



**SCREENING CHAPTER 09
FINANCIAL SERVICES**

**AGENDA ITEM III:
FINANCIAL MARKETS INFRASTRUCTURE**

**Country Session: The Republic of TURKEY
2-3 May 2006**



FINANCIAL COLLATERAL



RELEVANT TURKISH LEGISLATION

- Civil Code, Law No. 4721 (Official Gazette (OG) No. 24607, dated 08.12.2001)
- Law No. 2004 on Execution and Bankruptcy (OG No. 2128, dated 19.06.1932)
- International Private and Procedural Law No. 2675 (OG No. 17701, dated 22.05.1982)
- Law of Obligations, Law No. 818 (OG No. 359, dated 29.04.1926)
- By-law on Istanbul Stock Exchange (OG No. 22559, dated 19.02.1996)
- By-law on the Establishment and Operations of Futures and Options Exchanges (OG No. 24327, dated 23.02.2001)
- By-law on the Principles and Procedures of Gradual Liquidation of Intermediary Institutions (OG No. 24439, dated 21.06.2001)



RELEVANT TURKISH LEGISLATION (cont.)

- **Capital Markets Board (CMB) Communiqué Serial: V, No: 7 on the Principles Regarding Repurchase and Reverse Repurchase Agreements (OG No. 21301, dated 31.07.1992)**
- **CMB Communiqué Serial: V, No:65 on the Principles Regarding Margin Trading, Short Sales and Lending and Borrowing of Securities (OG No. 25168, dated 14.07.2003)**
- **Communiqué Serial: V, No: 46 on the Principles Regarding Intermediary Activities and Intermediary Institutions (OG No. 24163, dated 07.09.2000)**
- **Istanbul Stock Exchange Settlement & Custody Bank Circular Regarding Implementing Principles of Securities Lending and Borrowing Market (CMB Decision No. 40, dated 14.10.2005)**



THE CATEGORIES OF COLLATERAL PROVIDER

- **Intermediary institutions (Brokerage houses and banks)**

THE CATEGORIES OF COLLATERAL TAKER

- **Central Bank of the Republic of Turkey**
- **Public authority (ISE)**
- **Settlement Agent (ISE Settlement & Custody Bank)**



SECURITY FINANCIAL COLLATERAL ARRANGEMENTS

(transfer of possession)

Pledge on movable property (Civil Code)

➤ **Lending of financial instruments in exchange pledge**

TITLE TRANSFER FINANCIAL COLLATERAL ARRANGEMENTS

(transfer of ownership)

➤ **Repo and Reverse Repo (CMB Communiqué)**



DEFINITIONS

➤ Book Entry Securities Collateral

✓ When collaterals, pledge and usufructs are established on registered capital markets instruments, parties of these transactions should submit the documents with regard to these transactions to the intermediaries. Intermediaries shall submit these to the Central Registry Organization.

➤ Equivalent Collateral

✓ No specific regulation regarding this issue. Under general provisions of the Law of Obligations No. 818, substitution of pledged assets is possible by the approval of the pledgee.



CLOSE-OUT NETTING OF FINANCIAL CONTRACTS

- **Execution and Bankruptcy Law Art. 195 recognises close-out netting of financial contracts in case of insolvent person/legal entity is the debtor.**
- **The rights and obligations arising from contracts having maturity dates after the date of the decision for the gradual liquidation of the intermediary institution shall be determined as of their maturity dates (Art. 46/B,V of CML).**
- **In case of insolvency, the close-out netting of financial contracts are subject to the above mentioned general provisions and Article 46/B of Capital Market Law and to the By-law on the Principles and Procedures for Gradual Liquidation of Intermediary Institutions.**



SECURITY FINANCIAL COLLATERAL ARRANGEMENTS

➤ Istanbul Stock Exchange (ISE) Settlement & Custody Bank

Securities Lending and Borrowing Market

- ✓ Intermediary institutions have the right to participate in this market if they provide a financial collateral to the ISE Settlement & Custody Bank.



FINANCIAL COLLATERAL FOR MEMBERSHIP ON AN EXCHANGE

- **By-law on Istanbul Stock Exchange (Art. 12)**
- **By-law on Derivative Exchanges (Art. 24)**
- **By-law on Istanbul Gold Exchange (Art. 16)**

- ✓ **The exchange members are obliged to deposit collateral consisting of cash or government debt instruments or irrevocable and unconditional letter of guarantee in the name of the exchange to a bank envisaged in the relevant by-law**



FINANCIAL COLLATERAL FOR MARKETS AT CBRT

➤ **As defined in the Article 56 of the CBRT Law No. 1211:**

“The Bank* shall not extend credits and grant advances except for the operations authorized by this Law, and the credit to be extended and the advance to be granted shall not be unsecured or without cover, and in any manner whatsoever the Bank shall not, be a guarantor or provide security other than its own direct transactions.”

(* Bank refers to the Central Bank of the Republic of Turkey (CBRT)



FINANCIAL COLLATERAL FOR MARKETS AT CBRT (cont.)

➤ **In the Markets at CBRT, the accepted types of collateral according to the implementation instructions are**

- ✓ **Foreign exchange deposits**
- ✓ **Foreign banknotes deposits**
- ✓ **Foreign government debt instruments**
- ✓ **Gold deposits**
- ✓ **Government domestic debt instruments**
- ✓ **Government foreign exchange debt instruments**
- ✓ **Liquidity bills**
- ✓ **Eurobonds issued by the Treasury in terms of US Dollar and Euro**



FINANCIAL COLLATERAL OBLIGATION DUE TO BROKERAGE HOUSES' LICENCES

➤ **CMB is authorized to ask for collateral to be deposited by brokerage houses and also to determine the calculation and procedures for the use of these collaterals**

✓ **Brokerage houses have to deposit a collateral consisting of government debt instruments and/or letter of guarantee and/or units of mutual funds other than the mutual funds founded by these brokerage houses to the ISE Settlement & Custody Bank (CMB Decision No. 56/746 dated 17.6.1999).**



PROCEDURES FOR THE ENFORCEMENT OF A PLEDGE

➤ According to the Article 150 (g) of Law on Execution and Bankruptcy pledged securities are realized on the basis of general provisions and procedure. According to these general provisions

- ✓ Securities are sold by auction. In the first auction sale price must reach at least 60% of the estimated value of the security
- ✓ If not reached to this amount, in the second auction sale price must reach at least 40% of the estimated value of the security



PROCEDURES FOR THE ENFORCEMENT OF A PLEDGE (cont.)

- ✓ **Estimated value for securities traded in ISE is the exchange price. However for securities not traded in ISE the price is determined by the Enforcement Officer**
- ✓ **Pre-announcement for the auction is made by the Enforcement Office. Auction is held in the place, date and hour mentioned in the announcement**
- ✓ **Selling price must be paid in cash. Enforcement manager may permit a paying period for the purchaser which cannot exceed 7 days. When price is not paid during this period enforcement manager sets the auction aside and the auction is held again**
- ✓ **Securities in auction cannot be delivered to the purchaser unless the auction price is paid**



TITLE TRANSFER FINANCIAL COLLATERAL ARRANGEMENTS

➤ Repo and Reverse Repo (CMB Communiqué)

- ✓ Repo (reverse repo) transaction, ownership of the security is transferred to the purchaser (authorized institution). On due date, the ownership of the security shall be transferred back to the authorized institution with the payment of the predetermined price of the security.



RIGHT OF USE

➤ The use of pledged collateral

✓ There is no restriction about the use of pledged collateral. However, contracting parties may decide to prohibit this. When the pledge contract includes a provision which declares that the same sort and amount of securities shall be delivered to the pledgor, the pledge can be re-used by creditors. In default case creditor (or exchange) can use this collateral without any contractual permission. According to the Turkish Civil Code for movables there is no need to be owner to give pledge, but only the pledgor must have knowledge about this.

✓ Reverse Repo transactions; The securities purchased through reverse repo can be resold through repo transaction in the period between the trading date and due date with the condition that the maturity does not exceed the maturity of reverse repo.



PROTECTION OF FINANCIAL COLLATERAL IN REORGANISATION MEASURES

➤ Gradual Liquidation

Within 10 business days following the gradual liquidation decision, the collaterals given by the brokerage house in accordance with the applicable laws and regulations shall, upon demand of the Investor Protection Fund (IPF), be realized and turned into cash by the relevant entity and the proceeds thereof shall be paid to the IPF.



PROTECTION OF FINANCIAL COLLATERAL IN REORGANISATION MEASURES (cont.)

- With regard to the pending disputes under investigation pursuant to the current Exchange legislation as of the date of the decision of suspension of activities leading to the gradual liquidation decision, ISE shall block the guarantees and collaterals up to a portion of the disputed customer claims and receivables solely arising out of the capital market activities (Art.11 of the By-law on Gradual Liquidation of Intermediary Institutions).**



APPROPRIATION

- **Not allowed by the Civil Code (Lex Commissoria) (Art. 946, 949)**

CONFLICT OF LAWS

- **The applicable law is the legislation of the country where the financial collateral is located (Art. 23 of International Private and Procedural Law).**



SETTLEMENT FINALITY CAPITAL MARKETS BOARD



RELEVANT TURKISH LEGISLATION

- **Law No. 2004 on Execution and Bankruptcy (OG No. 2128, dated 19.06.1932)**
- **Capital Market Law No. 2499 (CML) (OG No. 17416, dated 30.07.1981)**
- **ISE Settlement and Custody Centres By-law (OG No. 22559, dated 19.02.1996)**
- **ISE Stock Market By-law (OG No. 22559, dated 19.02.1996)**



RELEVANT TURKISH LEGISLATION (cont.)

- ISE By-law (OG No. 22559, dated 19.02.1996)
- By-law on the Investor Protection Fund (OG No. 24439, dated 21.06.2001)
- By-law on the Principles and Procedures of Gradual Liquidation of Intermediary Institutions (OG No. 24439, dated 21.06.2001)
- CMB Communiqué on Dematerialization of Capital Market Instruments (OG No. 24971, dated 22.12.2002)
- General Letters of ISE Settlement & Custody Bank Inc.

DEFINITIONS

System - ISE Settlement & Custody Bank Inc.

- ✓ The methods and rules of realisation of the commitments stemming from the transactions of securities in the Exchange are regulated by the By-law on Settlement and Custody Centres of Istanbul Stock Exchange (Art. 33 of ISE By-law).



- **System - ISE Settlement & Custody Bank Inc. (cont.)**
 - ✓ Settlement center is a place where obligations related to delivery or payment of the securities resulting from buying and selling of securities in the Exchange are settled. Delivery and payment obligations of the members resulting from buying and selling of securities in the Exchange and cash obligations against the securities subject to buying and selling are finalized in the books via settlement center (Art. 3 of ISE Settlement and Custody Centres By-law).
 - ✓ Clearing and settlement regulations are set by the Istanbul Stock Exchange and executed by Takasbank.



SYSTEM: ISE SETTLEMENT & CUSTODY BANK (TAKASBANK)

- **Incorporated as a non-deposit bank**
- **Authorized by the Capital Markets Board**
- **Clearing and Settlement Institution for ISE**
- **Clearing House for Turkish Derivatives Exchange (Turkdex)**
- **Official Custodian for Pension Funds**
- **National Numbering Agency of Turkey**



SYSTEM: ISE SETTLEMENT & CUSTODY BANK (TAKASBANK) (cont.)

- **Cash credit services**
- **Securities Lending Borrowing Market**
- **Takasbank Money Market**
- **Cross-border settlement and custody services (SWIFT membership, foreign exchange correspondent accounts)**
- **Takasbank Electronic Transfer System (TETS); providing members with transfer of cash and securities in real-time connection with the Central Bank of the Republic of Turkey's RTGS system.**



BOOK ENTRY SETTLEMENT

- Settlement rules and regulations require that the settlement related transfers are realized in book-entry form. All transfers both at Takasbank and Central Registry Agency (CRA) system are realized in the book entry form (Art. 5 of CMB Communiqué on Dematerialization).

DEMATERIALIZATION PROCESS

- CRA is the Central Depository for equities and other dematerialized securities
- Takasbank has 65% share in CRA
- Equities were dematerialized as of 28.11.2005
- Units of mutual funds (exempt liquid mutual fund) were dematerialized as of 31.12.2005
- Units of liquid mutual fund were dematerialized as of 31.03.2005



SETTLEMENT & CUSTODY

- **CRA and Takasbank systems are online integrated.**
- **Settlement is realized along with the details that are transmitted from CRA.**
- **Securities settlement operations are carried out via Takasbank.**
- **Member to member DVP settlement is executed via Takasbank system.**

SETTLEMENT & CUSTODY (cont.)

- As a member of CRA Takasbank has several accounts in CRA system, which are used for settlement operations.**
- Safekeeping accounts are held with CRA; participants' own accounts and client sub-accounts are separated.**
- Cash accounts are on participant basis and held with Takasbank.**



TIMING OF SETTLEMENT FINALITY

- For the ISE trades, there is settlement on the settlement date until the deadline (16:00 on T+2 for equities, 16:30 on T+0 for bonds and bills, on T+1 for derivatives).
- Settlement is finalized with same day value for cash and securities. Security side of the equity settlement is executed at CRA in accordance with Takasbank's notifications.



PRINCIPLES OF CLEARING AND SETTLEMENT

- **Centralized clearing and settlement**
- **Book entry settlement**
- **Multilateral netting**
- **Delivery versus Payment (DVP)**
- **Same day funds**

➤ Participant - Intermediary Institutions

✓ Intermediary Institutions mean brokerage houses and banks (Art. 3-i of CML)

✓ Intermediary institutions (brokerage houses and banks) authorised to perform intermediary activities by the Capital Markets Board can be the Exchange members (Art. 6 of ISE By-law).

✓ The members are obliged to comply with both the rules and principles in the related legislation and the Exchange By-laws (Art. 9 of ISE By-law).

➤ Transfer Order

✓ Not regulated exclusively, however types of orders such as, normal, wholesale, special, odd lot orders are regulated by the Article 19 of ISE Stock Market By-law.

➤ Insolvency Proceeding

✓ CMB's gradual liquidation decision

■ A decision by the CMB for the gradual liquidation of brokerage house is carried out by the Investors' Protection Fund to liquidate the cash payments and the delivery obligations of capital market instruments to the customers due to the capital market operations which are performed in the framework of the CML.

✓ Insolvency decision by court



➤ Netting

Netting shall be executed on the basis of overall amount trading day transactions of two sessions. Netting is performed on daily basis.

➤ The moment of entry of a transfer order into a system

Electronically transmission moment of orders to the computer system of the ISE by the representatives of brokerage houses (Art. 28 of ISE Stock Market By-law and ISE General Letter on the Operational Principles of Stock Market provisions).

➤ Opening of Insolvency Proceedings

✓ Insolvency shall be effective as of the moment that the Commercial Court has rendered its decision. This moment must be stated in the court decision (Art. 165 Execution and Bankruptcy Law).

✓ Gradual Liquidation

Gradual Liquidation shall be effective as of the moment that the CMB has rendered its decision (Art. 46/B of CML).

✓ No retroactive effect of insolvency procedures due to the abovementioned provisions.



➤ **Communication of Opening of Insolvency Proceeding Decision**

✓ **The decision of bankruptcy is notified to the Bankruptcy Office. The office automatically and promptly notifies the decision to the real estate registration office, the Trade Registry, customs and post office administrations, the Association of the Turkish Banks, local Chambers of Commerce and Industry, Stock Exchange, the CMB and other places deemed necessary.**



➤ **Communication of Opening of Insolvency Proceeding Decision (cont.)**

The office also publishes the decision in one of the newspapers circulated country-wide, with a circulation of over fifty thousand (50,000) and in a local newspaper published at the place where the bankrupt's business center is located and in the Trade Registry Gazette. If the place of publication of the country-wide circulated newspaper (with a circulation over 50,000) is also the place where the bankrupt's business center is located, then it is not published in the local newspaper. Also closing or vacation the bankruptcy is notified and published in the same manner (Art. 166 of the Execution and Bankruptcy Law).



➤ **Communication of Opening of Insolvency Proceeding Decision (cont.)**

- ✓ **A progressive liquidation decision taken about an intermediary institution shall, in the same day, be notified by the Board to the intermediary institution, Central Registry Agency, ISE, the Clearing Bank, the Association and the Turkish Bankers' Association and also to the IPF for initiation and conduct of the liquidation procedures (Art. 4 of the By-law on Gradual Liquidation of Intermediary Institutions).**



PROTECTIVE EFFECT FOR INSOLVENCY

- **The rules of the system are enforceable notwithstanding the initiation of an insolvency proceeding for a participant in terms of its transfer orders.**
- **Settlement is finalized by Takasbank even if the participant becomes insolvent.**
 - ✓ **The abovementioned legal results for transfer orders in insolvency proceedings are secured by the CMB's instructions to ISE Settlement and Custody Bank on the basis of CML Art. 46 (g), (h) mandate. CMB directs settlement agent to settle the transfer orders of brokerage houses in the netting framework applicable under normal procedures.**



PROTECTIVE EFFECT FOR INSOLVENCY (cont.)

- Participants' settlement receivables are blocked until the obligations to Takasbank are fulfilled. In case of partial fulfilment of the obligation, proportional payment/ transfer out of the receivable is made to the participant.**
- In the case that blocked assets are not adequate to cover the dues in full, the participant's membership collateral with the ISE is used. The amount of those collaterals are determined according to participants' trading volumes.**
- These assets and collaterals of the participant together with the Guarantee Fund of the ISE provide the financial facilities to finalize settlement in case of a participants' settlement failure.**

GUARANTEE FUND

- **Established and financed by the ISE**
- **Managed by Takasbank**
- **Made up of fines collected from members for default**
- **Used only cash defaults of members**
- **Covers settlement failure; coverage is limited to the prevailing value of the fund**

REVOCAION OF TRANSFER ORDERS

- In the existence of the following conditions, upon application by two or more members or ex officio, the Exchange President may cancel orders and/or realized and/or pending transactions on the basis of securities and/or members within a certain time interval or without being subject to any time interval.
 - ✓ In case of a mistake stemming from the computer system,
 - ✓ If the transaction has emerged due to an erroneous order of at least one member,



REVOCAION OF TRANSFER ORDERS (cont.)

- ✓ If any of the prohibited situations for artificial price and market exists,
- ✓ If other material elements halting the transactions of members or/and securities occur,

The cancellation decisions shall be announced in the Exchange and the Exchange Bulletin in the first working day following the date of such decision (Art. 23 of ISE By-law).



PROTECTION OF COLLATERAL SECURITY FROM INSOLVENCY PROVISIONS

➤ Gradual Liquidation

Within 10 business days following the gradual liquidation decision, the collaterals given by the brokerage house shall, in accordance with the applicable laws and regulations and upon demand of the Investor Protection Fund (IPF), be realized and turned into cash by the relevant entity and the proceeds thereof shall be paid to the IPF.



PROTECTION OF COLLATERAL SECURITY FROM INSOLVENCY PROVISIONS (cont.)

➤ **With regard to the pending disputes under investigation pursuant to the current Exchange legislation as of the date of the decision of suspension of activities leading to the gradual liquidation decision, the ISE shall block the guarantees and collaterals up to a portion of the disputed customer claims and receivables solely arising out of the capital market activities (Art. 11 of the By-law on Gradual Liquidation of Intermediary Institutions).**

➤ Insolvency Proceedings

Collaterals are kept by the Exchange during the litigation process and sent to enforcement office providing that insolvency decision is granted by the court.



THE PROTECTION OF CUSTOMER ASSETS

- All equities are dematerialised on Customer Name Based Custody System (CNBCS) within the CRA.
- CNBCS oversees a two tier of custody records, intermediaries and the customers of these intermediaries.
- CNBCS's records are recognized as the proof of ownership and therefore protects the customer assets against any attachment on the intermediary assets.



THE PROTECTION OF CUSTOMER ASSETS (cont.)

➤ In case of the prevention of participants' operations by the CMB due to the financial weakness or insolvency of the participant, client assets are protected against the participant's creditors. Such participant's clients, would access their holdings through the Investor Protection Fund which will be in charge of carrying out the liquidation process after the gradual liquidation decision is taken by the CMB (Art. 46 of CML).



SETTLEMENT FINALITY CENTRAL BANK OF THE REPUBLIC OF TURKEY



PAYMENT SYSTEMS IN TURKEY

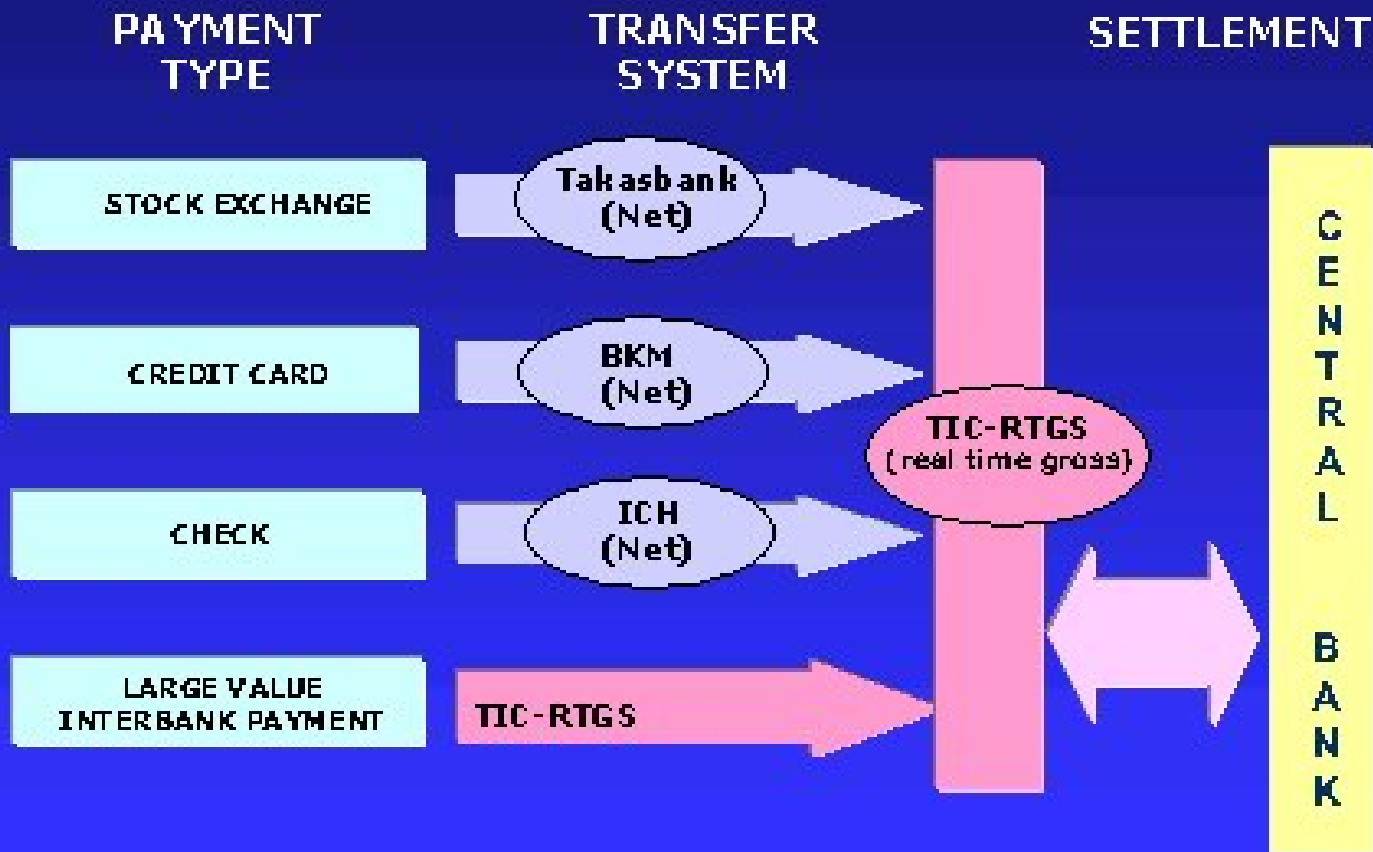
Turkish Interbank Clearing System-Real Time Gross Settlement System (TIC-RTGS)

- **Turkish Interbank Clearing System-Electronic Securities Transfer & Settlement System (TIC-ESTS)***
- **Interbank Clearing Houses (ICHs)**
- **Interbank Card Centre (BKM)**

* TIC-ESTS is a settlement system for government securities. It does not itself conduct the trading or auction process, but handles the result. CBRT is the CSD for the government securities.



Payment Systems in Turkey



SETTLEMENT IN TIC-RTGS & TIC-ESTS

- Both large-value and small-value interbank payments are settled in TIC-RTGS (the real-time gross settlement system of the CBRT).
- Payments concerning government securities transactions are settled in TIC-RTGS as well, whereas the government securities settlement leg is in TIC-ESTS (the SSS of the CBRT).



LEGAL FRAMEWORK OF TIC-RTGS & TIC-ESTS

- **Article 4, paragraph 1f of Law No.1211 on The Central Bank of The Republic of Turkey (CBRT) (OG No. 13409, dated 26.01.1970) authorizes the CBRT to establish payment, securities transfer and settlement systems and to set forth regulations to ensure the uninterrupted operation and supervision of the existing or future systems, to determine methods and instruments including electronic environment for payments.**

LEGAL FRAMEWORK OF TIC-RTGS & TIC-ESTS (cont.)

- The major regulatory document concerning TIC-RTGS and TIC-ESTS is the Operational Rule Book, which is part of the participation contract signed by each system participant.
- The Rule Book, which was issued based on the legal authority of the CBRT concerning the payment systems, defines the relationship between the CBRT and the participating banks and those among the participants of the TIC-RTGS & ESTS with regard to the services provided by TIC-RTGS & ESTS.



LEGAL FRAMEWORK OF TIC-RTGS & TIC-ESTS (cont.)

- **Article 6, paragraph 4 of the Law No. 4749 on Regulating Public Finance and Debt Management (OG No. 24721, dated 09.04.2002) gives the authority to Treasury and the Central Bank to make regulations on issuing government bonds and treasury bills in book-entry form. All security transfers issued under the Law No. 4749 run through the TIC-ESTS and TIC-RTGS provides the final settlement of the payments.**



LEGAL FRAMEWORK OF TIC-RTGS & TIC-ESTS (cont.)

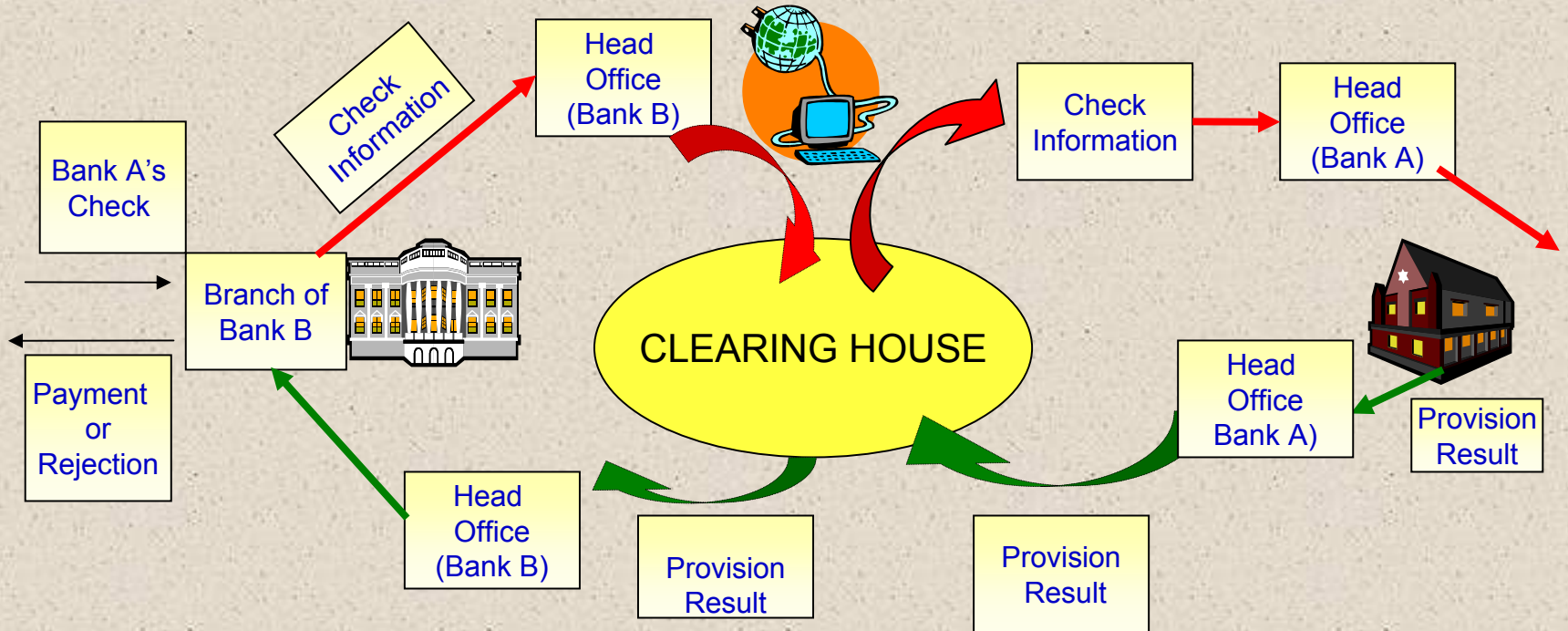
- **The settlement is real-time and continuous due to RTGS nature of the system.**
- **In particular, the timing of the legal finality of the settlement for payments within the TIC-RTGS is defined in the Rule Book.**
- **Article 7 of the Rule Book states that “Settlement is final and irrevocable once the participant’s TIC-RTGS account balances have changed”.**
- **Moreover, Law on Execution and Bankruptcy does not include any provision causing a retroactive effect of insolvency. This general rule is also applied to TIC-RTGS. Therefore, settlement finality is protected.**

LEGAL FRAMEWORK OF ICH

- Law No. 3167 on The Protection of Check Bearers and the Arrangement of Check Payments (Check Law- (OG No. 10714, dated 03.04.1985)
- The CBRT Law No.1211 (OG No. 13409, dated 26.01.1970)
- By-law on ICH issued by CBRT (OG No. 18879, dated 25.09.1985)
- Circulars on the ICH issued by CBRT
- Cheque Law and CBRT Law empower the CBRT to supervise and control the cheque clearing process nationwide

INTERBANK CLEARING HOUSES CENTER (ICH)

- **According to Article 6 of the Check Law, the ICH is established as a legal entity to execute clearing and settlement system for cheques.**
- **The participants of the ICH should be banks which have cheque account facilities in their system.**
- **According to Article 6 of the Cheque Law, the CBRT is authorised to establish and operate the ICH system. The CBRT uses this authority by issuing by-laws on the operations of ICH.**



PAYMENT OF THE CHECK VIA ELECTRONIC CLEARING

INTERBANK CLEARING HOUSES CENTER (ICH) (cont.)

- **After netting in the ICH, settlement of the cheque clearing process is realized on the settlement account at the Ankara Branch of the CBRT via TIC-RTGS (Art. 16 of the By-law on the ICH).**
- **Article 16 of the By-law on the ICH states that, unwinding procedure is applicable in case of revocation or restriction of a participant's operating permission.**
- **However, according to Banking law, banks are subject to a specific insolvency procedure which has many stages including various precautions preventing insolvency. Therefore, during this procedure, the participant bank would already be taken out of the system before it becomes insolvent.**

INTERBANK CLEARING HOUSES CENTER (ICH) (cont.)

- **Final settlement of clearing transactions is not realized until all participants fulfil their obligations.**
- **If one participant fails to fulfil its obligation, the CBRT is authorized to use all the accounts of this participant at the CBRT according to Article 10- ı of the By-law on ICH issued by the CBRT.**
- **Since the participants of the ICH are banks and the CBRT provides fully collateralised daylight credit facility to banks, the ICH's participants may use this credit facility of the CBRT.**

INTERBANK CARD CENTER (BKM)

- The BKM is established as a private legal entity to execute clearing and settlement system for bank cards and credit cards.**
- In case of revocation or restriction of one participant's operating permission, clearing and settlement process will be restarted by excluding the failed participant**

INTERBANK CARD CENTER (BKM) (cont.)

- **After the failed participant is excluded, net obligation or claim is recalculated and net debt of failed participant is shared among creditor participants in the ratio of their claims.**
- **Upon the payment of net debt by the creditor participants, this amount will be requested by the BKM from the failed participant with accrued interest.**



INTERBANK CARD CENTER (BKM) (cont.)

- **When the failed participant fulfils its payment obligation, this amount will be distributed among creditor participants by the BKM.**
- **If the payment cannot be realized at the specified time by the bank, the bank and credit cards given by the failed participant will not be allowed to make any transaction in the BKM.**
- **Law No. 5464 on the Bank Cards and Credit Cards (OG No. 26095, dated 01.03.2006) which came into force in March 2006, empowered the Banking Regulation and Supervision Agency (BRSA) to make regulations on bank cards and credit cards.**