



**PRECIOUS METALS
&
DIAMOND MARKET**



**BORSA
İSTANBUL**

Yenibosna Merkez Mahallesi Kuyumcukent Sitesi

Ladin Sok. No: 4 Bahçelievler /İstanbul-TÜRKİYE

Phone: +90 212 292 66 00

Fax: +90 212 292 66 18

Web: **borsaistanbul.com**

E-Mail : kmktm_info@borsaistanbul.com

INDEX

PRECIOUS METALS AND DIAMOND MARKET	▶ 4 - 9
PRECIOUS METALS MARKET	▶ 10 - 24
PRECIOUS METALS LENDING MARKET	▶ 25 - 29
DIAMOND AND PRECIOUS STONE MARKET	▶ 30 - 34
GOLD AND SILVER MARKET ANNUAL IMPORTS AND TRADING AMOUNTS	▶ 35 - 37
INTERNATIONAL MEMBERSHIPS AND STUDIES	▶ 38 - 42

PRECIOUS METALS AND DIAMOND MARKET

Development and Activities of the Market

It took a long time to bring gold which has important social and economic roles in Turkey into its current financial situation. With the amendments to the Decree numbered 32, issued in the Official Gazette dated August 11, 1989, concerning the Protection of the Value of Turkish Currency in 1993, the determination of gold price, gold export and import were liberalized. The decisions aimed at liberalization of gold helped import and export processes. The rapid growth seen in gold sector due to these developments accelerated new decisions concerning gold which has a great economic potential. These new decisions aimed at restructuring gold sector. The first legal decision, which is General Regulation Concerning the Foundation and Operation Principles of Precious Metals Exchanges, concerning the establishment of İstanbul Gold Exchange was made in 1993. On the basis of the mentioned general regulation, İstanbul Gold Exchange (IGE) started its operations in 1995, July 26.

İstanbul Gold Exchange became an important leverage for canalizing gold into financial system, developing gold based investment instruments and integration of gold sector in Turkey to the international gold industry. After İstanbul Gold Exchange started its operations, local gold prices became in conformity with international prices, imported gold bars were enforced to meet generally accepted international standards and fineness, system gained a transparent structure and the market went under a continuous development process.

On the other side, precious metals, diamond and precious stones have been traded in Precious Metals and Diamond Market of Borsa İstanbul A.Ş. (the Exchange) since the Exchange was established on April 3, 2013 through the termination of the legal entities of İstanbul Gold Exchange and İstanbul Stock Exchange under the provisions of the Capital Market Law No. 6362

Activity Area

- Registration of import and trade of unprocessed precious metals such as gold, silver, platinum and palladium that are defined in Decree No.32 concerning the Protection of the Value of Turkish Currency.

- Registration and trade of precious metals that are produced domestically.

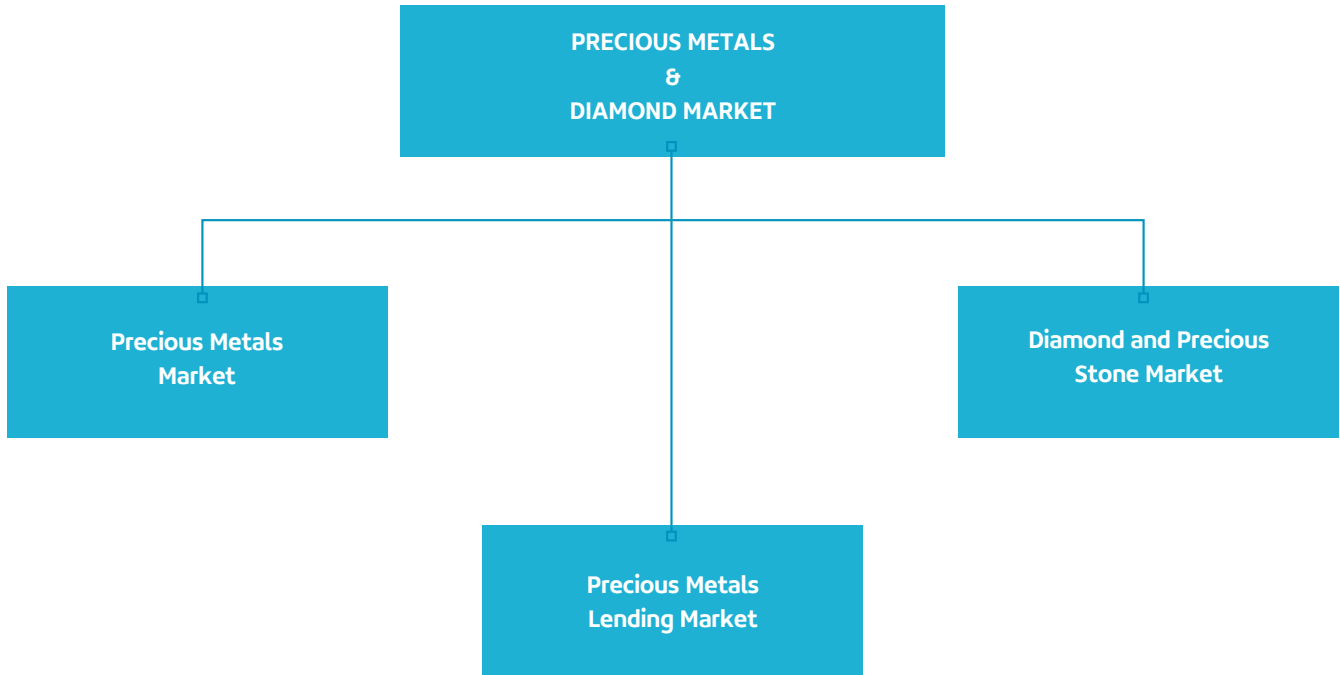


PRECIOUS METALS AND DIAMOND MARKET



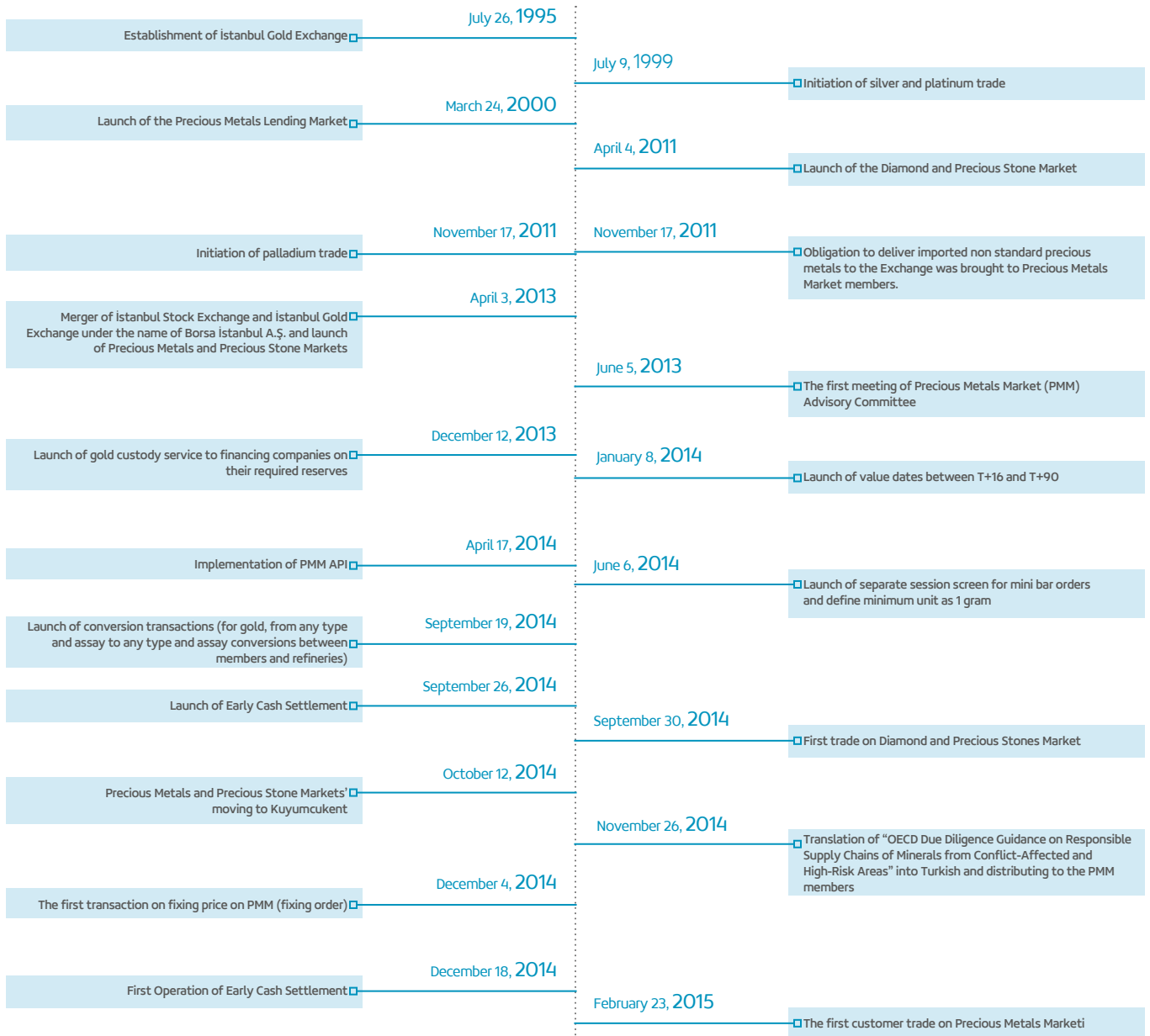
- Trade of precious metals with fineness lower than the certain amount defined in “Communique of Standards and Refineries of Metals to be traded on Precious Metals Exchange”.
- Execution of the transactions between members of Precious Metals Market of Borsa İstanbul.
- Storage of precious metals owned by members, mutual funds, exchange-traded funds.
- Storage of gold under the account of Required Reserves of the Central Bank of the Republic of Turkey.
- Studies for the development of instruments and legislation based on precious metals.
- Import and export procedures for rough diamonds that are taken into consideration under the Kimberley Process Certification Scheme.
- According to the Communiqué, issued by Capital Markets Board, on investment trust, mutual funds and exchange-traded funds, precious metals transactions of those funds and trusts shall be executed on Precious Metals Market of the Exchange and precious metals of those funds and trusts shall be stored in the vault of Borsa İstanbul.
- Only members of Precious Metals Market of Borsa İstanbul are eligible to import unprocessed precious metals and obliged to submit the imported precious metal to the Exchange vault within three business days after the arrival date of the precious metals to Turkey.

Organization Chart of Precious Metals and Diamond Market



Precious Metals and Diamond Market has three submarkets: Precious Metals Market, Precious Metal Lending Market, Diamond and Precious Stone Market. Precious Metals Market includes the spot and physical trade of standard, non-standard, domestically produced gold, silver, platinum and palladium metals of the members, customers and funds. Precious Metals Lending Market started its operations on March 24, 2000 and provides lending transactions of defined precious metals. The newly opened Diamond and Precious Stone Market was launched on April 4, 2011 to provide diamond and precious stones trading in an organized and standardized market in Turkey.

PRECIOUS METALS AND DIAMOND MARKET



PRECIOUS METALS AND DIAMOND MARKET

Members

Members of Precious Metals Market	
Banks	23
Currency Offices	42
Precious Metals Brokerage Houses	19
Precious Metals Producing and Marketing Companies	12
Total	96

Members of Precious Metals Lending Market	
Banks	11
Precious Metals Producing and Marketing Companies	2
Total	13

Members of Diamond and Precious Stone Market	
Jewelry Sector Companies	402
Precious Metals Market Members	57
Total	459

Further info on members can be obtained from borsaistanbul.com/en/members/members

International Membership & Activities

1

Turkey was admitted to Kimberley Process Certification Scheme on August 14, 2007 and Istanbul Gold Exchange (after merger Borsa Istanbul Precious Metals and Diamond Market) was authorized to conduct import and export of rough diamonds within the framework of Kimberley Process Certification Scheme.

2

Istanbul Gold Exchange was admitted to associate membership of The London Bullion Market Association (LBMA) on March 3, 2008. After merger Borsa Istanbul inherited the membership.

3

Istanbul Gold Exchange was admitted to membership of World Federation of Diamond Bourses (WFDB) on May 13, 2008. After merger Borsa Istanbul inherited the membership.

4

Borsa Istanbul follows a policy on the implementation of OECD Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas in Turkey.



PRECIOUS METALS AND DIAMOND MARKET

Legislation

The legislations of precious metals and diamond trade and Precious Metals and Diamond Market of Borsa İstanbul A.Ş. (formerly İstanbul Gold Exchange) are below:

The Principles of Regulation of Borsa İstanbul A.Ş. concerning Exchange Operations on Precious Metals and Precious Stones

Decree numbered 32 concerning the Protection of the Value of Turkish Currency

Decree concerning Regulation and Supervision of Foreign Trade of Rough Diamond

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

Regulation Concerning the Principles of Precious Metals Exchange's Intermediary Institutions and Foundation of Precious Metals Exchange Brokerage Houses

The Regulation of İstanbul Gold Exchange

The Regulation of Precious Metals Lending Market

The Regulation of Diamond and Precious Stone Market

Communiqué on Determination of Standards, Selection and Supervision Principles of Assayers to be Authorized for Assay of Precious Metals and Precious Stones

Communiqué on Decree concerning Regulation and Supervision of Foreign Trade of Rough Diamond

Communiqué on Precious Metals Standards and Refineries

Implementation Procedures and Principles of Diamond and Precious Stones Market

Implementation Procedures and Principles of Conversion Operations

The Directive for the Operational Procedures and Principles of Arbitration Group

Implementation Procedures and Principles of Customer Orders and Transactions in Precious Metals Market.

PRECIOUS METALS MARKET

Precious Metals Market includes the spot trade of standard and non-standard gold, silver, platinum and palladium. Some of the basic activities and duties of the market are as follows:

Registration of import and trade of unprocessed precious metals which are gold, silver, platinum and palladium defined in Decree No.32 concerning the Protection of the Value of Turkish Currency.

Registration and trade of precious metals that are produced domestically.

Trade of precious metals with fineness lower than the certain amount defined in “Communiqué of Standards and Refineries of Metals to be Traded on Precious Metals Exchange”.

Execution and physical exchange of the transactions between members of Precious Metals Market.

Members of Precious Metals Market	
Banks	23
Currency Offices	42
Precious Metals Brokerage Houses	19
Precious Metals Producing and Marketing Companies	12
Total	96

Trading on Precious Metals Market

Having official authorization provided by the Under-Secretariat of Treasury and complying with the requirements set forth by the Board of Directors of Borsa İstanbul, domestic or foreign banks, currency offices, precious metals brokerage houses, precious metals producing and marketing companies, international companies via their fully-authorized branch in Turkey can trade on the PMM.

Conduct of Trading

Buy and sel orders are matched in web-based Electronic Exchange System (EES-System) automatically based on price and time priority. That is, if a buy order sent to the System has a higher price than the best selling price or equal to it, the sell order can be matched completely or partially or vice versa. Orders are entered into the System by representatives of the Exchange members. The pending orders are broadcasted worldwide beyond the trading floor through information broadcast services.

PRECIOUS METALS MARKET

Trading Hours

Trades are done in 24-hour continuous session basis in Precious Metals Market including weekends and holidays. A session starts at 04:00 pm on a business day and closes at 04:00 pm on next business day. Daily Exchange Bulletin is published and announced after closing session. Clearing operations are executed on business days within official working hours of the Exchange.

Trading Unit

Trading units are TL/kg, USA Dollar/ons and Euro/ons.

Precious Metals Market Session Hours	Starts at 04:00 pm every business day and closes at 04:00 pm on next business day. (24 hours continuous session)
Precious Metals Delivery Liabilities	16:00 (T+0)
Monetary Liabilities	17:15 (T+0)

Minimum Price Range

Minimum price ranges for gold, platinum and palladium is 1 kuruş for TRY/kg quotations, 5 cent for US \$/ounce and EUR/ounce quotations. For silver it is 1 kuruş for TRY/kg quotations, 1 cent for US \$/ounce and EUR/ounce quotations.

Value Date

(T+0) - (T+90) for TRY, USD and Euro.

Precious Metals Traded on the PMM

Standard Precious Metals

Standard precious metals, features of which are set by the Under-Secretariat of the Treasury, which can be traded on Precious Metals Market are as below:

a Standard Unprocessed Gold: Gold bullions and bars with minimum 995/1,000 fineness.

b Standard Unprocessed Silver: Silver bullions, bars and granules with minimum 99.9 % fineness.

c Standard Unprocessed Platinum: Platinum bullions and bars with minimum 99.95 % fineness.

d Standard Unprocessed Palladium: Palladium bullions and bars with minimum 99.95 % fineness.

Gold

- a) Mini Bar: 1 gr, 2.5 gr, 5 gr, 10 gr, 20 gr, 50 gr, 100 gr, 250 gr and 500 gr
- b) Bullion: 1 kg
- c) Large Bar: Bullion over 1 kg.

Silver

- a) Mini Bar: 1 gr, 2.5 gr, 5 gr, 10 gr, 20 gr, 50 gr, 100 gr, 250 gr and 500 gr
- b) Bullion: 1 kg
- c) Large Bar: Bullion over 1 kg
- d) Granule: Packaged granules in various weights.

Platinum

- a) Mini Bar: 1 gr, 2.5 gr, 5 gr, 10 gr, 20 gr, 50 gr, 100 gr, 250 gr and 500 gr
- b) Bullion: 1 kg
- c) Large Bar: Bullion over 1 kg.

Palladium

- a) Mini Bar: 1 gr, 2.5 gr, 5 gr, 10 gr, 20 gr, 50 gr, 100 gr, 250 gr and 500 gr
- b) Bullion: 1 kg
- c) Large Bar: Bullion over 1 kg.

Non Standard Precious Metals

Nonstandard precious metals, features of which are set by the Under-Secretariat of the Treasury, which can be traded on Precious Metals Market are as following:

a

Nonstandard unprocessed gold: Gold bullion, bar, dore bar, granule, powder or scrap with below 995/1,000 fineness (excluding 995/1,000)

b

Nonstandard unprocessed silver: Silver bullion, bar, dore bar, granule, powder or scrap with below 99.9 % fineness (excluding 99.9 %)

c

Nonstandard unprocessed platinum: Platinum bullion, bar, dore bar, granule, powder or scrap with below 99.95 % fineness (excluding 99.95 %)

d

Nonstandard unprocessed palladium: Palladium bullion, bar, dore bar, granule, powder or scrap with below 99.95 % fineness (excluding 99.95 %)

PRECIOUS METALS MARKET

Members who want to trade in the Exchange should take into consideration the rules below that took place in the Decree Regarding the Amendment of the Decree numbered 32 Concerning Preservation of the Value of Turkish Currency.

- a) Recycling houses and refineries have to seal fineness, weight and their company emblem on the precious metals they manufactures.
- b) Members who want to trade in the Exchange with nonstandard precious metals have to get certificate of assay that is prepared by the Turkish Mint or any assayer company which is designated by the Mint and submit those certificates of assay to the Exchange.
- c) Nonstandard precious metals imported by the PMM members should be delivered to the Exchange with their customs declaration, precious metal information form to be filled in by the member and certificate of assay. In case of emergency, submitting of certificate of assay and customs declaration is sufficient. The Exchange is authorized to take every measure on the matter.



Domestically Produced Precious Metal Ore Transactions

Domestically produced precious metals' ore in the form of dore bar, granule and other shapes can be traded in the Exchange in two ways:



- a) Domestically produced precious metals' ore is refined by domestic refineries. After refining process it has to be delivered to the Exchange Clearing Center in 7 business days and traded in Precious Metals Market
- or,
- b) Domestically produced precious metal ore can be traded separately in terms of precious metals type based on its certificate of assay issued by the Turkish Mint or any assayer company which is designated by the Mint.

Procuring precious metals produced out of ore, the following principles set forth in the Article 13 of the Communiqué on Precious Metals Standards and Refineries are implemented:

a Producer company to ensure the maximum conformity of dore bar, granule and other forms of domestically produced precious metal ore with the principles set forth in the said Communiqué.

Members, who want to trade on those precious metal ore in the Exchange, must have a certificate of assay on those ore from Turkish Mint or any assayer company which is designated by the Mint. The certificate of assay describes features, fineness and weights of the ore.

b

PRECIOUS METALS MARKET

Order Types

Standard Precious Metals

Normal Order

The order submitted for standard precious metals defined in the Communiqué on Precious Metals Standards and Refineries.

Official Auction

This type of order responds to the precious metals sales by courts, enforcement offices and other official institutions in the Exchange. Exchange is authorised to determine the rules of this type of auction. If needed the Exchange may also sell precious metals on its own initiative. In this case the Exchange takes the brokerage fee.

Fixing Order

This order can be given only for standard gold. It's executed over London Gold Price (AM) and can only be in US Dollar and T+0 maturity. If "0" is entered to the price section this means that the transaction will be executed at the fixing price and if a ± US Dollar value is entered to the price section this means that the transaction will be executed over the plus or minus value of the fixing price. Fixing transaction is not valid for netting transaction.



Non Standard Precious Metals

Nonstandard Order

The order submitted for standard precious metals defined in the Communiqué on Precious Metals Standards and Refineries.

Official Auction

This type of order responds to the precious metals sales by courts, enforcement offices and other official institutions in the Exchange. Exchange is authorised to determine the rules of this type of auction. If needed the Exchange may also sell precious metals on its own initiative. In this case the Exchange takes the brokerage fee.

Domestically Produced Precious Metal Ore Transactions

Ore order

This type of order is used for and trade of bullion, bar, dore bar, granule, powder or scrap produced from precious metal ore.

Official Auction

This type of order responds to the precious metals sales by courts, enforcement offices and other official institutions in the Exchange. Exchange is authorised to determine the rules of this type of auction. If needed the Exchange may also sell precious metals on its own initiative. In this case the Exchange takes the brokerage fee.

Order Sizes

Standard Precious Metals

Minimum order size for standard bullion precious metal is 1 kg and incremental order unit is 1 kg; for standard mini bullion minimum order size is 1 gr and incremental order unit is 1 gr. Each bullion/mini bullion/granule package order is matched with the like-for-like bullion/mini bullion/granule package and their settlement is done with the like-for-like bullion/mini bullion/granule package.

Non Standard Precious Metals

Transactions are executed over the amount and fineness specified in the certificate of assay.

Domestically Produced Precious Metal Ore Transactions

Transactions are executed over the amount and assay specified in the certificate of assay.



PRECIOUS METALS MARKET

Trading Fees		
Standard Gold Transaction Fees	up to 100 Kg (incl. 100 kg)	1,5 in ten thousand
	from 100 Kg. to 1,000 Kg. (incl. 1,000 kg)	1,25 in ten thousand
	above 1,000 Kg.	1 in ten thousand
Same buyer and seller of Standard Gold Transaction Fees	up to 100 Kg (incl. 100 kg)	6 in ten thousand
	from 100 Kg. to 1,000 Kg. (incl. 1,000 kg)	5 in ten thousand
	above 1,000 Kg.	4 in ten thousand
Standard Silver, Platinum, Palladium Transaction Fees		1,5 in ten thousand
Same buyer and seller of Standard Silver, Platinum, Palladium Transaction Fees		3 in ten thousand
Non Standard Precious Metal Transaction Fees		0,5 in ten thousand
Same buyer and seller of Non Standard Precious Metal Transaction Fees		0,5 in ten thousand
Domestically Produced Precious Metal Transaction Fees		1,5 in ten thousand
Same buyer and seller of Domestically Produced Standard Precious Metal Transaction Fees		6 in ten thousand

Custody and Withdrawal Fees	
Withdrawal Fees (Standard gold)	2 in ten thousand
Withdrawal Fees (All other precious metals and ore)	3 in ten thousand
Withdrawal Fees (Non standard precious metals)	0,75 in ten thousand
Monthly Custody Fees (not charged for the first fifteen days)	1 in ten thousand
Monthly Custody Commission for Investment Partnership and Investment Funds	1 in ten thousand
Custody Commission for precious metals under the required reserves of the Central Bank of the Republic of Turkey	1 in ten thousand
Custody Commission for third party and company (Charged three months in advanced)	4 in ten thousand

Clearing and Collateral

Clearing

Clearing of transactions is executed by the PMM and Istanbul Settlement and Custody Bank (Takasbank). Obligations for precious metals and cash are met without gathering parties of the transaction.

In terms of monetary liabilities; the buyer primarily deposits monetary value of the bought precious metal to Takasbank. Then authorized representatives of the buyer can withdraw the precious metal from the Exchange's vault by submitting a letter stating the amount of the metal and representative's name in written form with authorized signatures of the member/buyer. When it comes to precious metal's delivery liability; the seller delivers the sold precious metal to the Exchange vault through its authorized representatives on business days at the latest at 4:00 pm. The clearing mechanism is finalized as follows: The precious metal is transferred from the seller's account to the buyer's account in the Exchange's vault; the money paid for bought precious metal by the buyer is transferred to the seller account in and by Takasbank. Then the clearing is completed.

Collaterals

In order to trade on Precious Metals Market, the members have to submit two types of collateral to the Exchange

Membership/Risk Collateral

The first one is risk or membership collateral which covers the possible losses that a member may cause to other members or the Exchange. It is not allowed to trade without providing this collateral.

Membership/risk collateral can be paid as;

10.000 US Dollar or equivalent bank letter of guarantee or Turkish Lira or Euro.

In case of impairment in the collaterals submitted as Turkish Lira or Euro, the member is required to complete the missing amount.

Trading Collateral

This collateral is required to make transactions and determines the trade limit of a member. A member can trade up to 25 times of the amount of trading collateral for T+0 transactions; 20 times for T+1 to T+5; 12 times for T+6 to T+9 and 10 times for T+10 to T+90 value dated transactions. Trade limits of customers of members are included in the trade limits of the members.

PRECIOUS METALS MARKET

Accepted Collaterals

The collateral can be as follows:

- Turkish Lira
- US Dollar, Euro
- Bank Letter of Guarantee in Turkish Lira or US Dollar
- Treasury Bonds and Bills
- Precious metals delivered to the Exchange vault

Netting Collateral

This collateral provides an opportunity to save trade limits for members who have different value dated but same settlement dated buying and selling transaction for the same precious metals. After netting of these transactions collateral is released. Principles for the netting collateral are below:

- Netting collateral is valid only for the members who want to use it and pay netting collateral.
- Netting collateral is valid for all value dates.
- Profit and loss calculation for buying and selling transactions is done in US Dollar-denominated. Transactions in Turkish Lira and Euro are converted to US Dollar by using foreign exchange rate in the Exchange system.
- While doing profit and loss calculation weighted average price which is calculated by dividing the total trade volume to total trade amount, at the time of netting transaction, is used.
- Unless the loss exceeds netting collateral value, transactions can be continued.
- Netting transactions will be ceased when the loss equals to the amount of netting collateral.
- Members can continue to trade if they have adequate trading collaterals.
- Following the member's fulfilling its obligations, netting transactions may be continued.
- Minimum Netting Collateral, which is 10.000 US Dollar, should be paid in cash or as bank letter of guarantee. Cash can be paid into the Exchange's Netting Collateral Account in Takasbank. Bank letter of guarantee can be given to the Exchange's relevant department.

Customer Transactions

Customers can deliver their buy or sell orders in written, verbally, via telephone or other communication instruments to the Exchange members or directly to the Exchange electronically through the members. In case the orders are delivered to the members, they transmit those orders to the Exchange via trading workstations or electronic interfaces. The customer can change or cancel its order at any time before order is delivered to the Exchange.

Information Required in Customer Orders

Below information, to be included in a customer order, is required;

- a** The title of the member
- b** Name, surname or title of or account number, T.R. ID number or customer number in the member
- c** Buy or sell order
- d** Type, amount and other features of precious metal
- e** Order type
- f** Order price
- g** Order's value and settlement dates
- h** Order's period of validity
- i** Place, date and time of order
- j** Time of order's transmission to the Exchange
- k** Number of copies of order if given in written

Orders in written form are prepared at least 2 copies; one of them is given to the customer.

Orders can be obtained from customers during or before session via telephone, fax, ATM, electronically or any other form without customer signature. Those orders in general terms are assessed as verbal orders.

PRECIOUS METALS MARKET

Price Determination

Customers either can determine the order price or can authorize the members to determine the price. In case the member is authorized, it must show maximum efforts on its customers' interest.

Members Liabilities for Customers

Members may reject customers' orders partially or completely. In this case members, at once, should notify customers or their representatives the reason of rejection.

Members are obliged to behave transparently and honestly, avoid transactions that will cause conflicts of interest with their customers and constitute a organizational structure accordingly, treat fairly and look after their customer's rights principally in case of any conflict of interest.

Members are responsible against Borsa İstanbul and Takasbank for their customers' transactions. In case of default, default provisions will be applied to the member.

Customers should be well-informed by members regarding their their storage and other regulations on protecting investors and members should ensure transparency.

Before doing transactions in the name of their customers, members have to sign a written agreement which to frame and regulate the relations between themselves and their customers in general. Member's responsibility cannot be removed with provisions that will be placed in the agreement. Calculation method and payment principles in determination of fees or commissions to be paid to the member will be placed in the agreement. Before creating an account, customer ID information is required as per Know Your Customer Rule and related legislation provisions. Any contrary provision cannot be included in the agreement stating that the member cannot be responsible for determining customer ID.

All transactions, buying, selling, fee, cost, down payment, deposit, delivered precious metal to or from the member and cash information are followed in separate accounts by members.

Members can deliver a copy of document which includes trade information to the customer via electronic communication devices or other appropriate ways.

Members are obliged to show utmost care, look out for customer's interest, keep orders records orderly and provide the customer agreement.

Customer Trading Collateral

Precious metals that are stored under member accounts in the name of customers cannot be accepted as collateral and used in the calculation of trade authority of the member. The Exchange, both for member and for customers, only take care the member's collateral provided for trading.

Brokerage Fee

The upper limit for brokerage fee, except for mini bar transactions, to be paid by the customer to the member was determined as 2.5 per thousand of the trade volume. The limit was set as 1% of the trade volume for mini bar transactions.



PRECIOUS METALS MARKET

Order Transmission

Precious Metals and Diamond Market transactions are done over a web based application which is Electronic Exchange System, EBS in Turkish abbreviation. ebs.borsaistanbul.com/EBS/ link is used for connection.

In addition to EBS, "Electronic Communication Interface Software", or PMD API in Turkish acronym, was put into use in 2014 with intent to respond expanded and developed requirements of the industry. Borsa Istanbul members can also trade on EBS system integrating applications developed by themselves and PMD API.

Members who want to use PMD API software in real environment should, at first, complete Borsa İstanbul PMD API Certification Test successfully. The test environment consists of two categories which are System Connection Test and Order Transmission and Functions Test and are accessible from ebstest.borsaistanbul.com/EBS/api/ link. Any faults resulting from all sorts of software integration and these developments are under the responsibility of the member. Before starting certification operations the document placed in borsaistanbul.com/uyeyozel/SoftwareAndDocuments/kmtp link should be looked through. This document includes details of the steps to be taken in tests.

Members who want to join in the certification are required to apply to IT Help Desk. In case of failing in one or more categories of the test, a new test can be applied. Successful members can send orders via PMD API.

In case extensive changes occur in the infrastructure of the members, or any addition/regulation/cancellation occurs in the rules and/or messages of Precious Metals Market, those members will be obliged to re-join in the tests. Members of Borsa İstanbul and related software companies can access to test environment with their PMD API username and password. All questions related to PMD API, test environment and certification program can be asked to IT Help Desk via bt-destek@borsaistanbul.com.



Precious Metals Lending Market started its operations within İstanbul Gold Exchange on March 24, 2000 for the purpose of bringing supply and demand sides of precious metals into an organized market, lowering the production costs of the jewelry sector and securitization of gold. Currently precious metals lending transactions are executed on the PMM.

Members can lend or borrow precious metals only for house or may lend on behalf of mutual funds.

Only 1 kg standard and unprocessed gold, silver, platinum or palladium is subject of lending transactions.

Principal: Loan amount of PM, multiples of 1 kg. If parties agree, borrower may payback principal either PM or equivalent in Turkish Lira, USD or Euro.

Value Date: The day PM is given to borrower (T+0)

Maturity: The day borrower payback Principal and Surplus Value.

Price: Price is profit rate (interest rate) per year of lending and it is used for calculating the surplus value in terms of amount. However, as stated above, parties may agree to pay surplus value either in PM or in specified currencies.

Surplus Value: Total surplus monetary value which borrower gives back to lender at maturity.

Revocable: Lender has the right to recall lent precious metal. In this case surplus value is calculated for the number of days for lending.

Members of Precious Metal Lending Market	
Banks	11
Precious Metals Producing and Marketing Companies	2
Total	13

Lending transactions

Trading Rules

When brokers of various members submit their orders in written form to the Exchange experts, these orders are entered into computer system. The system automatically matches the orders according to price and time priority.

The lending orders for different maturities which have the price and time priority are broadcasted simultaneously through information broadcast services. The amount and lending rate of the order may be seen in these services as well as cumulative data for trades.

The delivery type which may be cash settlement or physical delivery will be stated by the brokers while the orders are submitted. A serial number is given to the trades existed by the matching of orders according to rules. The data for each transaction is faxed to the counterparts after the execution. The objection period for these trades is 15 minutes.

The reports concerning all trades of members are faxed to the counterparts after the end of session.

PRECIOUS METALS LENDING MARKET

Trading Hours

Session is non-stop performed between 10:00 a.m. and 16:00 on business days.

Precious Metals Trading on the Market

Lending transactions are performed over 1,000/1,000 fineness for gold and 100/100 fineness for silver, platinum and palladium.

Order Types

Market Orders

In buying and selling orders below information must be included:

a The name/title of the member who submits order

b The kind of the order (divisible / block)

c The order type (lending / borrowing)

d The price type (Turkish Lira or USD)

e The kind and amount of precious metal in the order

f The lending rate

g value date

h The type of delivery (physical delivery or cash settlement)

i The number of order

Orders are valid until end of session and unmatched orders can be cancelled or changed during the session. The orders which are not matched or cancelled by member until end of session are cancelled automatically by the System.



The orders submitted have divisible or block option. While block order means the specified precious metal to be traded completely, divisible order means the order to be matched partially.

Order Sizes

Minimum amount order is 1 kg. The amount can be increased by 1 kg.

Order Unit

The weighing unit for the trades is kg. The currencies used in payments are Turkish Lira and US Dollar.

Lending Rate Intervals

Lending rate interval for the orders is 0.0001 (one per ten thousand).

Value Date

Value dates can be set on each business day for value dates up to 30 days, and after one month they can be set as multiples of 30 days. Maximum value date can be 360 days.

Effective Date

Effective date is (T+0) for all transactions.

PRECIOUS METALS LENDING MARKET

The borrower is liable for refunding value of the precious metal to the lender at the expiry date. The value is calculated over the amount of principal and interest if the settlement is set as precious metal at the time of transaction, and over amount of cash if the settlement is set as cash, at the outset.

The debits and credits are notified to the counterparts two days before the expiry date for the maturities more than two days. If the cash settlement is agreed on trading day the borrower will pay the value of the precious metals multiplied by the weighted average price of the last trading day of Precious Metals Market.

The borrower submits the required amount of precious metals to the Exchange vault at the time of settlement. In the case of cash settlement borrower will pay the amount of money for the precious metals to the Clearing Bank on the expiry date.

After the fulfillment of the requirements, collaterals are released. Members who do not fulfill the conditions for conclusive lending transactions become defaulters. In case of non-payment by the defaulter, this amount is covered by the member's collateral deposited to the Exchange.

Settlement

Delivery of trades can be in physical or in cash. On trading day if the parties had selected cash settlement for delivery, the borrower will pay the liability in cash, on the basis of price type, which is calculated over reference price at the expiry date for T+0 trades in the PMM.

Commissions

Trading commission is 1 per ten thousand from the buyer and the seller separately.

Clearing and Collateral: The clearing of the transactions on the Market is carried out by the Precious Metals and Diamond Market Department and İstanbul Settlement and Custody Bank (Takasbank). Lender submits the required amount of precious metals to the Exchange vault at the time of clearing. The clearing date for lending transactions is the same day (T+0) with the transaction day and for the certificate transactions it is the next day (T+1).

Collateral: The borrower can trade up to 90% of the total net amount of its collateral. Collaterals are re-valuated daily. If the worth of trades increases up to the 97% of the value of the collateral, the Exchange notifies the member to submit supplementary collateral.

Accepted Collateral

- a** Government Bills and Treasury Bonds (90% of the total value is evaluated as collateral)
- b** Cash
- c** Precious metals accepted by the Exchange
- d** US Dollar
- e** Bank letter of guarantee



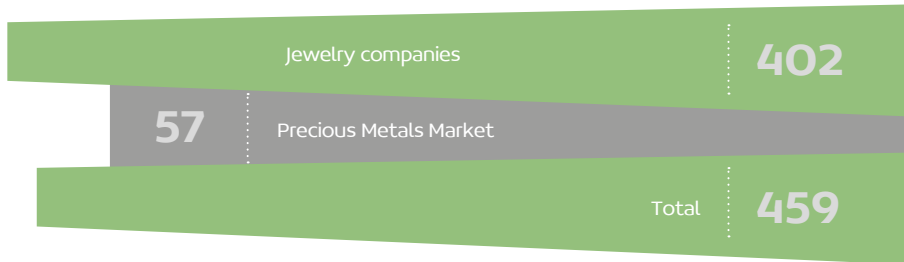
DIAMOND AND PRECIOUS STONE MARKET

The Diamond and Precious Stone Market was opened on April 4, 2011. The target of the Market is to establish a secure and organized market condition in Turkey for diamond and precious stones trading. Turkey launched its first diamond market and is aiming to become a regional hub for diamond.

The first trade in the market has been occurred after an amendment in VAT law on September 30th 2014. The amendment of VAT Law states that in case the precious stones (raw or processed diamond, ruby, emerald, topaz, sapphire, chryso- lite, pearl) are imported to be traded within Borsa Istanbul's Diamond and Precious Stones Market, delivered to the exchange market and traded between the members of exchange market within the market or out of the market, provided that such trades are notified to the market according to the relevant legislation, they shall be exempted from VAT. Other deliveries of precious stones are not covered by this exemption.

According to the article 9 of the Regulation; with Cabinet decision which is about Decree on the Regulation and Control of Foreign Trade of Rough Diamond dated on 10/10/2006 and numbered 2006/11115, both rough diamond in market which are included Kimberley Process Certification System and all polished diamonds whether natural or synthetic which are any type of shape are traded in market.

Members of Diamond and Precious Stone Market



Trading Rules

Transactions of diamond and precious stones are carried out in session floor which is organized for market transactions with participation of both the Exchange officials and representatives of members. However, in case the institution which prepares valuation reports on diamond or precious stones is not located where the Market is, transactions can be conducted out of the floor in accordance with the principles set out in Procedures and Principles Regarding Diamond and Precious Stones of Borsa Istanbul. In this case, trade forms together with other documents specified in the legislation are required to be submitted to the Exchange next business day.

DIAMOND AND PRECIOUS STONE MARKET

While seller and buyer members can be different also seller and buyer can be the same member. Buyer and seller are brought together in the session floor for analyzing, weighing and interweaving of the commodities to be traded. Transactions are only done physically. After deal is struck between buyer and seller, transaction forms are filled and given to the Exchange officials by representatives of the trade parties. All evaluations on diamond or precious stone are done by buyer and seller and the amounts of carats are saved by the Exchange.

The Exchange does not take any responsibility and will not be a side of any transaction done on the Market. The registrations of the transactions occurred in Exchange are saved by the Exchange officials by the consent of buyer and seller side in the same business day.

Of the imported precious stones to be traded on the Exchange, alongside valuation report, customs declaration, invoice and assayer report submitted to the related customs are required to be submitted to the Exchange.

Trading Hours

Session is performed from 09:30 to 17:30 on business days. Buyers, sellers, market members, representatives of members, Exchange officials that are authorized on the market and the Exchange staff that are authorized by the Exchange Management can only enter to the session floor.



DIAMOND AND PRECIOUS STONE TRADING ON THE MARKET



DIAMOND AND PRECIOUS STONE TRADING ON THE MARKET

Beside rough diamonds included in the Kimberley Process Certification System and polished diamonds; rough or polished or physically or chemically treated natural stones; rough or polished synthetic stones can be traded on the Market.

Custody and Custody Fees

If requested by a market member and contract on safe deposit box is signed, in appropriate size and number of safety boxes can be rented yearly or daily. For the use in custody of diamond and precious stones a strong room (vault) was established and security of this room is provided by the Exchange. Market members getting custody service are given a key of a box and at the end of the term they must give back the key. Insurance of commodities is in responsibility of market members and they are responsible for commodities which are in their safety boxes. The Exchange is responsible for only security of diamond and precious stones vault and can not be held responsible for any damages/losses coming from commodities in the boxes.

Custody fees are as below:

a) For small size safety boxes 200 TRY/Year or 2 TRY/Day

b) For medium size safety boxes 250 TRY/Year or 3 TRY/Day,

c) For big size safety boxes 300 TRY/Year or 4 TRY/Day.

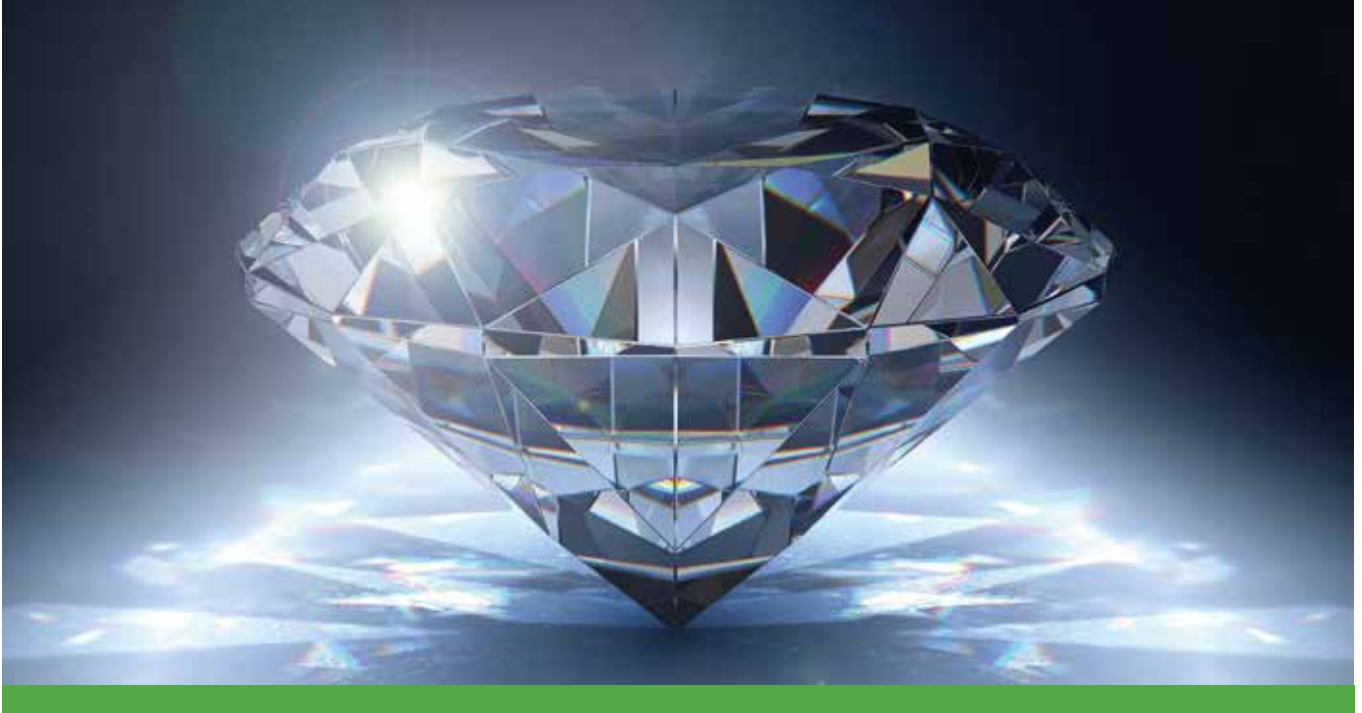
DIAMOND AND PRECIOUS STONE TRADING ON THE MARKET

Exchange Fees

In the first trade of imported or kept-in-stock diamond or precious stones on the Market, an exchange fee at the rate of 1.25 per thousand over total transaction volume is charged for both members. If a precious stone previously traded on the Exchange will be re-traded, rate of exchange fee will be 0.75 per thousand for each trade party. This rate is also applied to precious articles that will be traded on the Market. In cases valuation reports are taken into consideration and if total value of a trade realizes 30% lower or higher than the amount stated on the valuation report, exchange fee will be calculated over the amount of valuation report.

Arbitration Committee

Duty of Arbitration Committee is to resolve disputes on the market impartially. Committee consists of 5 members and those members are designated among members of Diamond and Precious Stone Market by the Board of Borsa İstanbul.



DIAMOND AND PRECIOUS STONE TRADING ON THE MARKET



GOLD AND SILVER MARKET ANNUAL IMPORTS AND TRADING AMOUNTS

Gold Data



July - December 1995
January - June 30, 2015

GOLD AND SILVER MARKET ANNUAL IMPORTS AND TRADING AMOUNTS

Silver Data



July - December 1999

January - June 30, 2015

INTERNATIONAL MEMBERSHIPS AND STUDIES

The London Bullion Market Association (LBMA)



London is the focus of the international Over-the-Counter (OTC) market for gold and silver, with a client base that includes the majority of the central banks that hold gold, plus producers, refiners, fabricators and other traders throughout the world. The LBMA is a London-based trade association that represents the wholesale gold and silver bullion market in London. The LBMA was formally incorporated in 1987 in close consultation with the Bank of England, which was the bullion market's regulator at that time.

LBMA is the one of the most important institutions that set gold and silver prices. LBMA Market Makers set continuous two-way bid and offer prices for bullion products. The LBMA Gold Price is set twice daily and is operated and administered by IBA. The LBMA Silver price auction is operated by CME and administered by Thomson Reuters. These are regulated benchmark prices, and are used around the world as a basis for a variety of transactions.

Joining the LBMA

The LBMA's membership stands at over 137 companies in more than 24 countries which have been admitted as either Members or Associates. All companies within the membership must have activities that are closely related to the London market in gold or silver bullion. These activities include trading, broking, shipping and storage, mining and refining, inspection and assaying and research. Membership on the part of individuals is not permitted.

Members must be companies or organisations which are actively involved in the London bullion market. For entities which trade, this means trading gold or silver bullion or related derivatives such as forwards and options in the loco London market. Members also include fabricators, brokers, refiners and shippers. A number of Members have been reclassified as Market Makers.

The Associate category includes many different types of market participants. For instance Associates may be traders in other markets. If so, they must have bullion based relationships with LBMA Members. Alternatively, Associates may be companies whose activities are judged to be relevant to the London bullion market, such as inspection, assaying and consultancy. Borsa Istanbul A.Ş. is an Associate Member of the LBMA as it is not located in London.

Good Delivery List

The LBMA benchmarks and regulates the acceptable requirements for large gold and silver bars through its regularly updated publication of the London Good Delivery Lists. These standards, recognised throughout the world, ensure that accredited refiners continue to maintain the high standards necessary for listing. The requirements for listing involve a stringent set of criteria, which include a minimum level of production and tangible net worth, with a rigorous technical assessment to review casting, refining and assaying abilities.

The LBMA Good Delivery List is widely recognized as representing the de facto standard for the quality of gold and silver bars. The assaying capabilities of refiners on the Good Delivery List are periodically checked under the LBMA's Proactive Monitoring program.

Related link: [lbma.org.uk](https://www.lbma.org.uk)

Borsa İstanbul and Good Delivery List

The principles of precious metals refineries that are accepted in Precious Metals Market are set by Communique about Precious Metals Standards and Refineries issued by Under Secretariat of Treasury.

According to the Communique numbered 2006/1 and dated 18/11/2006, Borsa İstanbul A.Ş. (formerly İstanbul Gold Exchange) designates and announces refineries that their bullion, bar and granule can be traded in Precious Metals Market, taking into account The London Bullion Market Association's (LBMA) Good Delivery List for gold and silver and London Platinum and Palladium Markets (LPPM) Good Delivery List for platinum and palladium.

World Federation of Diamond Bourses – WFDB



The WFDB was founded in 1947 to unite and to provide bourses trading in rough and polished diamonds and precious stones, with a common set of trading practice. The WFDB provides a legal framework and convenes to enact regulations for its 30 member diamond bourses.

The purpose of the WFDB is to promote understanding and closer co-operation between people all over the world who earn their livelihood in the diamond and precious stones trade. Furthermore, WFDB encourages the establishment of bourses with a view to eventual affiliation.

Members of the Bourses affiliated to the World Federation of Diamond Bourses pledge themselves to uphold the traditions, principles of mutual trust, consideration and friendship which prevail among the members of the bourses world-wide. They pledge themselves to abide by and hand down these principles and to ensure that they will forever serve as a basis in business relations between members of the affiliated bourses world-wide.

The regulations of WFDB aim to ensure diamond trade on fair trade and sustainable development of world diamond trade. Decisions are made by WFDB to set up and to sustain morality rules in diamond markets. In addition to regulation rules, decisions are made on synthetic and treated diamonds or arbitration of conflicts between the market participants and on forming uniform rules in diamond trade all over the world. In this manner, on the forming stage of an organized diamond market in Turkey, it is vital to become member to WFDB, for getting integrated to the world diamond markets and to establish operational and ethical rules which are applicable in the world diamond markets.

Bourses whose members deal in diamonds, precious stones or jewelry are entitled to apply for membership of the WFDB provided they have been established for at least one full year under a written Constitution, have a clearly designated and representative governing body, and are able to prove their means of subsistence. The Constitution of the applicant must contain the principal commercial and business rules and procedures in use in the diamond trade. Applications have to be submitted with a certified copy of the Constitution, translated into English and shall state readiness to accept the By-Laws and Inner Rules of the WFDB, and to comply with their provisions and with the resolutions of the Congresses of the WFDB. Borsa İstanbul was accepted as a member to the WFDB on May 13, 2008.

Related link: wfdb.com

Rough Diamond Transactions - Kimberley Process Certification Scheme (KPCS)

The Kimberley Process started when Southern African diamond-producing states met in Kimberley, South Africa, in May 2000, to discuss ways to stop the trade in 'conflict diamonds' and ensure that diamond purchases were not financing violence by rebel movements and their allies seeking to undermine legitimate governments.

In December 2000, the United Nations General Assembly adopted a landmark resolution supporting the creation of an international certification scheme for rough diamonds. By November 2002, negotiations between governments, the international diamond industry and civil society organisations resulted in the creation of the Kimberley Process Certification Scheme (KPCS). The KPCS document sets out the requirements for controlling rough diamond production and trade. The KPCS entered into force in 2003, when participating countries started to implement its rules.

The Kimberley Process (KP) is open to all countries that are willing and able to implement its requirements. The KP has 54 participants, representing 81 countries, with the European Union and its Member States counting as a single participant. KP members account for approximately 99.8% of the global production of rough diamonds. In addition, the World Diamond Council, representing the international diamond industry, and civil society organisations, such as Partnership-Africa Canada, participate in the KP and have played a major role since its outset.

The Kimberley Process Certification Scheme (KPCS) imposes extensive requirements on its members to enable them to certify shipments of rough diamonds as 'conflict-free' and prevent conflict diamonds from entering the legitimate trade. Under the terms of the KPCS, participating states must meet 'minimum requirements' and must put in place national legislation and institutions; export, import and internal controls; and also commit to transparency and the exchange of statistical data. Participants can only legally trade with other participants who have also met the minimum requirements of the scheme, and international shipments of rough diamonds must be accompanied by a KP certificate guaranteeing that they are conflict-free.

The Kimberley Process is chaired, on a rotating basis, by participating countries. So far, South Africa, Canada, Russia, Botswana, the European Union, India, Namibia, Israel, the Democratic Republic of the Congo, the United States of America, South Africa, the Republic of China have chaired the KP, and Angola is the Chair in 2015. KP participating countries and industry and civil society observers gather twice a year at intersessional and plenary meetings, as well as in working groups and committees that meet on a regular basis. Implementation is monitored through 'review visits' and annual reports as well as by regular exchange and analysis of statistical data.

Turkey's participation to Kimberley Process Certification Scheme was approved by a law dated October 27, 2004 and the international agreement concerning KPCS was approved by a decree dated February 21, 2005 by the Council of Ministers. After these regulations Turkey was accepted as 47th member for KPCS on August 14, 2007.

The Decree concerning Regulation and Supervision of Foreign Trade of Rough Diamond was prepared by Under-Secretariat of Treasury. In the Decree, Borsa İstanbul has been assigned as authority for Kimberley Process Certification Scheme in Turkey in order to conduct import and export of rough diamonds within the framework, to review the submitted certificates whether they have the necessary requirements, to have confirmation of certificates from the participant country's export authority and to issue certificates concerning rough diamonds to be exported.

The rough diamonds that are brought to Turkey cannot be cleared through the customs without a letter of conformity written by Borsa İstanbul A.Ş. to the Customs Directorate after the controls and reviews of Exchange officials. The rough diamonds can only be imported to Turkey over Ataturk Airport Customs Directorate. The Exchange is authorized to review the rough diamonds at Ataturk Airport Free Zone. Borsa İstanbul informs Kimberley Secretariat every three months about the statistics of rough diamonds that are imported with the approval of the Exchange. Related link : kimberleyprocess.com



INTERNATIONAL MEMBERSHIPS AND STUDIES

Borsa İstanbul Responsible Gold Supply Chain Policy

Borsa İstanbul, in cooperation with the Organisation for Economic Co-operation and Development (OECD), carries out various activities, including the organization of informative meetings and trainings in order to ensure that the gold transactions performed in the Precious Metals Market are in line with the internationally accepted standards and Turkish companies import gold responsibly. Furthermore, as a result of the agreement signed between Borsa İstanbul and the OECD, Borsa İstanbul had the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas translated into Turkish and distributed the Guidance to its members.

Borsa İstanbul believes that it is important to implement in Turkey the OECD's above mentioned Guidance, accepted as a standard in numerous countries as well as international organizations. Borsa İstanbul continues its efforts towards such target, and prepared Borsa İstanbul Responsible Gold Supply Chain Guide on the basis of the above mentioned Guidance. The Guide aims to ensure that the Precious Metals Market members fight against systematic and widespread human rights violations, not contribute to financial resources supporting regional conflicts and terror, and comply with the high standards put in place against money laundering. Therefore, companies that establish and implement policies in line with the above mentioned targets will have a competitive edge in international competition, and therefore contribute to making Turkey dependable in gold trading.

Within this framework, Borsa İstanbul highly recommends its Precious Metals Market members to create their own policies on the basis of Borsa İstanbul Responsible Gold Supply Chain Guide and supply gold in accordance with the policies envisaged therein. In order to encourage responsible gold supply policies, Borsa İstanbul members that apply such policies will be announced on Borsa İstanbul website.

Borsa İstanbul members that establish policies on the basis of Borsa İstanbul Responsible Gold Supply Chain Guide are expected to comply with the conditions envisaged under the title "Principles" in the said Guide. They are also required to send to Borsa İstanbul the first independent audit report to be issued by an independent audit company included in the Capital Markets Board's list of "Institutions Authorized for Independent Audit in the Capital Markets" in line with public and international audit standards, within 2 years from the date of application, as well as the independent audit reports to be issued once in every three years within 6 months from the report date. They shall also submit to Borsa İstanbul the compliance reports they will prepare within three months following the end of the relevant calendar year. Borsa İstanbul shall publish such reports on its website following the required control. Discrepancy in the reports or failure to submit the reports within the required deadlines will lead Borsa İstanbul to delete the members announced on Borsa İstanbul's website.

More info and related documents about Borsa İstanbul's responsible gold supply chain policy can be obtained from borsaistanbul.com/en/products-and-markets/markets/precious-metals-and-diamond-markets/responsible-gold.





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Reşitpaşa Mahallesi
Tuncay Artun Caddesi
Emirgan 34467 İstanbul

T: +90 212 298 21 00
F: +90 212 298 25 00
borsaistanbul.com

