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General Regulation Concerning the Foundation and Operation Principles of Precious Metals Exchange

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PART I PURPOSE AND SCOPE

Purpose

ARTICLE 1- The purpose of this regulation is to regulate the organization and operation of the Precious Metal Exchanges authorized to ensure that the purchase and sale of precious metal is realized in a safe and stable manner and under conditions of free competition and further to determine and announce the prices that emerge, on the basis of the provisions of Article 40/A of Code of Capital Markets, dated 28.7.1981, No.2499.

Scope

ARTICLE 2- This Regulation stipulates the principles of foundation, administration, operation, monitoring, and auditing of Precious Metal Exchanges operating in Turkey.

Definitions

ARTICLE 3- The meaning of certain terms which appear in this Regulation are as follows:

Minister and Ministry : The Minister and the Ministry to which the Under-Secretariat of Treasury is subordinated,

CMB: Capital Markets Board,

Precious Metals Brokerage Houses : The companies who trade for the account of and on behalf of themselves, for the account of and on behalf of third parties or on behalf of themselves but for account of third parties. The principles related to foundation and operation of these shall be governed by the Regulation issued under Article 5 of the present Regulation.

Exchange Regulation : The Exchange Regulation stipulating the principles of operation of Precious Metal Exchange, prepared by the board of directors pursuant to the principles of this Regulation, adopted by the general assembly and approved by CMB.

PART II PROVISIONS CONCERNING THE FOUNDATION AND THE ORGANS

Foundation

ARTICLE 4- Precious Metal Exchanges are public organs with corporate personality in charge of ensuring the purchase and sale of precious metals defined and standardized by the Under - Secretariat of Treasury within the framework of the principles prescribed by this Regulation and in the markets formed for the exchange, in an open and orderly manner and under conditions of

free competition and authorized to determine and announce the prices that emerge and perform other duties prescribed by this Regulation.

Members

ARTICLE 5- Corporate persons authorized to effect the transactions related to precious metals in the exchange are called exchange members.

Brokerage houses that get Precious Metals Exchange membership certificate are admitted as a member of the Exchange upon their application.

Requirements related to foundation and operation of brokerage houses trading in the Exchange and the principles for the issuance of certificate of membership shall be laid down by the Regulation issued by the Under - Secretariat of Treasury.

The kinds of activities in which the exchange members are authorized to engage and the rules they are obliged to comply with while carrying out such activities shall be determined by the Exchange regulation.

Organs

ARTICLE 6- Exchanges consist of the following organs; general assembly, board of directors, presidency of exchange and board of auditors.

SECTION I GENERAL ASSEMBLY

Composition

ARTICLE 7- The general assemblies of Exchanges consist of exchange members. General assembly is the supreme organ of the exchange.

Duties and Powers

ARTICLE 8- The general assembly is responsible for and authorized to,

- a) Approve the Exchange regulations and communiqués prepared by the board of directors,
- b) Determine the general policy of the Exchange and make decisions related to the management of the Exchange except for the cases where the board of directors are authorized to make such decisions,
- c) Examine and decide on the annual activity report and the audit report prepared by the board of directors,
- d) Examine and decide on the balance sheet and the revenues/expense details of the Exchange and approve the revenue details, permanent staff and the final account,
- e) Elect and discharge members of the board of directors; decide what is to be done for the members of the board of directors and the auditors who are not discharged and decide whether they will stay in office; elect the members of the committees required to be elected by the general assembly and discharge them from office when deemed necessary,
- f) Discuss and decide on other matters included in the agenda.

Invitation and Agenda

ARTICLE 9- General assembly convenes ordinarily on a date within the first three months of each year, to be determined by the board of directors. When so required, general assembly may also convene extraordinarily upon the invitation of the board of directors or board of auditing, if necessary, of CMB.

The agenda of the general assembly shall be prepared and announced by the board of directors. The agenda and invitation letters shall be sent by registered mail to the members of the general assembly and to persons who are prescribed to attend the general assembly without the right to vote.

Procedure for the General Assembly Meeting

ARTICLE 10- General assembly meeting shall be opened by the president of the Exchange. A chairman and two secretaries shall be elected for the presidential board by the general assembly. The meeting shall be presided by the chairman within the framework of the agenda.

The members may cast their votes in person or by proxy. No person can represent more than one member in the general assembly.

Counting and classification of the votes shall be made by the presidential board. The presiding board may appoint a committee charged with counting the votes when deemed necessary.

Before beginning the voting procedure, a list showing the names and surnames of the members or their proxies, the title and address of the member they represent, shall be prepared and signed by the chairman of the presiding board, and such a list shall be announced in a place easily visible by those attending the general assembly. This list shall be attached to the minutes of the general assembly along with other documents related to the general assembly meeting.

Representative of CMB may attend the general assembly meeting but may not vote.

Quorum

ARTICLE 11- The general assembly convenes with the attendance of the absolute majority of the full number of its members. When this quorum is not obtained in the first meeting, the general assembly shall be duly invited to convene again. Quorum for the second meeting shall be at least one fourth of the full number of members.

The order of the agenda may be changed by absolute majority of the full number of attendants. The quorum required to add new items to the agenda is two thirds of the full number of members.

The number of votes that are owned by members should be calculated in respect of the average that is founded by dividing their transaction volume, which recorded in the markets of the Exchange in last three years to total workdays. Ranking should be done based on a descending average starting from the member who has the highest average. The first ten members each have ten votes; from eleventh to twentieth each member has seven votes; from twenty-first to thirtieth each member have five votes; from thirty-first to fourth each member have three votes and after the fourth-first each member have one vote. The numbers of the votes should be calculated by the thirtieth day just before the general assembly meeting and announced at the Exchange Bulletin at least twenty days ago before the meeting. The number of the votes of the members whose membership has not been completed for three years period shall be calculated shall be calculated by their present membership period. In extraordinary general assembly meetings, members should cast vote just as their number of votes in common general assembly.

General assembly resolutions are taken by the majority of the votes of the members present in the general assembly. Voting shall be by raising hands in principle. But voting may be either in written form or by secret ballot as decided by the members participating in the general assembly.

Resolutions

ARTICLE 12- Resolutions taken in the general assembly, the results of the elections and speeches of the members shall be recorded in the minutes. The presidency of the Exchange shall assist the presidential board of the general assembly in preparation of the minutes.

The minutes of the general assembly shall be communicated to CMB on the first working day after the presidential board has signed them.

Resolutions of the general assembly shall go into effect 15 days after they have been served to CMB. In case CMB detects any violations of relevant laws and regulations in any of the resolutions of the general assembly, it shall summon an extraordinary general assembly meeting within that period and state the reasons thereof in the same summons.

Resolutions of the general assembly may be referred to the jurisdiction of the administrative courts upon their effective date.

SECTION II BOARD OF DIRECTORS

Composition

ARTICLE 13- The Exchange has a board of directors consisting of a president and four members.

Exchange president is a natural member and also chairman of the Board. Two members of the Board shall be elected by the ten members that have highest vote numbers at the general assembly and one of the remainder shall be elected by banks and securities brokerage houses and the last one shall be elected precious metal brokerage houses and currency offices. Each group shall elect their representative and reserve representative who will complete of the principal member's duty in case of necessity by secret ballot. Representatives and reserve representatives must be signing authority in their companies. In case of signing authority of a member eliminates for any reason, their board membership ends automatically. The member and his/her company have to inform the Board of Directors immediately. Otherwise regarding member and their company should be responsible that were late to inform the Board of Directors for possible damages.

Members of the Board of Directors shall be elected for a period of four years. One of the board members shall be reelected in common general assembly every year. Representatives of the same member can be elected at most consecutive two years. Same rule is valid for same people even they represent different members. The board of directors shall elect an acting president among its members at its first meeting. In case the board membership of a member ends for any reason before expiration of his term of office, the reserve member of the same group shall replace him/her until the completion of his/her term of office. If board membership of the reserve member ends for any reason before expiration of his term of office the Board of Directors shall elect a member to complete the office until the next general assembly.

Duties and Powers

ARTICLE 14- The board of directors is responsible for and authorized to,

- a) Issue all internal regulations related to the Exchange,
- b) Determine the principles on the basis of which the precious metals are to be traded in the Exchange,

- c) Ensure that the activities in the Exchange are carried out orderly, in accordance with the relevant rules laws and regulations,
- d) Apart from those constituted by the general assembly, constitute the committees prescribed by the regulations or those that shall be required, elect their members and determine the principles according to which they are to operate,
- e) Examine and settle the disputes that may arise during transactions in the Exchange,
- f) Publish the Exchange bulletin. Ensure that the information to be announced by the Exchange and the prices that are formed in the Exchange are published regularly,
- g) Prepare and issue statistics related to Exchange transactions,
- h) Prepare the budget of the Exchange and submit the same to the general assembly,
- i) Recruit the staff to be employed in the Exchange, prepare the final accounts and submit the same to the general assembly,
- j) Ensure that the revenue of the Exchange is collected and expenses are disbursed,
- k) Determine the persons to be authorized to sign on behalf of the Exchange and the limits of their power.
- l) Appoint all the staff members and transfer that power to the president of the Exchange when deemed necessary.
- m) Perform other duties assigned by the relevant laws and regulations,

Quorum for Meetings and Decisions of the Board of Directors

ARTICLE 15- The board of directors of the Exchange shall meet at least once a month with the attendance of minimum four members including the president, upon the invitation of the president of the Exchange. The auditors may attend the meetings of the board of directors without having a right to vote.

Decisions shall be made by the majority of attending members. In case votes are equally divided between two proposals, the proposal voted for by the president shall prevail.

SECTION III BOARD OF AUDITORS

Composition

ARTICLE 16- The accounts and transactions of the Exchange shall be audited by a board of auditors consisting of two persons to be elected by the general assembly. The board of auditors consist of two auditors that one of them is elected by ten members who have highest vote number at the general assembly and the other one is elected among others. Ten members who have highest vote number at the general assembly shall submit auditor and reserve auditor candidates to complete of the office in case of the membership of board of auditors is vacated. An auditor and a reserve auditor shall be elected among mentioned candidates and also another auditor and reserve auditor shall be elected among remained candidates. Auditors and their reserve auditors must be signing authority in their companies. In case of signing authority of an auditor eliminates for any reason, their board membership ends automatically. The auditor and his/her company have to inform Board of Directors and other auditor immediately. Otherwise

regarding member and their company should be responsible that were late to inform the Board of Directors and the other auditor for possible damages.

One of the board members shall be reelected in common general assembly every year. Representatives of the same member cannot be elected for consecutive two terms. Same rule is valid for same people even they represent different members. In case one of the memberships of board of auditors is vacated, the reserve member who replaces him/her shall complete the term of office of the relevant member.

Duties and Powers

ARTICLE 17- The auditors are responsible for and obliged to audit the accounts and transactions of the Exchange within the framework of the relevant laws, decrees, communiqués and the general assembly resolutions.

The auditors are not allowed to intervene in the administration; they shall inform the presidency of the Exchange of their views in writing. The board of directors shall take the necessary measures related to the matters mentioned in the auditor's reports.

Presidency of the Exchange is obliged to provide any and all information and the documents as requested by the auditors.

At the end of each year, the auditors shall present to the general assembly the report that they have prepared on the transactions and accounts of the Exchange. They shall also prepare interim reports and present them to the respective organs, when they deem it necessary.

SECTION IV ORGANIZATION OF THE PRESIDENCY OF THE EXCHANGE

President of the Exchange

ARTICLE 18-

The president of the Exchange shall be appointed by the relevant Ministry upon the suggestion of the CMB for a period of four years.

The president of the Exchange must meet the requirements prescribed by sub-paragraphs 1, 4,5,6 and 7 of paragraph (A) of the article 48 of Code of Civil Servant, No. 657.

The Exchange shall be managed and represented by the president of the Exchange within the framework of the decisions taken by the board of directors.

The president of the Exchange shall not be allowed to engage in any type of trade or assume any duties in any private or public work, unless these are based on a special law.

The president may be discharged from office by the relevant Ministry in case it has been determined that he/she acted improperly and negligently in performing his duties assigned by law and he/she lost required conditions for the presidency and also his/her present situation conflicted with present article and article 20. In case a public lawsuit is filed against the president of the Exchange that shall lead to end his/her office, the relevant Minister when deemed necessary shall remove him/her from the office.

Committees

ARTICLE 19- Committees shall be set up in the Exchange for the purpose of ensuring the performance of the duties assigned to the board of directors by this regulation, in a number required by the nature of the relevant work.

The principles related to the formation of committees, election of their members and procedures of operation shall be determined by the regulations of the Exchange.

The Exchange Personnel

ARTICLE 20- The qualifications, duties, responsibilities, principles and procedures of operation of the Exchange staff shall be determined by the regulations of the Exchange.

The Exchange staff is not allowed to establish any direct or indirect relation with the members of the Exchange, which involves interest.

Persons who have been deprived of civil rights, sentenced due to infamous crimes, gone bankrupt, have been subjected to a verdict of liquidation under the Decree in the Force of Law about the transactions of insolvent bankers, No. 35 and its appendices; concerning themselves or any companies that they have been partner or manager, who have been employed as managers in companies whose certificate of authority or exchange membership certificate has been cancelled and who have shared the responsibility of such cancellations may not be appointed as a president to the Exchange and also they cannot be elected to the Exchange organs and not be employed in the Exchange. If one of these conditions arise then the offices of the people who appointed as a president, elected to the Exchange organs and had any office in the Exchange shall end.

The personnel of the Exchange may not accept any public or private job and engage in trade, unless otherwise specified by a special law, may not issue orders for buying or selling precious metal in the Exchange even indirectly, Activities in associations for charity and foundations for social assistance and education shall not be subject to the above provision of restriction.

PART III PROVISIONS RELATED TO THE PRINCIPLES OF TRANSACTION

SECTION I GENERAL PROVISIONS

Precious Metals to be Traded in the Exchange

ARTICLE 21- Precious metals, which the Under-Secretariat of Treasury determines its standards, shall be bought and sold in the Exchange.

Determination and Announcement of Prices

ARTICLE 22- Purchase and sale transactions in the Exchange shall be carried out in the presence of the Exchange experts and by way of comparing the supply and demand of precious metals entering into the Exchange under conditions of competition.

The procedures and principles for determining and announcing the prices shall be regulated by the relevant regulations of Exchange.

Principles of Payment and Delivery

ARTICLE 23- The principles according to which mutual obligations between the Exchange members or between the members and their customers are to be regulated and determined by the regulations of the Exchange.

The clearing of the transactions finalized in the Exchange shall be effected by the clearing center. A precious metal traded in the Exchange may be kept in the safekeeping center upon demand from the members. However, the safekeeping services performed by the members on behalf of their customers may be performed solely in the safekeeping center on behalf of the members and for account of their customers.

Clearing and safekeeping center may either be set up within the Exchange itself or clearing and safekeeping services may be transferred to the banks or to other companies specially founded for that purpose, through the decision of the board of directors of the Exchange. Procedures and principles related to the clearing and safekeeping system that will ensure efficiency in the payments and deliveries within the framework of the Exchange transactions shall be indicated in the regulations of Exchange.

Guarantee

ARTICLE 24- Members of precious metal exchanges are obliged to deposit a guarantee in order to cover the probable losses that they may cause their customers, other members and the Gold Exchange sufferance in connection with the transactions effected in the Exchange.

Amount and rate of the security to be deposited shall be determined either ex officio by CMB or upon the proposal of board of directors of the Exchange by taking into consideration the volume of business and risk situation of each member of the Exchange and the types of security will also be determined either ex officio by CMB or upon the proposal of board of directors of the Exchange, on the basis of the principles of operation in the Exchange. The members shall not be allowed to trade in the Exchange without depositing the prescribed guarantee.

The principles on collection of the securities, payment of unsettled amounts and utilization of such amounts shall be laid down by the regulation of the Exchange.

Compensation of losses

ARTICLE 25- In case the members cause their customers or the Exchange sufferance, such sums shall be collected from themselves as agreed or ordered in the following priority:

- When the loss is accepted by the member himself or,
- Upon the advise of the relevant committee of the Exchange, the board of directors decides on the loss, or,
- When the dispute is settled finally by a judicial authority,

If it is impossible to compensate for the losses through any of the three methods stated above, then the payment shall be effected by way of deduction from the relevant guarantee received under Article 24.

Commissions

ARTICLE 26- The members receive a commission fee from their customers for each transaction they effect as a broker. Commission tariff shall be fixed by CMB upon the proposal of the board of directors of the Exchange.

SECTION II SETTLEMENT OF DISPUTES AND DISCIPLINARY PROVISIONS

Settlement of Disputes

ARTICLE 27- Disputes between members of precious metal Exchanges arising out of their transactions and operations shall be settled by the board of directors of the Exchange. The decisions of the board of directors of the Exchange on these disputes may be referred to administrative justice.

The disputes between Exchange members and their customers may be referred to the jurisdiction of the general courts or to the board of directors of the Exchange by the parties concerned. In case a dispute is referred to the board of directors, the decisions of the board of directors shall be final and may be referred to administrative justice.

The procedures according to which the disputes are to be settled shall be determined by the regulation of the Exchange.

Disciplinary Penalties

ARTICLE 28- Members who violate the order and rules of decent conduct in the Exchange, have recourse to fraud in effecting the transactions and act contrary to the regulations and decrees issued for the purpose of ensuring that the Exchange operates in an open, orderly and decent manner shall be subject to the disciplinary penalties listed below, depending on the nature and severity of their acts:

- a) Warning,
- b) Censure,
- c) 5 million to 1 billion TL fine,
- d) Prohibition of the member from participating in Exchange activities for a period of one to four weeks,
- e) Prohibition of the member from participating in Exchange activities for a period of one to six months,
- f) Definite dismissal from membership.

The board of directors is authorized to give one or several of the penalties listed above by taking into consideration the nature and severity of the situation and the acts requiring a disciplinary penalty.

If the situation and the acts requiring a penalty are committed by the members or their authorized representatives with the purpose of obtaining a benefit, the fines prescribed in paragraph (c) of clause (1) shall be three times the benefit obtained and not less than 25 million TL for any case.

Disciplinary penalties can not be issued without hearing the defence of the relevant member.

PART IV MISCELLANEOUS PROVISIONS

Revenues

ARTICLE 29- The revenues of the Exchanges consist of the following items:

- a) Admission fees to be collected from the members,

- b) Annual fees to be collected from the members,
- c) Fines collected by reason of disciplinary penalties,
- d) Share of Exchange in the commission,
- e) Other fees, charges and tariff shares to be determined by the Board of Directors of the Exchange,
- f) Other Revenue and Donations.

Amounts and proportions of the revenue items stated in this article, except the donations and the time and procedure of collecting such amounts shall be determined by the Board of Directors and go into effect upon the approval of the general assembly.

Budget and Final Account

ARTICLE 30- Exchanges shall have special budgets. The term of accounting shall coincide with the calendar year.

Budget and final accounts of the Exchanges shall be approved by the general assembly upon the proposal of Board of Directors.

Auditing

ARTICLE 31- All transactions, accounts, records, and books of the Exchanges and their members shall be subject to monitoring and auditing of CMB.

Exchange members shall also be audited by related exchanges if necessary.

The relevant Ministry if necessary may audit exchanges and their members.

Suspension of Activities of Exchanges

ARTICLE 32- The activities of relevant Exchanges may be suspended in cases of extraordinary negative developments in the precious metal markets.

The President of the Board of Directors is authorized to decide on the suspension of activities in the Exchange for up to 5 working days.

CMB is authorized to suspend the activities in the Exchange for periods longer than 5 working days upon the request of the board of directors.

The Minister is authorized to decide to suspend the activities the Exchange for one month and longer upon the request of CMB.

Provision of Non - Disclosure

ARTICLE 33- The President of Exchange, members of Board of Directors, auditors and all other employees are obliged to keep secrets about the Exchange and about the partnerships, companies and all other real and legal persons involved in the Exchange, which they have learnt by means of their titles and duties and not to disclose such secrets and make use of them to the benefit or to the detriment of themselves or of third persons. This obligation shall also apply after said persons quit their jobs in the Exchange.

Provisional Article 1 - The first Board of Directors of the Exchanges shall be appointed by Minister for acting as the founding board until the first general assembly meeting. The first general assembly of the Exchanges shall convene within 6 months as of the date the relevant Exchange starts operating.

The first Board of Directors shall exercise by the powers of the general assembly as indicated in this regulation until the constitution of the presiding board of the first general assembly of the relevant Exchange.

Effectivity

ARTICLE 34- This regulation shall come into effect on the date of its publication.

Execution

ARTICLE 35- The provisions of this regulation shall be executed by the Minister.