments to which Takasbank provides CCP service in accordance with the arrangements stipulated in this Regulation.

(3) Takasbank may provide CCP service in markets or capital market instruments for which the Board compels CCP practice, as well as in markets or capital market instruments where the initiation of the CCP practice is deemed appropriate by the Board upon the request of the exchanges or the other organized market places.

(4) Takasbank may abstain from being a CCP, on the basis of CCP member or transaction, in the framework of the terms and conditions determined in the market directives, but limited with derivative instrument transactions executed outside organized markets and with the cases where the limits determined in the market directives are exceeded.

(5) Any subject matters not determined in this Regulation, which are related to the usage, operation and margining methods of single-position and multiple-position accounts as well as collateral accounts in markets or capital market instruments to which Takasbank provides service as CCP, and related to any special issues regarding markets operated by Takasbank shall be determined in the relevant market directives.

(6) While the CCP service is provided by Takasbank in transactions executed on the exchanges or other organized market places, the open offer method shall be used. It is not compulsory that Takasbank, who assumes the duty of CCP by interposing itself among the parties upon the matching of orders related to the transactions on the market or capital market instruments, where the open offer method is used, executes a separate contract for each transaction with each of the parties to the transaction.

(7) Provided that it is determined in the market directives, it is possible for Takasbank to use novation method or a different legally binding method other than the open offer method, on the markets or capital market instruments to which the CCP service is provided.

(8) In case Takasbank provides CCP service in the OTC markets or OTC capital market instruments; procedures regarding the exact moment of the transaction when Takasbank shall interpose itself among the parties in order to assume the duty of the CCP, shall be determined in the relevant market directives.

(9) The Board may request Takasbank to regulate the procedures deemed to be required to be included in the directives by means of procedures. Takasbank fulfills the Board's requests of amendments in CCP regulations.

(10) In any matters not expressly regulated by this Regulation, the capital market legislation and the other relevant legislation, Takasbank takes into consideration the international principles and regulations related to the CCP practice as approved by the Board.

## **CHAPTER TWO**

### **Principles related to CCP Members**

#### **CCP membership**

**ARTICLE 6** – (1) Any institution ensuring the conditions determined in article 7 may be a party to the CCP services as a CCP member on the basis of market or capital market instruments, provided that they are authorized by the Board of Directors.

### **Conditions of the CCP membership,**

**ARTICLE 7** – (1) Takasbank shall determine and assess the compliance with the CCP membership conditions and at minimum the following conditions have to be ensured for the membership:

- a) being a member of Takasbank pursuant to the provisions of the Central Clearing and Settlement Regulation,
- b) the authorization of trading should not have been cancelled due to any contradictions to the regulation related to the market or capital market instruments to which clearing and settlement or CCP service is provided by Takasbank,
- c) the agreement and/or undertakings related to the CCP service, the contents of which is determined by Takasbank, has to be signed and submitted to Takasbank,
- ç) the information technologies, risk management, internal control and internal audit systems required to ensure the sustainability of the CCP service has to be developed and made operative,
- d) possessing the minimum equity capital to be determined on the basis of the market or capital market instruments by Takasbank in order to be able to become a party to the CCP services,
- e) the financial strength being at a level capable of fulfilling the CCP service commitments to Takasbank related to the market or capital market instruments of which CCP services are provided,
- f) the additional conditions which may be foreseen according to the special properties of the markets or capital market instruments to which the CCP service shall be rendered, have to be provided,
- g) the other information and documents to be requested by Takasbank have to be submitted.

(2) In the market directives, any conditions supplementary to those stated in this article may be stipulated for the CCP membership.

### **Types of CCP membership**

**ARTICLE 8** – (1) CCP members are divided into two groups: direct CCP members [direct clearing members] and general CCP members [general clearing members].

(2) The acceptance to the CCP membership and the determination of the membership type shall be made by Takasbank by taking into consideration the relevant institution's equity capital amount as well as the internal credit rating, financial analysis and information gathered by Takasbank, as well as the independent ratings, if any, and the adequacy of their internal systems and informational technologies. The criteria used in determining the types of CCP membership are regulated in the relevant market directives.

(3) The Board of Directors is authorized to establish any CCP membership types different from those determined in this article on the basis of the market or capital market instruments upon the approval of the Board.

### **Direct CCP membership [Direct clearing membership]**

**ARTICLE 9** – (1) Direct CCP members are only authorized to perform their own and/or their customers clearing and settlement transactions.

## **General CCP membership [General clearing membership]**

**ARTICLE 10** – (1) General CCP members are both authorized to perform their own and/or their customers' clearing and settlement transactions as well as the clearing and settlement transactions of trading institutions.

(2) The general CCP member executing the clearing and settlement transactions of an trading institution shall undertake, by means of an agreement and/or letter of undertaking to be signed by the member, to unconditionally fulfill the obligations related to the transactions, which are realized by the relevant trading institution through the member, toward Takasbank. The general CCP member executing the clearing and settlement as well as the relevant trading institution whose clearing and settlement transactions the member has realized, shall be jointly and severally liable for the obligations arising for Takasbank due to the transactions realized through the relevant general CCP member for the trading institution itself or its customers.

(3) A general CCP member is in charge of following up whether or not the trading institutions, whose clearing and settlement transactions the member has realized, fulfill the obligations set forth in article 16, and taking the necessary measures in case it is understood that the obligations have not been fulfilled and, in case it is determined that the obligations have still not been fulfilled despite the measures, acting in accordance with the provisions in the third clause of the same article.

(4) The responsibility of the general CCP member as expressed in the third clause of this article is revoked under the condition that all rights, liabilities and accounts of the relevant trading institution toward Takasbank due to the transactions executed on the market or capital market instruments to which the CCP service is provided, are transferred or discharged to another general CCP member.

## **Transition between CCP membership types**

**ARTICLE 11** – (1) The membership types of the general and direct CCP memberships may be changed by observing their compliances with the conditions determined by Takasbank. In this scope, a direct CCP member may later be acknowledged as a general CCP member, and vice versa, a general CCP member may be acknowledged as a direct CCP member later on.

(2) A direct CCP member may become a general CCP member by applying to Takasbank and by being assessed as appropriate by the Board of Directors.

(3) A general CCP member may be acknowledged as a direct CCP member, upon the decision of the Board of Directors, by Takasbank ex officio or upon the member's application, in case the conditions determined in the market directives have occurred. In these cases, it is compulsory that the transfer or settlement of all rights, obligations and accounts related to the trading institutions are completed.

(4) In case of any transition between the CCP membership types, the relevant market operator shall be informed within the business day following the adoption of the Board of Directors' decision related to the said transition.

## **General liabilities of the CCP members**

**ARTICLE 12** – (1) The supervision and auditing obligation related to whether or not the CCP members have performed their liabilities shall be assumed by Takasbank and the CCP members have to comply with the below mentioned issues:

a) Acting in conformity with all principles and rules determined related to the CCP service by this Regulation and other relevant legislation,

b) Taking all necessary measures in order to ensure the sustainability of the internal control, risk management and internal audit mechanisms required to be able to be a party to the said service, in the market or capital market instruments to which the CCP service is provided,

c) In cases where the member accounts as well as their associated sub-accounts held with Takasbank have to be transferred, if the CCP member who is supposed to take them over has been determined beforehand, information related to the said matter have to be given in the framework agreements signed with their customers,

ç) In markets or capital market instruments where the multiple-position account is used in the framework of the second clause of article 25, in case it is requested by the customer, taking all measures required to ensure that the customers' position and their associated collaterals are monitored by the single-position account as well as the collateral accounts opened with Takasbank on behalf of the customer and ensuring the opening of accounts and their following up,

d) Acting in accordance with all principles and rules stipulated in the Law and other relevant legislation related to the monitoring and custody of the customer's assets and collaterals,

e) In transactions related to markets or capital market instruments to which CCP service is provided, in case any collaterals to be entrusted to Takasbank include collaterals pertaining to customers, the fulfillment of the tasks and transactions determined in this Regulation and the relevant market directives,

f) In the framework of the CCP service, fulfillment of dues, fees, commissions and other obligations, requested by Takasbank, in due time,

g) Establishing continuous confirmation between the single or multiple position accounts available with Takasbank as well as among the records related to customer position and collaterals available, ğ) Ensuring full and accurate information is provided to their customers with regard to the structure of the accounts where the collaterals are monitored and the scope of segregation ensured by Takasbank as well as the authorization of the CCP member to dispose the collateral accounts opened with Takasbank and the fact that this authorization has just been restricted by Takasbank to the relevant collateral amount limited with the initial margin,

h) Depositing their customers' collaterals to the relevant collateral accounts with Takasbank,

ı) In case it is foreseen by Takasbank, complying with the arrangements for providing insurances of general and specific nature, which assure the financial and legal responsibility that may arise toward the other CCP members,

i) Submitting all kind of information and documents that shall be requested in the matters deemed necessary by Takasbank and the Board related to their works and transactions in the scope of this Regulation, and providing all kind of support in the reviews to be made by those nominated by Takasbank as well as the Board,

j) Fulfilling other liabilities within the scope of this Regulation accurately and in due time.

(2) The Board of Directors is authorized to introduce to the CCP members additional liabilities apart from those stated in this article related to the CCP service by means of the market directives.

(3) CCP members who deposit the collaterals of their customers to collateral accounts associated with multiple-position accounts without having any right of disposal on them, shall be liable toward their customers for all kind of losses arising due to the said deed.

(4) In case any CCP member foresees that it will be unable to partially or completely fulfill its obligations, the CCP member has to advise this circumstance urgently to the Board and the other relevant public institutions together with all substantiating information and documents containing its reasons. The said notification does not prevent Takasbank from taking the necessary measures determined in this Regulation and the relevant market directives.

#### **Notification obligation related to Members**

**ARTICLE 13** – (1) In case Takasbank foresees that any of their CCP members will be unable to partially or fully fulfill their obligations, Takasbank has to advise this circumstance urgently to the Board and the other relevant public institutions together with all substantiating information and documents containing its reasons. The foresaid notification does not prevent Takasbank from taking the necessary measures determined in this Regulation and the relevant market directives.

#### **Restriction of the operations of the CCP members**

**ARTICLE 14** – (1) The operations of the CCP members, whose operations have been restricted or suspended temporarily by the Board or the relevant public institutions, on the markets or capital market instruments to which the CCP service is provided, shall be restricted by Takasbank until any action to the contrary is advised to Takasbank by the Board or the relevant public institutions.

(2) In case Takasbank determines that the financial strength of any of the CCP members remains insufficient against the risks assumed, the Board of Directors may restrict the operations of the said CCP member on the basis of the markets or capital market instrument to which the CCP service is provided.

(3) The Board of Directors may implement, against the CCP member whose operations have been restricted, any one or more of the other measures included in the regulations related to measures such as the fulfillment of the pre-trade depository condition pursuant to article 23 of the Central Clearing and Settlement Regulation, the suspension of the CCP membership for a period not exceeding three months, gross margining or increasing the margins, allowing only risk-reducing transactions and preventing the opening of accounts.

(4) It is determined by the relevant market directives, in which of the measures expressed in the third clause of this article, the accounts kept on behalf of a CCP member have to be transferred to another CCP member.

(5) It is compulsory that the Board, the other relevant public institutions as well as the relevant market operator are urgently informed about the CCP member, whose operations in the relevant markets or capital market instruments have been restricted, and that no public disclosure is executed related to this matter without having obtained the approval of the Board as well as the other relevant public institutions. Whereas the realization of operations by the relevant CCP member in the market or capital market instruments depends on the decision of the competent bodies of the relevant market operators.

(6) The CCP member, whose operations in the relevant market or capital market instruments are restricted, shall be granted a time not exceeding six months by Takasbank, by taking into consideration the market rules and operating hours in order to ensure the removal of the insufficiencies in the issues being the subject of the operational restriction. In case one or more of the conditions having caused the restriction of the operations continue at the end of this time period, the Board of Directors shall be authorized to terminate the membership of the relevant CCP member in the framework of article 15 and to perform the necessary procedures in this framework.

## **Termination of the CCP membership**

**ARTICLE 15** – (1) The CCP membership may be terminated by the resolution of the Board of Directors, on the basis of the market or capital market instrument:

- a) if Takasbank determines that any of the preconditions for the CCP membership as determined in this Regulation and the other relevant legislation has been lost,
- b) if Takasbank determines that major risks which may endanger the safe and uninterrupted operation of the CCP system due to the failure of fulfilling the obligations stipulated in this Regulation or the other relevant legislation have occurred,
- c) if the CCP members, whose operations have been restricted in the framework of the provisions of article 14, second clause, have failed to fulfill their relevant liabilities within the period of maximum six months granted to them by the sixth clause of the same article, ç) if the CCP member itself requests its membership termination.

(2) Those who wish to terminate their CCP membership in the framework of the first clause, subclause (ç) of this article, shall notify this circumstance to Takasbank in writing. Insofar, the relevant member who wishes to terminate its CCP membership must have fulfilled all its liabilities in the framework of this Regulation and the other relevant legislation. In these cases, the Board of Directors may permit the termination of the CCP membership.

(3) When Takasbank terminates the membership of a CCP member, it shall take the opinion of the relevant market operator.

(4) In order to ensure the regular and continuous practice of the operations of trading institutions, whose clearing and settlement transactions are executed by those whose CCP membership has been terminated, Takasbank shall be authorized to take all necessary measures including also the transfer of the positions of the relevant trading institutions and their customers to another general CCP member.

(5) Even in case of the termination of the CCP membership, the liabilities of the relevant institution toward Takasbank with regard to the operations performed until the date of the Board of Directors resolution, related to the termination of the membership in the framework of this Regulation and the other relevant arrangements, shall continue.

(6) The Board, the other relevant public institutions as well as the relevant market operator has to be urgently notified about the member whose CCP membership in a market or capital market instrument is terminated.

## **Trading institutions [Non-clearing / Indirect clearing members]**

**ARTICLE 16** – (1) Trading institutions are in charge of providing the following issues:

- a) Monitoring the customer positions and collaterals available either with itself or with the CCP member, and complying with the arrangements in this Regulation and the relevant market directives related to the margining methods,
- b) Acting in accordance with all rules and principles included in the Law and the other relevant arrangements related to the monitoring and safe-keeping of customer assets and collaterals,
- c) Establishment of continuous reconciliation between the accounts of its own customers with the general CCP member to whom it is associated and the records of the customer positions and collaterals available with itself,

ç) Ensuring that its customers are completely and accurately informed with regard to the fact that the power of disposition on its own customers' collateral accounts opened with the general CCP member belongs to the relevant general CCP member and that this power is restricted by Takasbank just to the collateral amount limited with the required initial margin,

d) Submitting all kind of information and documents which shall be requested in the matters deemed necessary by the relevant general CCP member, Takasbank and the Board regarding their deals and transactions in the scope of this Regulation, and ensuring all kind of support in the reviews to be made by those notified by Takasbank as well as by the Board.

(2) When the relevant general CCP member determines that any trading institution has failed to completely or partially fulfill its liabilities stated in the first clause of this article, the circumstance shall be promptly communicated to Takasbank together with all information and documents substantiating that the said liabilities have not been fulfilled and all necessary measures shall be taken to ensure the removal of the relevant deviations.

(3) When the relevant trading institution fails to completely fulfill its liabilities despite all measures taken by the general CCP member, the positions and collaterals of the trading institution's customers shall be transferred to the relevant general CCP member, upon the request forwarded by the relevant CCP member to Takasbank within the framework of the contract between them. The trading institution shall advise the member taking over about the ownership information related to the transferred customer positions and collaterals. Takasbank shall advise the Board and the relevant public authority within 1 business day about the transfer procedure with the transfer reasons obtained from the relevant CCP member.

(4) The provisions in the other regulations concerning the trading institutions are reserved.

## **CHAPTER THREE**

### **Principles about Margins and Collaterals**

#### **General principles**

**ARTICLE 17** – (1) The collaterals received by Takasbank regarding the CCP operations may not be used except for purposes other than that for which they were deposited, they may not be pledged, attached even for public receivables, they are not affected by the liquidation resolutions of administrative authorities, they may not be included in bankruptcy estate and they may not be subject to cautionary injunction.

(2) In case the CCP members have entrusted either their own, their customers' or any third persons' assets as collateral to Takasbank, articles 988 to 991 of the Turkish Civil Code number 4721 dated 22/11/2001 shall also be applied to the property or limited real right acquisition on the book-entry capital market instruments subject to the collateral. The fact that the member doesn't have any power of disposition for any reason whatsoever on the assets subject to the collateral, shall not prevent the bona fide real right acquisition by Takasbank. Any remuneration or limited real right claims of third persons on assets subject to the collateral may not be brought forward against Takasbank.

(3) The rights and authorities of Takasbank on the assets which it has received as collateral regarding the operations it has fulfilled as CCP may not be limited in any manner whatsoever. Granting time for composition with creditors to any CCP member or the person constituting the collateral, the ratification of the composition with creditors, the composition following bankruptcy or entering the composition process by abandonment of the property holdings, reconstruction by compromise, the bankruptcy, postponement of bankruptcy or the other follow-up procedures in the framework of the Execution and Bankruptcy Act

number 2004 dated 9/6/1932, or the provisions of this Law related to gradual liquidation may not limit Takasbank's execution of its rights and powers on the said collaterals in any manner whatsoever.

### **Depository of Margins and Collaterals**

**ARTICLE 18** – (1) The CCP members have to deposit the collateral to the account(s) determined by Takasbank for the positions which they have obtained for themselves or their customers in the amount calculated in the framework of the methods determined by the relevant market directives and used by Takasbank.

(2) Collaterals related to customer positions monitored in the single-position accounts associated with the CCP member may be used exclusively in the obligations of the relevant customer.

(3) Margins consist of initial margin and variation margin. Initial margin is the collateral amount requested at the beginning in order to cover the risk, to which CCP may be exposed, in case of any possible future default, during the period from the date on which the default has occurred until the date on which the positions are settled. The variation margin denotes to the collateral amounts required due to the differences arising as a result of the valuation of the existing positions with the market prices.

(4) Margins for each market or capital market instrument, assets that may be accepted as collaterals, the composition of the collaterals, their valuation principles and collateral depositing periods as well as the other procedures and principles related to the other issues regarding the collaterals shall be determined by the market directives.

(5) The positions obtained by the CCP members shall not exceed the limits determined by Takasbank. However, under any necessary circumstances, Takasbank may allow the execution of trades, where the limits may be exceeded in certain market and capital market instruments by informing the relevant market operator. These operations and the procedures and principles related to the additional collaterals to be requested for these operations shall be determined in the relevant market directives.

(6) Takasbank may determine different margins on the basis of markets, capital market instruments or members to which it provides the CCP service, provided that these are not less than the rates or amounts approved by the Board and stipulated in the market directives.

(7) Markets where the capital market instrument or the capital market instruments are traded, confidence level of minimum 99% shall be used in the calculation of margins. Liquidation [holding] period as to be used in the calculation of the margins is a minimum of 2 business days. The historical data to be used in the volatility calculations, as far as they are available, comprise a minimum of 12 months.

### **Collateral Types**

**ARTICLE 19** – (1) The collaterals which may be submitted by the CCP members, who are supposed to become a party to the CCP transactions, to Takasbank are as follows:

- a) Cash (Turkish Lira/ Convertible currency),
- b) Government Debt Securities, ( issued in the local market )
- c) Shares [Stocks],
- ç) Letter of Guarantees,
- d) Investment Fund Units,

- e) Euro-Bond issued by the Undersecretariat of Treasury of the Republic of Turkey,
- f) Lease certificates issued by Asset Leasing Incorporation of the Undersecretariat of Treasury of the Republic of Turkey,
- g) Standard gold traded on the exchanges
- ğ) Mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities
- h) Electronic Warehouse Receipt (EWR)
- i) Government debt securities issued by G7 countries
- i) T.R. Commodity certificates issued by the General Directorate of Mint and Stamp Printing House, Ministry of Treasury and Finance.

(2) In determining the assets to be accepted as eligible collateral by Takasbank, assets with low credit, liquidity and market risks shall be given priority and shall be emphasized.

(3) In order to enable letters of guarantee to be accepted by Takasbank as collateral within the framework of the CCP service, they have to comprise the undertaking or reservation of prompt payment upon first request without any limitation.

#### **Monitoring and management of margins and collaterals received by Takasbank**

**ARTICLE 20** – (1) The collaterals received as well as the assets of the account holders are monitored separately from the assets of Takasbank.

(2) Takasbank shall apply one of the gross or net margining methods in the calculation of margins related to the positions in a market or capital market instrument. The method to be applied shall be determined by the relevant market directives on the basis of the markets or the capital market instruments.

(3) The customer collaterals deposited by the CCP members with Takasbank shall be linked to their relative position accounts and shall be monitored in the sub-accounts opened separately for each customer in the collateral accounts opened on behalf of the CCP members. It is acknowledged that any collateral exceeding the required amounts deposited on the accounts belongs to the relevant customer. This excessive amount – treated within the same framework principles as the other collaterals. If the market conditions do not allow the monitoring of the collaterals on individual basis, it is possible that the customer collaterals are commingled provided that the relevant conditions are determined by the market directives.

(4) The collaterals to be deposited to the collateral accounts that are linked with multiple-position accounts shall be provided from collaterals which belong to the member itself or on which the member holds power of disposition. It is assumed that the collaterals deposited by the CCP members to collateral accounts associated with multiple-position accounts by Takasbank, belong to the member.

(5) Takasbank may apply portfolio based margining on the basis of members or customers for one or more markets or capital market instruments in the framework of the relevant market directives. In order to enable portfolio based margining on the basis of member or customer between markets or capital market instruments associated with each other, the same margining method has to be applied and a single guarantee fund has to be established in the relevant market or capital market instruments. The effects resulting from correlations between assets in margin calculations may be taken into consideration as reduction in collaterals

to be requested, provided that the relevant correlations are deemed to be meaningful and reliable in statistical terms.

(6) Takasbank observes the level of sufficiency of margins in certain intervals throughout the day and makes amendments in the levels of margins, if necessary, by taking the market conditions into consideration.

### **Margin Call**

**ARTICLE 21** – (1) The relevant CCP member shall be responsible for the fulfillment of margin calls in the customer accounts associated to the CCP member.

(2) In the framework of this Regulation and the other relevant legislation, if the values of the positions and/or collaterals change as a result of marked to market of the accounts, or if the collaterals fall below the level specified in the relevant market directive for other reasons, Takasbank notifies margin call to the relevant CCP member.

(3) The margin calls are transmitted through an electronic system, the principles of which are specified by the market directives. In case Takasbank executes margin call through an electronic system, it is assumed that the CCP member has received the call without any need for further notice and notification. The responsibility of the CCP member starts at the moment when the margin call made by Takasbank reaches the member.

### **Investment of Collaterals**

**ARTICLE 22** – (1) Takasbank invests the amount of the Turkish Lira denominated cash collaterals kept on the accounts, which remains upon deduction of the part to be kept as statutory reserves, under the best effort basis. From the gross interest amounts obtained as a result of the investment, the tax and other legal liabilities as well as Takasbank commission fee shall be deducted.

(2) The procedures and rules related to the investment of the collaterals shall be arranged in the relevant market directives.

### **Collateral Contracts**

**ARTICLE 23** – (1) The collateral contracts regarding the capital market instruments monitored on book-entry form by the Central Registry Agency (CRA) shall be made in written form. The ownership of the capital market instruments subject to these collateral contracts may be transferred to Takasbank depending on the contract in accordance with legal procedures or may also remain with the collateral provider.

(2) The collaterals may be taken over by Takasbank by the transfer of title contract on the basis of the market or capital market instrument upon specification of the procedures and rules in the relevant market directives.

(3) In collateral contracts where the title is transferred to Takasbank, Takasbank shall hold the title of the capital market instruments subject to the collateral at the moment the collateral contract is established.

(4) In collateral contracts where the title of capital market instruments, which are received by Takasbank as collateral and monitored on book-entry form with the CRA, as well as the other collaterals, are not transferred to Takasbank; issues as to the scope within which the collaterals may be used, including the sale of the capital market instrument subject to the collateral, shall be specified by the contract executed by and between Takasbank and the CCP members provided that they are not contradictory to the provisions in the relevant market directives.

## **Rights arising from the capital market instruments subject to the collateral**

**ARTICLE 24** – (1) In principle, the rights arising from the capital market instruments subject to the collateral pertain to the collateral provider.

(2) In case the title of the collaterals is transferred to Takasbank within the framework of article 47 of the Law by means of the agreement made by and between Takasbank and its collateral provider CCP member, the rights arising from the relevant collaterals pertain to Takasbank. Provided that the relevant CCP member fulfills its obligations, the capital market instruments subject to the collateral shall be returned to the provider of the collateral together with all the yield as well as rights accrued in the period from the date they have been given to Takasbank as collateral until the date the CCP member has fulfilled its obligations.

## **Segregation of collaterals and positions**

**ARTICLE 25** – (1) On the markets or capital market instruments to which CCP service is provided, Takasbank monitors the customers' positions and collaterals in the accounts under the member, but segregated from the positions and collaterals of the member's own portfolio.

(2) In the markets or capital market instruments where multiple-position accounts can be used, upon the request of the CCP member, the customer positions and collaterals shall be monitored in the single-position accounts under the member opened with Takasbank and in the customer's collateral sub-accounts respectively. Takasbank may restrict the usage of single position accounts in other market or capital market instruments by specifying the principles in the relevant market directives, except for the markets where derivative instruments are traded.

(3) The customer collaterals monitored in the collateral accounts linked to the positions in the single position accounts may not be used to compensate for the collateral deficits occurring in the accounts of the CCP member itself or the accounts of the other customers.

(4) The positions and collaterals of the trading institutions are monitored in exclusively opened subaccounts associated to the general CCP members.

(5) The other procedures and principles related to the segregation to be applied to CCP services shall be specified by the relevant market directives by taking into consideration the specifications and riskiness of the market or capital market instruments.

## **Portability of collaterals and positions**

**ARTICLE 26** – (1) If approved by Takasbank, positions monitored in single-position or multiple position accounts and collaterals related to these positions may be ported between the CCP members by Takasbank upon the instruction of the transferor and transferee CCP members. In this case, the transferring CCP member shall obtain the written approval of the customers whose the positions and collaterals shall be transferred.

(2) The positions monitored in single-position accounts under the CCP member, whose operations related to its CCP membership are restricted or whose CCP membership has been decided to be terminated, as well as the collaterals related to these positions shall be ported to another CCP member. Porting shall be executed by Takasbank;

a) within the framework of the provisions regarding the pre-determination of the transferee, of the agreement signed by and between the relevant CCP member and Takasbank,

b) within the framework of the provisions in the agreement made by and between the CCP member supposed to transfer and the CCP member supposed to take over, until the date on which the transfer shall be realized, despite the fact that the CCP member, who is supposed to take over, has not been specified beforehand in the agreement signed by and between the relevant CCP member and Takasbank,

c) within the framework of Takasbank finding a new CCP member supposed to takeover, in cases where there has not been made any specification pursuant to the provisions of sub-clause (a) and (b) of this clause. However, the authority of withdrawal of the collaterals available in the accounts of the CCP member having taken-up the single-position accounts as well as the collaterals related to them, may be abolished until a confirmation is obtained between the records of Takasbank and the CCP member,

whose operations related to the transferred account have been restricted or whose membership has been terminated, and provisions related to prosecutions by judicial and administrative authorities are reserved.

(3) In case the operations of a CCP member in the relevant market or capital market instruments are restricted or its CCP membership is terminated, the amount of the collaterals that may be ported from the customer accounts associated to the CCP member or that may be returned shall be limited to the collateral amount which shall remain following the reflection of the variation margin amounts, arising after the default, into the accounts.

(4) In case a CCP member, supposed to take over the positions and collaterals, cannot be found or there isn't sufficient time to find a CCP member such as this, the operations related to the follow-up of the available accounts may be executed by Takasbank ex officio and it is also possible to close the accounts whenever necessary by means of specification in the market directives.

(5) In case the customers find, at any time, a CCP member who shall take over their positions and collaterals, it is also possible that the positions and collaterals of the relevant customers are ported by Takasbank to the sub-accounts of the CCP member who is supposed to take them up.

### **Return of the Collaterals**

**ARTICLE 27** – (1) Collateral shall be restituted in kind . In case it is not possible, the return shall be made in fungible form. Any collateral which cannot be returned either in non-fungible or in fungible form shall be returned based on their equivalents. All legal responsibility arising from the failure by the CCP member to take up the customer collaterals from Takasbank shall belong to the relevant CCP member, and therefore Takasbank shall not assume any responsibility.

(2) The collaterals of the relevant CCP member or its customers remaining after the porting or settlement of the collaterals and positions in the accounts associated to the CCP members, about whom the legal liquidation or administrative liquidation process has been initiated, shall be paid or delivered to the competent authority/authorities specified by the Law, by also taking into consideration the Board regulations.

## **CHAPTER FOUR**

### **Principles Related to the Guarantee Fund**

#### **General principles**

**ARTICLE 28** – (1) Takasbank shall establish a guarantee fund to be used for the part of the losses, exceeding the collaterals of the relevant CCP members, in case of the default of one or more of the CCP members in the market or capital market instruments to which the CCP service is provided.

(2) It is possible to set up a separate guarantee fund for each and/or collective guarantee fund for a part or all of the market or capital market instruments to which the CCP service is provided by Takasbank.

(3) The types of assets acceptable as contribution to the guarantee fund(s) by Takasbank shall be determined by the Board of Directors in accordance with the 19th article.

(4) The guarantee fund contributions of the other CCP members shall not be invoked unless, collaterals of the CCP members in default, the guarantee fund contributions as well as the dedicated own resources for the risks covered by Takasbank remain insufficient.

(5) The guarantee fund or funds should be in enough size so as to be able to protect Takasbank against cases of default that may arise under extraordinary market conditions. The size(s) of the guarantee fund(s) shall be determined in the relevant market directive by taking into consideration the market conditions, and shall not be less than the greater one of the resource need that shall arise in case of the default of the CCP member holding the biggest open position and the resource need that shall arise in case of the joint default of the CCP members, holding the open position of the second and third biggest size.

(6) A time period may be granted in the market directives for the guarantee funds that shall be established in the markets to which the CCP service shall be provided, to reach the size to be calculated pursuant to the fifth clause of this article. The size of the guarantee fund is updated and calculated by Takasbank in the periods specified in the market directives in the framework of the principles determined in the fifth clause of this article.

(7) The contributions to be deposited to the guarantee fund(s) by the CCP members should be covered from the assets in the CCP members' own properties.

## **Representation and management**

**ARTICLE 29** – (1) The guarantee fund(s) shall be represented and administered by Takasbank. Takasbank collects and manages the guarantee fund(s) contributions in accordance with this Regulation and the relevant market directives as well as the rules stipulated in the procedures. This management comprises the measurement and follow-up of the sufficiency of the guarantee fund(s) contributions collected by Takasbank as well as those additional guarantee fund(s) which it can collect, the assessment and measurement of the conformity and sufficiency of the method applied in the calculation. The assets in the guarantee fund(s) may not be used other than purpose of establishment.

## **Contributions to be deposited by the CCP members to the guarantee fund(s)**

**ARTICLE 30** – (1) The guarantee fund(s) contributions of the CCP members consist(s) of the deposited guarantee fund(s) contributions and the additional guarantee fund(s) contributions which shall be deposited upon request.

(2) The deposited guarantee fund(s) contributions consist(s) of fixed and variable guarantee fund(s) contributions. In case the deposited guarantee fund(s) contributions are used in the framework of this Regulation and/or decrease for other reasons, a call for completion is made. Making a change in this distinction or forming a new type of guarantee fund(s) contribution is possible provided that a provision related to the said matter is stated in the market directives.

(3) Whereas, in case the guarantee fund(s) remain insufficient in the framework of the issues stipulated in the 36th article, it is possible that Takasbank requests additional guarantee fund(s) contributions from the CCP members. In any case, the additional guarantee fund(s) contributions that may be requested from the

CCP members may not exceed the amount of the guarantee fund(s) contributions deposited on the basis of the CCP member for the relevant market or capital market instrument.

(4) Takasbank is authorized to specify a minimum amount by means of the relevant market directives for the contributions which the CCP members have deposited or shall deposit to the guarantee fund(s).

(5) The contributions to be paid to the guarantee fund(s) by the CCP members shall be proportional to the risks arising from the operations of the relevant CCP member.

(6) The implementation principles related to the guarantee fund(s), the determination of the amount and time of the payments related to the contributions to be made by the CCP members, the determination of the eligible assets to be accepted and the haircuts to be applied to these assets as well as the valuation, collection, management and use of the guarantee fund(s) shall be specified in the market directives.

### **Call for the guarantee fund contribution**

**ARTICLE 31** – (1) In case the guarantee fund(s) contributions fall below the level(s) calculated in the framework specified in the relevant market directives by Takasbank, due to the increase of the liabilities of the CCP members' guarantee fund(s) contributions and/or as a result of the change in the values of the assets in the guarantee fund(s) or due to any other reasons, Takasbank shall make a call for the completion of the guarantee fund(s) contributions.

(2) The relevant calls are transmitted through an electronic system, the principles of which are specified by the market directives. In case Takasbank executes call for the completion of the guarantee fund(s) contributions through an electronic system, it is assumed that the CCP member has received the called without any need for further notice and notification. The responsibility of the CCP member starts at the moment when Takasbank call for the completion of the guarantee fund(s) contribution reaches the member.

### **Investment of guarantee fund(s) contributions**

**ARTICLE 32** – (1) Takasbank invests the amount of the Turkish Lira denominated cash guarantee fund contributions, which remains upon deduction of the part to be kept as statutory reserves, under best effort basis. From the gross interest amounts obtained as a result of the investment, the tax and other legal liabilities as well as Takasbank commission fee shall be deducted.

(2) The procedures and rules related to the investment of the contributions in the guarantee fund(s) shall be regulated in the relevant market directives.

### **Principles of returning the guarantee fund(s) contributions in case of the CCP membership's termination**

**ARTICLE 33** – (1) The contribution(s) and all of its/their related yields and rights, except for the fixed guarantee fund contributions in the guarantee fund(s) of the institutions whose CCP membership has terminated within the framework of article 15, shall be returned to the relevant institution upon deduction of the taxes and other legal obligations payable, by taking into consideration the obligations arised due to the operations executed in the relevant markets and the payment obligations to which Takasbank may be exposed due to the defaults that may occur during the period from the date on which the Board of Directors has decided to terminate the CCP membership until the date on which the procedures related to the termination of the CCP membership are completed.

(2) The fixed guarantee fund contribution(s) of the institution, whose CCP membership has been terminated, shall be returned at the end of the period to be specified by the Board of Directors by taking into

consideration the maturity of all open positions in the market starting from the date on which the termination of the CCP membership has been resolved by the Board of Directors.

(3) The guarantee fund contribution(s) of the institution whose CCP membership is terminated shall be returned in kind. In case of resitution in kind is not possible, the return shall be made in fungible form. Any contributions which may not be returned either in non-fungible or fungible forms shall be returned based upon their equivalents. In case of equivalent returning, the prices on the date on which the contributions have been converted into cash by Takasbank shall be applied.

(4) In case there is any cash available within the guarantee fund contribution(s) of the institution whose CCP membership has been terminated, the payable taxes and other legal obligations shall be deducted from the amount, for which interest has been accumulated, and return is affected within the framework of the regulations of the Law and the Board.

## **CHAPTER FIVE**

### **Default Principles**

#### **General principles**

**ARTICLE 34** – (1) The financial liability of Takasbank as a CCP is to the extent of the amount resulting from Takasbank’s acting as the counterparty for each of the parties and providing guarantee for the transactions realized in the markets or capital market instruments.

(2) Default, which is expressed in this Regulation and in the relevant market directives and procedures, means that the CCP members have failed to fulfill their obligations to Takasbank in the markets or capital market instruments to which Takasbank provides the CCP service, completely and in the periods specified in this Regulation and the relevant market directives.

(3) The CCP service provided comprises the account opened with Takasbank in the scope of this service and operations realized through these accounts, and ends upon the finalization of the clearing and settlement of the relevant transactions.

(4) The provisions of article 36 related to the financial liability of Takasbank are reserved.

(5) With regards to any issues not stipulated in this Regulation or the relevant market directives, the provisions in the third and fourth chapters, regulating the principles of clearing and settlement and default, of the Central Clearing and Settlement Regulation, shall also be applied to the market or capital market instruments to which the CCP service is provided.

#### **Default of CCP members**

**ARTICLE 35** – (1) If a CCP member fails to fulfill completely and in due time its margin call for collaterals and guarantee fund contributions, delivery or payment, which have been specified for each market or capital market instrument, as well as the delivery or payment obligations related to the transactions executed by the member, the member shall be deemed to have defaulted without the need for any further notification.

(2) Until the default situation of the defaulted member is ended, the defaulter CCP member may be restricted from withdrawing any collateral from the accounts under itself with Takasbank, on the basis of the relevant market or capital market instruments or all markets to which the clearing and settlement service is provided.

(3) The defaulter CCP member shall be granted a time by Takasbank, as specified in the market directives, in order to be able to fulfill its obligations arising due to the default. In case the obligations are not fulfilled

at the end of this period, Takasbank shall be authorized to perform any transactions such as the closing of the positions ex officio and all kind of buy-in and sell-out, transfer and other transactions, including the suspension of the direct power of discretion of the CCP member to its accounts held with Takasbank, without the need for any other transaction in order to ensure the fulfillment of the obligations subject to the default.

(4) The defaulting CCP member is liable to pay default interest in the framework of the principles specified in the relevant market directives. If Takasbank has suffered any loss exceeding the default interest due to the failure of the fulfillment of the obligation partially or fully, this loss shall be compensated by the relevant CCP member.

(5) Takasbank holds the rights of settlement, deduction and retention on the assets as well as the other rights and claims of the CCP member in default.

(6) In case the CCP in short position is in default regarding its physical delivery obligation, it is principal that Takasbank delivers the relevant securities to the buying CCP member. In case it is not possible to fulfill the delivery obligation, the cash equivalent calculated within the framework of the procedures and principles specified in the relevant market directive shall be paid to the relevant CCP member.

(7) To the CCP member, who cannot receive its claims at the date of settlement despite having fulfilled its obligations, default interest shall be paid as well.

(8) The other procedures and principles related to the default of the CCP members, on the basis of each market or capital market instruments, shall be specified by the relevant market directives.

#### **Default management [Default waterfall]**

**ARTICLE 36** – (1) With regards to the usage of the collaterals, guarantee fund contributions and Takasbank resources to be referred to in case of the default of the CCP members, the following order of priority shall be complied with:

- a) Collaterals in the accounts of the defaulted CCP member itself or in the customer accounts under itself where a deficit of collateral occurs,
- b) The deposited guarantee fund contribution share of the defaulted CCP member,
- c) Compensations to be made from insurance policies, if any,
- ç) Dedicated own resources of Takasbank in the scope of article 39 for covered risks,
- d) Deposited guarantee fund contributions of the other CCP members,
- e) Additional guarantee fund contributions which may be requested from the CCP members,
- f) Commitment made from the remaining capital of Takasbank.

(2) The order specified in the first clause of this article is for the usage of the assets that may be applied to cover the losses which may arise due to default. In case of any default, Takasbank shall ensure the finalization of the clearing and settlement obligation by making also use of liabilities and borrowing facilities along with the resources stated above, within the limitations of the sixth clause of this article and its priorities related to the management of liquidity. In case there is any delay resulting from the liquidation of the collaterals, in the fulfillment of the clearing and settlement obligations by Takasbank, default interest

shall be payable to the entitled party. In case of the request or acceptance of the entitled party, it is possible to fulfill the clearing and settlement obligations by porting the collaterals based upon the market prices.

(3) In case separate guarantee funds are established by Takasbank for the market or capital market instruments, the prioritization made in the first clause of this article shall be applied separately for each guarantee fund. In this case, the capital assigned and committed from the Takasbank capital in the framework of the sub-clauses (ç) and (f) in the first clause of this article shall be allocated in the framework of the decision adopted by the Board of Directors pro rata to the sizes of the guarantee funds.

(4) The contributions in the guarantee funds established for the other markets, of the CCP member who is in default in any market, may be used for the member's obligations in the market, where it is defaulted, which will be effective subsequent to the sub-clause (d) of the first clause of this article and provided that there isn't any risk in the relevant markets or that all positions have been settled. The other assets of the CCP member in default, available with Takasbank, if provided that they are free, in addition to the member's collaterals and guarantee fund contributions may also be used in the finalization of the clearing and settlement of the obligations as well as liquidation for debt payment.

(5) Any parts of the collaterals and guarantee fund contributions of the defaulted CCP member in default, which have not been used yet, if any, as well as the resources to be provided from the follow-up of the relevant member shall be used initially for the debts obtained for the fulfillment of the CCP member's obligations, if any. If there is any part remaining from the resources to be provided from the follow-up of the CCP member after the liquidation of the debts, these resources shall be initially used for the return of the additional guarantee fund contributions taken before from the CCP members that have not defaulted, and then for the return of the deposited guarantee fund contributions of the CCP members that have not defaulted. The return shall be made on a pro rata basis. Takasbank shall not execute any payment or return to the defaulted party unless all primary and auxiliary obligations resulting from the default, including also the part covered from Takasbank capital.

(6) The amount of commitment to be made from the remaining capital of Takasbank within the framework of sub-clause (f) of the first clause in this article, is the difference between the capital determined according to the BRSA Regulation and the amount to be found by deducting the dedicated resources of Takasbank for covered risks in accordance with sub-clause (ç) of the first clause of this article from the equity amount calculated pursuant to the Regulation on Equity of Banks as published in the Official Gazette number 26333 dated 1/11/2006. The payments to be made by any partners or other persons and institutions in advance to be used in any probable capital increase of Takasbank, as well as any irrevocable capital and capital like resource commitments shall be added to this difference.

(7) Takasbank shall update and announce in its website the amount of capital which it shall assign and commit for the subsequent term within the framework of the sub-clauses (ç) and (f) of the first clause in this article, except for the additional equity that may be provided in the framework of the sixth sub-clause of this article, once a year until the first business day of the fourth month of the actual year at the latest.

### **Closing out, transfer and termination of positions**

**ARTICLE 37** – (1) In case of any default, Takasbank instructs the CCP member in default to close its positions. In case the relevant CCP member fails to close out its own positions and its operations have been restricted or it has been decided to terminate its CCP membership, Takasbank shall be authorized to close these positions ex officio.

(2) Takasbank may organize an auction for the purpose of transferring the positions of the CCP member in default.

(3) Takasbank is authorized to transfer the positions to any CCP members, who are not in default or to terminate the positions or to request the market operator to terminate the positions in case of the occurrence of any losses that may cause its remaining capital to be reduced to an amount under the capital amount specified according to the BRSA regulation and/or any party willing to take the reverse position cannot be found because of the loss of the market depth and liquidity. Positions shall be closed by cash settlement. While closing the positions by means of cash settlement, the prices for cash settlement is determined by taking into consideration the loss, which may be assumed by Takasbank in the framework of article 36, shall be used.

(4) Takasbank may perform transactions for hedging purposes throughout the period to pass until it has fulfilled its obligations arising from the positions of its CCP member in default, by methods such as auction, termination and transfer.

(5) The procedures and principles to be observed in the close out, transfer and termination of the CCP member's positions shall be determined by the relevant market directives as per the market or capital market instruments.

## **CHAPTER SIX**

### **Other Duties, Authorities and Responsibilities of Takasbank**

#### **Interoperability with the other CCP institutions**

**ARTICLE 38** – (1) In case it is deemed appropriate by the Board, Takasbank may work interoperable with CCP institutions domiciled domestically or abroad. Interoperability may be realized in the form of peer-to-peer comprising the mutual exchange of additional resources to be defined and collaterals pro rata to the risks under special conditions by Takasbank with one or more CCPs, or in the form of participant link comprising the operation of Takasbank as another CCP's member or the operation of another CCP as a member of Takasbank. For any CCP institution that becomes member to Takasbank by means of interoperability, a part of the membership conditions specified in this Regulation may not be asked for.

(2) The procedures and principles related to the interoperability with other CCP institutions shall be regulated by the Board.

#### **Dedicated resources for covered risks**

**ARTICLE 39** – (1) Takasbank shall dedicate 25% of the amount which is to be found upon addition of 75% of the previous year's operational expenses related to the CCP services for the business risk and restructuring costs to the minimum capital amount calculated within the framework of the banking regulation for risks subject to the legal capital adequacy, except for the covered risks. Dedicated resources shall be invested in highly liquid assets.

#### **Stress tests**

**ARTICLE 40** – (1) Takasbank shall confirm the adequacy of collaterals, guarantee fund contributions and capital by means of stress testing, and report it to the Board of Directors quarterly through internal system units and also notify the Board.

#### **Risk committee**

**ARTICLE 41** – (1) A Risk Committee may be established, the formation and operations of which shall be specified by the Board of Directors, in order to assess the CCP risks assumed by Takasbank. In order to

provide CCP services in the OTC derivative markets, it is compulsory that the Risk Committee has been established.

### **Liquidity risk management**

**ARTICLE 42** – (1) Takasbank is liable to regularly analyze and follow-up the liquidity requirements resulting from being a CCP, and to take the necessary measures in addition to the requirements of the banking regulation in, along with the liabilities foreseen by the banking regulation in the liquidity risk management.

(2) In the liquidity risk management, issues such as keeping sufficient liquid assets, the liquidation of collaterals with low costs and in a short time, having access to the commercial bank and Turkish Central Bank liquidity are taken into consideration as well.

### **Credit and concentration risk management**

**ARTICLE 43** – (1) Within the framework of credit and concentration risks management, Takasbank is liable to establish appropriate limits to restrict the credit risks which may result from the counterparties, and to determine concentration limits in order to ensure the diversity of collaterals in addition to the requirement of the banking regulation.

(2) The concentration limits are determined both as per those issuing the financial instruments subject to the collateral or those giving guarantees as well as considering the instruments that may be accepted as collateral. The risk limits specified for the counterparties should feature a scope as to limit both the total risk resulting from the counterparties as well as the transactions made with the same counter-party in different markets.

(3) Takasbank is appointed and authorized to periodically observe the limits specified, to establish and manage rating systems for the determination and follow-up of the creditworthiness of the CCP members.

### **Haircuts**

**ARTICLE 44** – (1) The valuation haircuts to be applied by Takasbank to the assets accepted as collateral and guarantee fund contributions are determined by taking into consideration their credit risk, maturity, volatility under extreme market conditions, liquidity and currency risk assessed by Takasbank, if any.

### **Model safety and back tests**

**ARTICLE 45** – (1) Takasbank has to examine the validity and reliability of the risk models which it uses in the management of the risks with which it shall be confronted due to its CCP operations, by means of regularly performed back tests.

### **Infrastructure of internal systems and information technologies**

**ARTICLE 46** – (1) It is compulsory that Takasbank establishes and maintains its internal control, risk management, internal audit systems and information technologies infrastructure such a level that can ensure Takasbank to carry on its operations in the scope of the CCP service in a regular manner.

(2) Takasbank is responsible for checking the reliability and sufficiency of the risk management and data processing infrastructures by means of internal audit units per semi-annual periods and to advise the results to the Board. The Board reserves the right to decide that this control is made more frequently and to request an independent audit to be made related to the issues stated in this article.

### **Insurance of clearing and settlement risks**

**ARTICLE 47** – (1) In case it is deemed necessary by Takasbank and the Board has given its approval, Takasbank is authorized to specify the principles related to the insurance of the risks which it has assumed due to the CCP service and to the sharing of the payable premium by the CCP members, in the relevant market procedures.

### **Measures to be taken in extraordinary conditions**

**ARTICLE 48** – (1) In case of the existence of extraordinary conditions, which Takasbank foresees to be capable of effecting adversely the operability and reliability of the markets, then Takasbank is authorized to determine and implement the measures to be taken related to the markets or capital market instruments to which the CCP service is provided. Takasbank shall inform the Board, the relevant market operators and the other competent authorities about the relevant measures and implementations.

(2) In the market or capital market instruments to which the CCP service is provided, Takasbank may take one or more of the following measures, without being limited to them, according to the nature of the extraordinary circumstance based on the first clause of this article:

- a) Changing trading and position limits,
- b) Changing risk calculation methods and parameters,
- c) Requesting additional collateral,
- ç) Changing the period and conditions of delivery, clearing and settlement as well as exercise of options,
- d) Requesting from the market operators the restriction of the order acceptance on the basis of CCP members or in general,
- e) Stopping or haircutting in variation margins,
- f) Restricting the withdrawal of collaterals temporarily for certain periods and amounts,
- g) Requesting the transfer of the positions, including the relevant collaterals, to another CCP member,
- ğ) Requesting the closing out of the positions.

(3) The purpose of the measures stipulated in the sub-clauses (a) and (ç) of the second clause in this article is to ensure the safety and continuity of the market or capital market instruments to which the CCP service is provided in case of the occurrence of any extreme condition on the markets, and the provisions related to the measures applicable in the review of information abuse and market fraud stated in article 101 of the Law are reserved.

(4) In case the procedures requested to be performed by Takasbank from the CCP members pursuant to this article are not realized within the specified period, the procedures stated in the sub-clauses (g) and (ğ) of the second clause are performed by Takasbank ex officio without the need for any further notification. The provisions in article 36 are reserved.

### **Termination of the activities related to the CCP service**

**ARTICLE 49** – (1) The activities of Takasbank related to the CCP service may be terminated by the Board fully or partially, temporarily or permanently, by taking into consideration the significance and nature of the deed in case of any action contrary to this Regulation and the other relevant legislation.

## CHAPTER SEVEN

### Fees and Other Provisions

#### Fees

**ARTICLE 50** – (1) The fees to be received by Takasbank for the services provided related to the markets or capital market instruments to which the CCP service is provided and times and forms of collection, within the scope of this Regulation, shall enter into force upon the proposal of the Board of Directors and the approval of the Board.

(2) The decision of the Board of Directors related to the fees and commissions submitted to the approval of the Board shall enter into force unless otherwise is notified by the Board within thirty days. In case the information and documents submitted by Takasbank during the application are incomplete or any additional information, documents and work is required, Takasbank shall be informed and requested to complete them with the time to be specified by the Board. In this case, the period of thirty days shall start from the date on which the said incomplete or additional information, documents and works are submitted to the Board.

#### Disciplinary provisions

**ARTICLE 51** – (1) The disciplinary provisions stated in the seventh part of the Central Clearing and Settlement Regulation shall be applied to CCP members not complying with the obligations specified in this Regulation.

#### Exemption and exceptions

**ARTICLE 52** – (1) The Central Bank of the Republic of Turkey is, upon its request, the statutory CCP member in the market or capital market instruments in which Takasbank operates as CCP, and is not subject to this Regulation and the provisions stated in the relevant market directives and procedures.

#### Trading in the markets where Takasbank provides CCP service

**ARTICLE 52/A- (Ek: RG-30/7/2022-31908)** (1) Takasbank is authorized to trade in the markets in which it operates as a central counterparty, subject to the conditions determined in the relevant market guidelines. In this case, Takasbank is exempt from the conditions in Article 7

#### Entry into force

**ARTICLE 53** – (1) This Regulation shall come into effect on the date it is published.

#### Execution

**ARTICLE 54** – (1) The provisions of this Regulation shall be executed by Takasbank's Board of Directors.

\*\*\* Translation for information purpose /Only the Turkish version is legally binding and terms used [ ] for to provide additional insight for the readers.