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# REGULATION OF THE ISTANBUL GOLD EXCHANGE PRECIOUS METALS LENDING MARKET

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## CHAPTER ONE GENERAL PROVISIONS

### Purpose and Scope

**ARTICLE 1-** The purpose of this Regulation is to establish the rules and principles for precious metals lending and borrowing transactions and the buying and selling of the precious metals lending certificates issued by the market in requital of every lending transaction in the Precious Metals Lending Market within the framework of the General Regulation concerning Foundation and Operating Principles of Precious Metals Exchanges published in Official Gazette No. 21541 dated April 03, 1993 by the Capital Market Board and sub-article (e) of Article 3 of the Regulation of the Istanbul Gold Exchange.

### Basis

**ARTICLE 2-** This Regulation is issued on the basis of the provision of Article 40/A of Code of Capital Markets.

### Definitions

**ARTICLE 3-** The meaning of certain terms which appear this Regulation are as follows;

Law : Code of Capital Markets, No. 2499 modified by the Law No.3794,  
CMB : Capital Market Board,  
Exchange : Istanbul Gold Exchange,  
Regulation : Regulation of the Istanbul Gold Exchange,  
Board of Directors : Board of Directors of the Istanbul Gold Exchange,  
Market: : The Precious Metals Lending Market,  
Market Member : Member Institutions of the Precious Metals Lending Market of the Istanbul Gold Exchange,  
Certificate : The Precious Metals Lending Certificate,  
Precious Metal : Gold, silver and platinum with standards determined by the Under-Secretariat of Treasury.

### Market Membership

**ARTICLE 4-** Banks, authorised institutions, precious metals brokerage houses, private financial institutions which are member of the Exchange and non-resident persons and institutions whose memberships are approved by the Board of Directors may be member of the market.

Requirements, for membership including entrance fee shall be defined by the Board of Directors.

## CHAPTER TWO PRECIOUS METALS LENDING TRANSACTIONS

## **Market Transactions**

**ARTICLE 5-** In the Market, precious metals lending and borrowing transactions and the buying and selling of the precious metals lending certificates issued by the Market in requital of every lending transaction shall be realised

## **Lending Transactions**

**ARTICLE 6-** Transactions are realised, within maturates defined by the Exchange with the determined interest rate, maturity and quantity by lenders and borrowers under the free market conditions. Lending shall be made in the date fixed previously and clearing transactions shall be made at the end of the maturity.

In transactions, the quantity of precious metal which is lent shall be essential. The re-payment of precious metal can be either in physical form or through a mutually agree cash settlement.

The party who lends the precious metals is obliged to deliver the precious metal subject to transaction on in the date fixed previously in the Exchange.

## **Placing of Orders to the Market**

**ARTICLE 7-** Market members or member representatives shall place orders to the Exchange experts through telephone provided that they are made in writing afterwards.

Orders given by market members shall be entered to the computer system by the Exchange experts. Valid orders must contain requirements defined by this Regulation.

## **Composition of Orders**

**ARTICLE 8-** The orders must include the following information;

- a) Title of Market member who places the order
- b) Type of the order (divisible or block order)
- c) Whether the order is a lending or borrowing order
- d) Type of price
- e) The quantity and type of precious metal represented by the order
- f) Periodical interest rate
- g) Contract term (the date shows end of maturity)
- h) The re-payment would be whether in physical form or through a mutually agreed cash settlement.
- i) Order number

## **Order Types**

**ARTICLE 9-** Divisible order is a type of order, which allows the precious metal borrowing or lending order to be filled partially.

Block order is a type of order which can only be filled if the order is matched totally.

## **Validity Period of the Orders**

**ARTICLE 10-** Validity periods of the orders shall be determined freely by the members within the periods defined by the Board of Directors. An order without a validity period specification shall be

valid for the related session. The orders, which have not been filled, yet can be changed or cancelled by the one who placed that order.

The orders, which have not been filled or cancelled until the end of the validity period, shall be cancelled automatically by the system.

### **Transaction Method**

**ARTICLE 11-** Transactions shall be carried out by the matching of orders given by market members and entered to the system by Exchange experts on the basis of the principle of price and time priority for each term.

Lending or borrowing orders placed to the Exchange experts through telephone shall be entered to the system. Title of Market member who placed the order shall not be displayed in the data distribution screen. The best order, which was ranked on the price and time priority basis for each term, shall be brought to the members through the data distribution screen simultaneously. The members may be able to fill the orders partially or wholly according to the type of order.

Following the best orders have been traded subsequent orders are displayed in the screen. Best order for borrowing is an order lowest in price (highest in interest rate); and for lending is an order highest in price (lowest in interest rate).

For each effected transaction, a serial number will be given by the system automatically. At the end of the session, the serial number of the effected transactions and the member(s) who is (are) counter-party of this transaction shall be communicated to the related member. Records of transactions shall be kept within the system on the basis of serial numbers.

### **Effecting Transactions According to the Multiple Price Method**

**ARTICLE 12-** The method of multiple prices shall be used in the precious metals lending and borrowing transactions.

The method of multiple price shall be operated according to the system of continuous auction whereby the lending or borrowing transactions are effected through matching lending and borrowing orders one by one according to the rule of price and time priority.

### **Rule of Price Priority**

**ARTICLE 13-** In matching the orders, borrowing orders at lower prices (at higher interest rates) shall have priority over borrowing orders at higher prices (at lower interest rates); and lending orders at higher prices (at lower interest rates) shall have priority over lending orders at lower prices (at higher interest rates).

### **Rule of Time Priority**

**ARTICLE 14-** In matching the orders, of the two orders of equal price the one submitted earlier shall be filled before the one submitted later.

### **Announcement of Effected Transactions within the Market**

**ARTICLE 15-** As a result of trading in the Market, the prices and interest rates formed for all terms and the total amounts of transactions realised at these rates shall be proclaimed at the end of the session. The interest rates of effected transactions at any terms which were recorded in the Exchange Registry shall be proclaimed in the Exchange Bulletin.

### **Daily Reports**

**ARTICLE 16-** During the session, information on the effected transactions shall be communicated to the related members through facsimile message. At the end of the session, as a result of lending or borrowing transactions executed at interest rate for every term, counter-parties and serial number on the said transaction shall be listed in the daily reports. Reports shall be signed by the relevant officials and announced to the relevant members.

The information on the said transaction shall be transmitted to the Clearing House after they have been finalised. The Clearing House shall update margin requirements on the basis of such information. The Clearing House shall send margin call reports to the related member, unless this member has sufficient margin in its account.

## CHAPTER THREE CLEARING SYSTEM

### **Margin**

**ARTICLE 17-** The member who borrows precious metals shall be obliged to deposit a margin at a rate and amount determined by the Board of Directors and approved by CMB for the period between the date of execution of transaction and delivery of precious metal at the end of the maturity date.

The Board of Directors may decide when necessary that the member who lent the precious metal deposit a margin for the period between the date of execution of transaction and delivery of precious metal at the end of the maturity date.

### **Types of Margins**

**ARTICLE 18 -** Types of margins

- a) Cash,
- b) Precious metals that are being traded at the Exchange,
- c) The effective and foreign exchange whose types are determined by the Board of Directors,
- d) Bank letters of guarantee that contain unconditional payment commitment without due date.
- e) All types of government and treasury bonds.

### **Daily Evaluation of Margins**

**ARTICLE 19 -** The margins which are obtained from the members are evaluated on a daily basis considering the changes which can occur on prices. In cases where a negative balance occurs between the value of precious metal subject to lending and margin amount, or margin amount decreases under a specific ratio, a margin call is done for completion of margin under predetermined rates and amounts by the Exchange. If the members do not comply with their commitment on margin complement, default sentences will be applied.

### **Clearing House and Clearing Transactions**

**ARTICLE 20 -** The clearing transactions in the market are carried out by the Clearing House of the Exchange or a Clearing Bank determined by the Exchange.

The Clearing House ensures both sides to comply with their clearing and delivery obligations and represent the other side for the members in these activities.

The clearing of precious metals subject to lending is done by the delivery of the precious metal amount to the Clearing House of the Exchange by the lender on the due date.

### **Delivery**

**ARTICLE 21** - Borrower of the precious metals is obliged to pay the value of the precious metal on the due date to the lender.

If the obligation type is in form of precious metals, obliged members deliver the realized value of the lent precious metals on the due date to the Clearing House of the Exchange. If the delivery is on a cash basis, the value of the precious metal that is loaned is paid to the Exchange account at the Clearing Bank.

The margin amounts of the members that complied their commitments shall set free.

#### CHAPTER FOUR CERTIFICATES

##### **Certificates and Procedures of Certificates**

**ARTICLE 22** - To represent receivables after the realization of lending transactions, a certificate is issued. If demanded the certificates issued by the market are delivered to the lender to represent his receivables

##### **Essentials of Certificates**

**ARTICLE 23** - Certificates should mainly be organized by the elements below:

- a) The size of certificates: The amount of precious metal that it represents.
- b) The term of contract: The date for the payment of the precious metal that is subject to certificate.
- c) Type of delivery: The delivery of the precious metals by physical delivery or cash negotiation on due date.
- d) The type and fineness of precious metal that is subject to certificate: The type and fineness of precious metal that will be used at precious metal lending.

The rules for the certificate transactions are determined by the Board of Directors.

##### **Buy and Sell Orders of Certificates**

**ARTICLE 24** - Buy and sell orders of certificates are subject to the rules of buy and sell orders.

##### **The Elements That Buy and Sell Orders of Certificates Should Contain**

**ARTICLE 25** - Buy and sell orders of certificates should contain the conditions that are determined by the Board of Directors. Certificate buy and sell orders should contain;

- a) The title of the member who gives the order,
- b) The type of order (Certificate buy/Certificate sell),
- c) The price and/or the value of the order,
- d) The serial number of the certificate.

##### **The Purchase or Sale of Certificates**

**ARTICLE 26** - The one that holds the certificate can sell it before the due date. The one that buys the certificate takes all the credit rights of the certificate.

To clear all obligations that are realized by purchase or sale of certificates, the type of currency used is determined by the Board of Directors.

##### **Transaction Method**

**ARTICLE 27** - The buy and sell transactions in the market is done by matching orders on all due dates according to price and time priority. Multiple price methods are used for certificate transactions.

#### **Margin on Certificate Transactions**

**ARTICLE 28** - The margin rates, amounts and types applied to certificate operations are the same as the lending transactions of precious metals.

#### **Clearing of Certificates**

**ARTICLE 29** - Clearing operations are carried out by Clearing House of the Exchange or the Clearing Bank which is determined by the Exchange. Clearing duration may be up to five days and this duration can be shortened by the Board of Directors.

#### **Delivery of Certificates**

**ARTICLE 30** - For certificates the delivery or cash settlement of the precious metal is done at the due date. The one that holds the certificate at the due date gets the amount or value which the precious metal represents. And the borrower of the precious metal delivers the amount or the value to the Clearing House of the Exchange or to the Clearing Bank which is determined by the Exchange, on due date.

For the delivery of certificate transaction, the same rules as in lending transactions are carried out.

### CHAPTER FIVE MISCELLANEOUS AND LAST PROVISIONS

#### **Transaction Unit**

**ARTICLE 31** - The transaction unit realized at the market is kilogram (kg.)

#### **Monetary Unit**

**ARTICLE 32** - The currency unit that will be used at the market for the payments is in Turkish Lira and foreign exchange which are determined by the Board of Directors.

#### **Transaction Limits**

**ARTICLE 33** - Every member is allowed to trade between the limits predetermined by the Board of Directors on the basis of their margin positions.

A buy and sell order of certificate or a lending transaction should be a minimum of 5 kg. The amount of transactions above 5 kg can be multiples of 1 kg.

#### **Transaction Term**

**ARTICLE 34** - The Board of Directors determine the due dates that will be realized at the market.

#### **Cash Settlement**

**ARTICLE 35** - The Board of Directors has the authority to determine the price method that will be used for cash settlements.

#### **Rate of Fineness for Precious Metals**

**ARTICLE 36** - The Board of Directors has the authority to constitute the purity rates of precious metals that will be realized in the market at the clearing operation or physical delivery within the framework of related regulations.

#### **Remainder Payments**

**ARTICLE 37** - During the payments, precious metal remainder payments under 1 kg are done by the currency unit that the transaction is made on.

#### **Representatives of the Members**

**ARTICLE 38** - Market members inform the Exchange through their representatives with a copy of a document of authorization. The representatives of the members should possess the conditions on the Regulation.

The Board of Directors may decide that the member representatives to be eligible by exams.

#### **Cancellation of Realized Transactions**

**ARTICLE 39** - Additions to the sentences that take place in the Regulation;

The invalid transactions caused by the Exchange's experts are cancelled by the approval of the Exchange through an announcement in script to the related members.

Even though realized transactions by a member fault are not to be cancelled in principle, in cases of demand by both parties realized transactions may be cancelled with the approval of reason by the Exchange.

If an error occurs due to the computer system or by some material elements, the Exchange may decide to cancel the transaction upon the application of one or more members or ex officio.

#### **Sessions**

**ARTICLE 40** - Session is the duration which the transaction takes place within the hours determined by the Board of Directors.

#### **Exchange Fee**

**ARTICLE 41** - An exchange fee which its ratio or amount is determined by the Board of Directors is charged to the realized transactions. The exchange fee may be increased or decreased with the factor of 10 by the proposal of the Board of Directors and approval from the Capital Markets Board

#### **Default**

**ARTICLE 42** - Members are considered in default when they do not comply with their obligations to the Exchange or other market members which originates from the lending or certificate transactions.

In this case maximum margin amount is converted into cash and the Exchange without reminding or the approval of the member who does not comply with his agreement fulfils obligation.

If the members fall into default during any phase of their commitment, sentences shown in the Regulations are applied.

#### **Membership Resignation**

**ARTICLE 43** - Resignation from membership should be submitted to the Exchange in writing. In case of resignation, time and conditions of returning membership margin are determined by the Board of Directors. Before the return of membership margin, the member should comply all of its obligations with the Exchange.

**Effective Date**

**ARTICLE 44** - This regulation is valid from the date of its publication.

**Execution**

**ARTICLE 45** - The provisions of this regulation are carried out by the Chairman of Istanbul Gold Exchange.