

REGULATORY UPDATES ON CENTRAL COUNTERPARTY SYSTEM IN DEBT SECURITIES MARKET

This Legal Alert seeks to provide information regarding the recent amendments with regards to the central counterparty system which will be operated in Borsa İstanbul A.Ş. Debt Securities Market.

On May 4 and 7, 2018, İstanbul Takas ve Saklama Bankası A.Ş. (Central clearing and settlement house of Turkish capital markets, “**Takasbank**”) published 3 (three) regulatory letters with numbers respectively as 1429,1430 and 1431 in relation to the central counterparty system which will initiate operating in Borsa İstanbul A.Ş. (Istanbul Stock Exchange, “**BIST**”) Debt Securities Market in the following weeks.

In accordance with the regulatory letter No. 1429, Takasbank announced that intermarket offsetting the receivables against debts in cash is appropriate between the members of the submarkets of BIST Debts Securities Market which are eligible for central counterparty system (“**CCP**”) and members of Equity Repo Submarket by ordering cash offsetting instructions. However, as stated under the same letter, this is not appropriate in the submarkets of BIST Debts Securities Market which are not CCP eligible and Committed Transactions Submarket. It is also worth to note that this Regulatory Letter only covers cash offsetting and excludes equity offsetting from its scope as it is removed from the wording of Article 34/1, titled as *Intermarket Offsetting Operations*, of BIST Debts Securities Market Central Counterparty Procedure which will enter into force with BISTECH transition.

In accordance with the regulatory letter No. 1430, Takasbank, as approved by Turkish Capital Markets Board, may provide CCP service in the submarkets and in relation to the financial instruments envisaged below.

- Debt securities issued by the Turkish Treasury denominated in Turkish Lira (“**TRY**”) currency and traded in the Repo and Reverse Repo Submarket and Interbank Repo Submarket and liquidity bills issued by Central Bank of the Republic of Turkey (“**CBRT**”);
- All securities traded in the Equity Repo Submarket;
- Among the financial instruments which are traded in the Outright Purchases and Sales Submarket and Repo Submarket for Specified Securities:
 - o Debt securities issued by the Turkish Treasury denominated in TRY currency,
 - o Lease Certificates (*Sukuk*), paid in TRY currency, issued by asset lease companies founded by the Treasury, or by asset lease companies founded by institutions with public capital which were assigned by the Treasury,
 - o Debt securities, paid in TRY currency, issued by banks, and
 - o Liquidity bills issued by CBRT.

Please note that the table designating the CCP Eligible/Non-Eligible Submarkets of BIST Debt Securities Market provided as an annex to the Regulatory Letter No. 1430 is attached to this Legal Alert.

In accordance with the regulatory letter No. 1431, Takasbank announces a new information guide on monitoring daily margin calls through the BISTECH interface which will be accessible from this [link](#).

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Submarket/Security	Outright Purchases and Sales Submarket	Repo Reverse Repo Submarket	Repo Submarket for Specified Securities	Interbank Repo Reverse Repo Submarket	Equity Repo Submarket	International Bonds Submarket	Committed Transactions Submarket	Watchlist Submarket	Offering Submarket for Qualified Investors
Debt Securities denominated in TRY and issued by the Treasury	CCP	CCP	CCP	CCP	-	-	-	-	-
Debt Securities paid in foreign exchange	Not CCP	Not CCP	Not CCP	Not CCP	-	-	-	-	-
EUROBONDS issued by the Treasury	Not CCP	-	-	-	-	Not CCP	-	-	-
Liquidity bills issued by CBRT	CCP	CCP	CCP	CCP	-	-	-	-	-
Lease Certificates (Sukuk) issued by the Treasury	CCP	-	CCP	-	-	-	Not CCP	-	-
Lease Certificates (Sukuk) issued by Banks	CCP	-	CCP	-	-	-	-	Not CCP	Not CCP
Lease Certificates (Sukuk) issued by Private Sector	Not CCP	Not CCP	-	-	-	-	-	Not CCP	Not CCP
Private Debt Securities issued by Private Sector	Not CCP	Not CCP	-	-	-	-	-	Not CCP	Not CCP
Private Debt Securities issued by Banks	CCP	-	CCP	-	-	-	-	Not CCP	Not CCP
Equities listed in BIST 30 Index	-	-	-	-	CCP	-	-	-	-

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ABOUT THIS PUBLICATION

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