

BORSA İSTANBUL A.Ş. DISCIPLINARY COMMITTEES' WORKING PROCEDURES AND PRINCIPLES DIRECTIVE

FIRST SECTION

Objective, Scope, Basis, Definitions and Abbreviations

Objective

Article 1- (1) The objective of the Directive is to regulate the working procedures and principles of the Disciplinary Committees of Borsa İstanbul A.Ş..

Scope

Article 2- (1) The Directive regulates the working procedures and principles of;

- a) The Capital Market Instruments Disciplinary Committee, which is responsible and authorized to conduct disciplinary investigations against the persons authorized to trade and their representatives regarding transactions made in markets, marketplaces, platforms or systems related to capital market instruments,
- b) The Precious Metals and Precious Diamonds Markets Disciplinary Committee, which is responsible and authorized to conduct disciplinary investigations against the persons authorized to trade and their representatives regarding transactions made in the Precious Metals Market, the Precious Metals Lending Market and the Diamonds and Precious Stones Market.

Basis

Article 3- (1) This Directive has been prepared on the basis of the Article 51 of Borsa İstanbul A.Ş. Regulation on Principles Regarding Exchange Activities which is published in the Official Gazette on the date of 19/10/2014 and numbered as 29150 and Article 27 of Borsa İstanbul A.Ş. Regulation on the Principles of Exchange Activities Related to Precious Metals and Diamonds which is published at the same Official Gazette.

Definitions and Abbreviations

Article 4 - (1) As mentioned at the Directive, the following terms refers to;

- a) BİAŞ Regulation: Borsa İstanbul A.Ş. Regulation on Principles Regarding Exchange Activities which is published in the Official Gazette on the date of 19/10/2014 and numbered as 29150,
- b) Borsa: Borsa İstanbul Anonim Şirketi,
- c) Supervision and Oversight Board: Supervision and Oversight Board of Borsa,
- ç) DPSM: Diamonds and Precious Stones Market in the Precious Metals and Diamonds Markets,
- d) General Manager: General Manager of Borsa,
- e) Persons authorized to trade: Those who are authorized by being Borsa member pursuant to the first paragraph of Article 24 of Regulation on Principles of Foundation, Operations, Activities and Audit of Exchanges and Market Operators published in the Official Gazette on the date of 19/07/2013 and numbered as 28712 and those who are authorized without being Borsa member pursuant to the third paragraph of the said Article,
- f) Law : Capital Markets Law no. 6362 dated 06/12/2012 entered into force by being published in the Official Gazette on the date of 30/12/2012 and numbered as 28513,

- g) PMD Regulation: Borsa İstanbul A.Ş. Regulation on the Principles of Exchange Activities Related to Precious Metals And Diamonds which is published in the Official Gazette on the date of 19/10/2014 and numbered as 29150,
- ğ) PMDM: Precious Metals and Diamonds Markets,
- h) PMLM: Precious Metals Lending Market in the PMDM,
- ı) PMM: Precious Metals Market in the PMDM,
- i) Committee: Borsa Disciplinary Committee(s),
- j) Board: Capital Markets Board,
- k) Rapporteur: Borsa Chief Legal Counsel or the department employees to be assigned by the Chief Legal Counsel,
- l) Capital market instruments: Capital market instruments determined by the Board including but not limited to securities and derivative instruments and investment contracts,
- m) TCMA: Turkish Capital Markets Association,
- n) Investment enterprise: Brokerage houses, banks and other capital market institutions which are determined by the Board in terms of the establishment and operating principles, to provide investment services and activities,
- o) Board of Directors: Board of Directors of Borsa.

SECOND SECTION

Organization, Duties and Authorities of the Committees

Establishment and Structure of the Committees

Article 5- (1) Two committees are established respectively; hence, to conduct the disciplinary investigations specified in subsection (a) of the first paragraph of the second article of the Directive, established as the Capital Market Instruments Disciplinary Committee and to conduct the disciplinary investigations specified in subsection (b) of the first paragraph of the second article of the Directive, established as the Precious Metals and Diamonds Markets Disciplinary Committee.

(2) Each Committee consists of one Chairman and two members to be elected respectively by the Board of Directors. Three associate members are again elected respectively for each Committee by the Board of Directors.

(3) Each Committee member has two years of tenure. Former Committee members maintain their occupation until the new Committee members are elected.

(4) Candidate applications are received from 45 days prior to the end of tenure of Committee members. A candidate list which shall include at least three times more candidates than the vacancies, could be submitted by TCMA to the Board of Directors. The candidate list and the applications are not legally binding for the Board of Directors.

(5) In the election of the Chairman, members and associate members, candidates shall require:

- a) Having dignity and honesty that the job requires,
- b) Having undergraduate or graduate level of education in business, economics, finance, public administration, international relations, law, engineering, capital markets or banking,
- c) Favorably, being a unit manager or an executive manager in institutions that are authorized to trade in markets and/or marketplaces related to the Committees' purview, with at least ten years of a professional experience, employed in legal or audit units of institutions that are authorized to trade and a license holder of Capital Market Activities on Level 3,

to meet the criteria required for the position.

Duties and Authorities of the Committees

Article 6- (1) Committees are responsible for conducting investigations within the scope of acts requiring disciplinary penalties and for presenting the results to the Board of Directors.

(2) Committees are authorized to gather documents and information regarding the disciplinary investigation, to perform examination of any nature, to hear the testimony of witnesses and parties, to request a review at the Supervision and Oversight Board, to demand opinion from all units that are appertaining to the dispute and to call for clarification from the parties.

(3) Chairmen of the Committees are in charge and competent to the distribution of work between the Committee members and the coordination of work of the Committees.

Confidentiality Obligation

Article 7- (1) Committee members are obliged to withhold the confidentiality of the confidential information of Borsa and companies, partnerships, institutions and all kinds of any natural and legal persons who have a business relation with Borsa that they required due to their job and by being Committee member and not to disclose the confidential information in any way other than the persons and authorities appointed and authorized by the regulation and are obliged not to exploit the confidential information for the benefit or harm of their self or third parties.

(2) This obligation shall also proceed to exist beyond the term of office of Committee members.

(3) Committee members who violate the confidentiality obligation may no longer take part in the committees of Borsa. Borsa notifies the relevant authorities about the violation in order to implement the provisions of Article 239 of the Turkish Penal Law dated 26/09/2004 and numbered 5237.

THIRD SECTION

Process of the Disciplinary Investigation

Initiation of Disciplinary Investigation

Article 8- (1) Disciplinary investigation is initiated ex officio or upon complaint or denunciation against the persons authorized to trade and/or their representatives who violate the provisions of Borsa legislation.

(2) An ex officio investigation is initiated directly upon the decision of the General Manager or the Board of Directors, without a complaint or denunciation regarding the violation of the disciplinary legislation.

(3) In terms of investigations based on complaint or denunciation, the petition is subjected to preliminary examination of the Rapporteur before the investigation. In consequence of preliminary examination;

a) If none of the claims in the petition fits with the acts specified in Borsa legislation, the Committee decides to reject the application.

b) If the issues mentioned in the petition are unclear, the Rapporteur grants the petitioner a period of fifteen days. In case the petition does not comply with the procedure or the deficits are not fulfilled within the given time period, the Committee decides to reject the application.

c) If it is determined that the prescription period has expired, the Committee decides not to initiate investigation.

(4) In case the application is rejected or the Committee decides not to initiate investigation, the Committee decision is notified to the petitioner by the Rapporteur.

(5) The petitioner may appeal to the Board of Directors against the Committee resolution within three working days from the date of notification. If the Board of Directors revokes the Committee resolution, an investigation begins.

(6) In the absence of the circumstances specified in the third paragraph, the disciplinary investigation is initiated as a result of the inspection of the Supervision and Oversight Board or upon the request of the Rapporteur, with the approval of the General Manager.

Defense

Article 9-(1) Within ten days from the beginning of the investigation, the Rapporteur requests the persons under investigation to submit the defense petition and necessary information, documents and evidences.

(2) The persons under investigation may submit the defense petition and relevant information and documents in ten business days from the notice date of the investigation. In cases where it is challenging or impossible to prepare the plea in ten days depending on the circumstances and conditions, extension may be granted by the Rapporteur, not more than ten working days, provided that the extension request is made within the response time.

(3) If the defense petition is not submitted within the given time, the person under investigation is deemed to have waived his/her right to defense.

(4) The Committee may invite to hear the petitioner, those under investigation or their representatives ex officio or upon their own request.

(5) The Committee would refuse to hear those who do not attend the invitation without excuse.

Examination

Article 10-(1) The Rapporteur is authorized to gather documents and information regarding the investigation, to perform examination of any nature, to request a review at the Supervision and Oversight Board, to demand opinion from all units that are appertaining to the investigation and to call for clarification from the parties.

(2) After the correspondences, the examination and similar procedures carried out by the Supervision and Oversight Board or other units are completed; the Rapporteur prepares a report and submits it to the relevant Committee within 30 business days.

Conclusion of the Investigation

Article 11-(1) The Committee shall make its resolution within 1 year maximum from the beginning of the investigation.

(2) Committee resolution regarding the investigation is submitted by the Rapporteur to the General Manager within three working days from its establishment to be forwarded to the Board of Directors.

(3) Committee resolutions shall include;

a) Date of and number of the resolution and meeting,

b) Summary of the claim and the defense,

c) Name and surnames of the Committee members who made the resolution,

ç) Names and surnames of the parties and, if any, their representatives and proxies,

d) Legal basis and grounds of the resolution,

e) Signatures of the members who made the resolution and the dissenting votes, if any.

The Resolution of the Board of Directors and Notification

Article 12-(1) The Board of Directors resolves on disciplinary investigations submitted by the Committees.

(2) The resolution of the Board of Directors is given notice to the petitioner and the persons under investigation by one of the procedures mentioned below:

a) By registered letter with return receipt to the known addresses of the parties,

b) By hand delivery in return of the signatures of themselves or their representatives,

c) By electronic notice.

- (3) The resolutions of the Board of Directors are final and no appeal can be made against these decisions.
- (4) Disciplinary resolutions are kept in a book or electronically.
- (5) Disciplinary cases are stored physically or electronically for at least ten years.

Registry and Deletion of Disciplinary Penalties

Article 13-(1) Disciplinary penalties are recorded in the registry of the persons authorized to trade or their representatives.

(2) Penalties recorded into the registry are deleted from the registry after three years from the date of the penalty, excluding the penalty of canceling the power or the authorization to trade.

(3) In the event that the person concerned is given a higher penalty for committing a new act requiring the same penalty within one year from the date of the first penalty or in cases in the second paragraph of Article 14 of the Directive, the disciplinary penalty in question is deleted from the registry after four years from the date of the penalty.

General Provisions on the Determination and Execution of the Penalty

Article 14- (1) Considering the nature and importance of the acts requiring penalty, it may be decided to impose a degree of severe or light penalty for these acts, when necessary.

(2) In case a new act requiring the same penalty is committed within one year after the date of the first penalty, the person concerned is given a severe penalty.

Statute of Limitations on Investigation and Disciplinary Penalty

Article 15-(1) Disciplinary investigation cannot be initiated after one year from the date on which Borsa is informed about the act requiring penalty and in any case, after two years from the date the act was committed.

(2) In any case, disciplinary penalty can not be imposed after three years have passed from the date of the act requiring disciplinary penalty.

(3) The penalty that could not be enforced within three years from the date of the resolution of the Board of Directors shall be lifted.

(4) If the act requiring disciplinary penalty also constitutes a crime or misdemeanor and a longer statute of limitations is stipulated in law for this crime or misdemeanor, the statute of limitations stipulated in law shall apply instead of the periods in the first and second paragraphs of this Article.

Coexistence of Disciplinary and Judicial Investigations

Article 16-(1) The fact that an investigation has been initiated by the judicial authorities against the persons concerned does not prevent a disciplinary investigation for the same reason.

(2) If the act requiring disciplinary penalty also constitutes a crime or misdemeanor, the relevant authorities are notified by Borsa.

FOURTH SECTION

Procedures and Principles Regarding the Meetings and Resolutions of the Committees

Quorum

Article 17- (1) Committees convene at the Borsa with the presence of at least two members.

(2) The resolutions of the Committees require the same vote of at least two members.

(3) Committee members can not abstain from voting during the process of making resolutions. Dissenting opinions are attached to the resolution.

Confidentiality of the Meetings

Article 18- (1) The meetings of the Committees are confidential and no one other than the Committee members, the Rapporteur and the relevant Borsa officials that are approved by the Committee Chairmen could attend the meetings.

Prohibition on Participation

Article 19- (1) Committee members are prohibited from participating in Committee meetings and voting on issues regarding themselves or the organizations they represent, one of their descendants, one of their spouses, or one of their relatives by blood and in-laws up to the third degree, including the third degree.

(2) In the event of the prohibition on participation is violated by one of the Committee members, the resolutions taken are deemed invalid and the membership of the member who violates the prohibition is terminated by the resolution of the Board of Directors, thus, if Borsa suffers any damage directly or indirectly, the damage is compensated by the member who violates the prohibition of participation.

FIFTH SECTION

Final Provisions

Repealed Directive

Article 20- (1) Borsa İstanbul A.Ş. Disciplinary Committees' Working Procedures and Principles Directive, which was accepted and entered into force at the meeting of the Board of Directors on 18/07/2012, is repealed on the effective date of this Directive.

Term of Office of Current Members of the Dispute Committee

Provisional Article 1- (1) The duties of the existing members of the Disciplinary Committee shall expire on the date the Committee members are determined in accordance with the Directive.

(2) Ongoing disciplinary investigations that were initiated before the effective date of this Directive will be concluded according to the provisions in force at the date of the commencement of the investigation.

Application of Members to be Elected in Accordance with the Directive

Provisional Article 2- (1) Applications are received within twenty days from the effective date of this Directive for the membership of the Committees to be established in accordance with this Directive.

Enforcement

Article 22- (1) This Directive enters into force on 01/11/2017.

Execution

Article 23- (1) The General Manager executes the provisions of this Directive.