

ISTANBUL GOLD EXCHANGE

Precious Metals Lending Market

Precious Metals Lending Market was started its operations in Istanbul Gold Exchange on March 24,2000 for the purpose of bringing supply and demand into an organized market, lowering the production costs of the jewellery sector and securitization of gold.

Two different types of transactions are realized on Precious Metals Lending Market:

- Lending transactions for lending or borrowing physical precious metals
- Certificate transactions by trading of certificates representing lending transactions

Trading Rules of The Precious Metals Lending Market

After brokers of various members submit their orders by calling the exchange experts, these orders are entered into computer system. The system automatically matches the orders according to price and time priority. The telephone conversations between brokers and exchange experts are recorded to be used in case of disagreement.

The pending orders for different maturities which have the price and time priority are broadcasted simultaneously through information broadcast services. The amount and lending rate of the order may be seen in these services as well as cumulative data for trades.

The delivery type which may be cash settlement or physical delivery will be stated by the brokers while the orders are submitted. A serial number is given to the trades existed by the matching of orders according to rules. The data for each transaction is faxed to the counterparts after the execution. The objection period for these trades is 15 minutes.

The reports concerning all trades of members are faxed to the counterparts after the end of session.

Orders

The orders must include:

- The name of the member which submits order
- The kind of the order (separable / block)
- The type of the order (lending / borrowing)
- The price type
- The kind, amount and fineness of precious metal in the order
- The lending rate
- Maturity (end of maturity)
- The type of delivery (physical delivery or cash settlement)
- The number of order

The orders which are valid until the end of session can be cancelled or changed during the session.

Separable / Block Orders

While the amount stated in the order must be completely traded in Block Orders, it can be partly traded in Separable Orders. The amount of block orders must be at least 50 kgs.

Weighing Unit

- The weighing unit for the trades is kg.
- Price Types
- The price types used in payments are New Turkish Lira and US Dollar.
- Minimum Amount for Orders
- Minimum amount for the orders is 5 kgs. The amount can be increased by 1 kg.

Maturity

Although the maturity of the trade may be increased daily for the trades which have maturity up to one month, the maturity of the trade may be increased monthly for the trades which have maturity up to one year.

Cash Settlement

On trading day if the parties had selected cash settlement for delivery, at expiry the borrower will pay the liability in cash to the clearing bank for the benefit of the lender.

The Fineness of the Precious Metal

Standard or non standard precious metals can be traded in the market. But the delivery of the precious metals will be in the standard fineness which is determined by the Under-Secretariat of Treasury.

Remainder Payments

The remainder payments for the precious metal under 1 kg amount are charged by the currency stated in trade.

Weighted average price on the last trading day in Gold Market is used for the calculation of remainder payments.

Lending Rate Intervals

Lending rate interval for the orders is 0,0001 (one to ten thousandth). For example; % 5.02 or % 5.03.

Session

Session is non-stop between 11:00 a.m. and 4:30 p.m.

Clearing Day

The clearing date for lending transactions is the same day and for the certificate transactions it is the next day.

Commissions

A transaction fee of 0.0001 (one to ten thousandth) is charged separately to the lender and the borrower. Storage fee is also 0.0004 which is charged when the precious metal is withdrawn.

Default

Members which do not fulfil the conditions for conclusive lending and certificate transactions become defaulters.

In case of non payment by the defaulter, this amount is covered by the member's collateral deposited to the Exchange.

Collateral

The borrower can trade up to ninety percent (% 95) value of his collateral that he submitted to the Exchange.

The accepted collaterals for trading are;

- Cash
- Precious metals
- Foreign currencies
- Letter of credit
- Government Bills and Treasury Bonds

The Daily Valuation of Collaterals

The collaterals and the worth of trades are valued daily. If the worth of trade increases up to the % 98 percent value of collaterals , member is obliged to increase the collaterals by the Exchange.

Clearing

The clearing of the transactions in the market is carried out by the Clearing Department in co-ordination with a clearing bank determined by the Exchange.

Lender submits the required amount of precious metals to the Clearing Department of Exchange at the time of clearing.

Delivery

Borrower of the precious metal is responsible either to deliver the lender precious metal or to pay the required amount to the lender on the expiry date. The required amount may be precious metal or cash .

The debts and claims are notified to the counterparts two days before the expiry date for the maturities more than two days. If the cash settlement was agreed on trading day the borrower will pay the value of the precious metals multiplied by the weighted average price of the last trading day of precious metals market.

The borrower submits the required amount of precious metals to the Clearing Department at the time of settlement. In the case of cash settlement borrower will pay the amount of money for the precious metals to the Clearing Bank on the expiry date.

After the fulfilment of requirements the collaterals are released.

Precious Metal Lending Certificate and Certificate Transactions

The certificates showing the claims of the lenders are produced by the system to be given to the lender as per his demand.

The certificate value on the trading day is the discounted value of precious metal value on the expiry date.

The Contents of Certificates

The certificate must include followings:

- The Size of the Certificate: The certificates shows the value or quantity of the precious metals at the time of expiry.
- Maturity: The expiry date should be notified in the certificate.
- Type of Delivery: It must be stated in the certificate that the delivery will be physical or cash settlement at the time of expiry.
- Kind of Precious Metal: The underlying precious metal must also be notified in the certificate.

The Contents of Certificate Trading Orders

These are the following requirements which must be involved in the certificate trading orders:

- The name of the member which submits order
- The type of the order (buying or selling of certificate)
- The price or value of the order
- The serial number of certificate
- The price type.

Method of Trading Certificates

The owner of the certificate can sell the certificate before the expiry date. The buyer of this certificate has the claim of precious metal value at the time of expiry. The rates for the trading of certificates are determined in the market conditions. The buyer of the certificate can sell this certificate or wait for the expiry to get the amount of precious metal shown in the certificate.

Conduct of Trading

Orders of certificates in different maturities are traded according to price and time priority. While the best bid is the one with the lowest rate, the best offer is the one with the highest rate. The best orders have the price priority. The certificates are traded at the current value for the amount of precious metals stated in the certificate.

Clearing of Certificates

The clearing of the certificate transactions in the market is carried out by the Clearing Department in co-ordination with a clearing bank determined by the Exchange. The clearing date for the executed certificate trades is the next day.

Settlement of Certificate

The delivery of the precious metals or cash settlement has been fulfilled on the expiry date. The owner of the certificate has the right to get the pre-determined amount or value of the precious metal on the expiry date. The borrower must bring the pre-determined amount to the Clearing Department of Exchange or he must pay the pre-determined amount to the Clearing Bank.