



**BORSA
İSTANBUL**



VIOP
DERIVATIVES MARKET
OPERATION PRINCIPLES



1. Scope

Principles for trading, settlement and default, risk management and margining for Borsa İstanbul Derivatives Market and the activities of the Settlement Price Committee and the Corporate Actions Committee are explained in this booklet.

2. Abbreviations and Definitions

The terms defined in this booklet shall for all purposes of this booklet have the meanings herein specified;

Borsa İstanbul Executive Management:	Chairman & CEO of Borsa İstanbul Inc., or an Executive Vice President assigned by the same
Exchange or Borsa İstanbul:	Borsa İstanbul Inc.
Market:	Borsa İstanbul Futures and Options Market
Contract:	A futures or options contract
SPAN:	Standard Portfolio Analysis of Risk Algorithm
CMB:	Capital Markets Board of Turkey
Borsa İstanbul Board:	Board of Directors of the Exchange
Clearing Center, Takasbank:	İstanbul Settlement and Custody Bank Inc.
Clearing Legislation:	İstanbul Settlement and Custody Bank Inc. Central Counterparty Regulation published in the Official Gazette dated 14.08.2013 and numbered 28735, Procedure On Central Counterparty Service To Be Provided By İstanbul Settlement and Custody Bank Inc. To Borsa İstanbul Inc. Futures and Options Market and The Clearing and the Settlement Principles Regarding This Service, Directive On Central Counterparty Service To Be Provided By İstanbul Settlement and Custody Bank Inc. To Borsa İstanbul Inc. Futures and Options Market and The Clearing and the Settlement Principles Regarding This Service and other related regulations.
CBT :	Central Bank of the Republic of Turkey
Market Regulation :	Borsa İstanbul Futures and Options Market Regulation
Shareholder's Equity :	For Members which are Intermediary Institution: the value of equity capital of last year's financial statements and reports prepared in accordance with the principles and rules concerning financial statements and reports of CMB. For Members which are Banks: the value of equity capital of last year's financial statements prepared in accordance with the regulation on the procedures and principles for accounting practices and related communiqués of Banking Regulation & Supervision Agency.
TMO :	Turkish Grain Board

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Trading Principles



3.1 Daily Work Flow and Trading Session Hours

Daily workflow of VIOP comprises of the non-trading period, continuous trading session, announcement of the settlement price and end-of-day operations. The sequence of the daily work flow is as follows (Figure 1):

Daily Work Flow and Trading Hours



3.1.1 Non-Trading Period

The period between the opening time of the trading system and the beginning of the continuous trading session or the opening session (in case there exists) is called the “non-trading period”. During the non-trading period, although the system is open, order entries, execution of trades or trade reporting shall not be allowed. During this period, users may;

- connect to the trading system,
- make inquiries,
- cancel “good till cancelled orders” or “good till date orders” from the previous days,
- reduce the quantities of the “good till cancelled” or “good till date” orders from the previous days and/or change their prices (lower price for buy orders and higher price for sell orders),
- create inactive orders to be sent to the trading system at a later time.

3.1.2 Continuous trading session

Continuous trading session is the session where trades are executed based on multiple price method according to price and time priority rule. During this period, users may;

- a) enter orders,
- b) enter trade reports,
- c) amend the order quantity and price, and the validity period of orders,
- ç) cancel and/or inactivate the orders,
- d) activate the inactive orders.

Continuous trading session hours of the contracts are given in the table below:

Session Hours

Contracts	Continuous Trading Hours
Single Stock Futures and Options Contracts	09:30-18:10
Index Futures and Options Contracts	09:30-18:15
Other Contracts	09:30-18:15

3.1.3 Announcement of the Settlement Prices

Daily settlement prices are announced at the end of each trading day, and expiry date settlement prices are announced at the expiry date.

3.1.4 End-of day operations

The end-of-day operations include the production and distribution of reports and preparation of the trading system for the next trading day.

3.2 Trading Methods

Multiple price method is used in the Market, in which orders are matched continuously on the basis of price and time priority. General Manager, if deems necessary, may decide to use a single price or a different trading method in the whole or certain sections of the session.

3.2.1 The Continuous Auction Method

In this method, orders are matched based on the prices that form as a result of matching the orders conveyed to the trading system in accordance with price and time priority rules. This method shall be used during the normal session.





3.3.3 Orders

Orders are matched according to price and time priority.

It is mandatory to select one of order methods mentioned below for order entry on the System:

- a) Limit Orders: A Limit Order is the order method to buy or sell amount of contracts up to a specified limit price. Price and quantity must be entered when this method is used.
- b) Market Orders: A Market Order is the order method which is used to match orders, starting from the best price order at the time the order is entered. "Market" order can be entered only by choosing "Fill or Kill" or "Fill and Kill" order validity.
- c) Market to Limit: Market to Limit Orders are the orders, such as market orders, which are entered only by specifying the quantity without price. Market to Limit Orders execute only with the pending best price orders. The unmatched part of the order becomes a limit order with the price of the last trade and stay in the order book. A market to limit order that is entered in continuous trading session is cancelled immediately if there is not any pending order on other side.

Order validity

While entering order, it is obligatory to choose one of the following order validity:

- a) Day: Order is valid on the day of entry. If it does not match until the end of the day, it is automatically canceled by the System.
- b) Good-Till-Cancelled: Order is valid until cancellation. If this order type is selected, such order shall remain active in force until the expiry date of the contract unless cancelled or matched and shall be cancelled automatically by the System at expiry.
- c) Good-Till-Date: The order remains in force until the date indicated upon entering the order in the System. Unless

executed or cancelled by the specified date, such order shall be automatically cancelled by the System at the end of the trading day on the specified date. The system shall not allow order entry for further date than that of the expiry date of the relevant contract.

- c) Fill or Kill: It is the order method that requires order to be matched in whole upon the entry otherwise cancelled in whole.
- d) Fill and Kill: Upon order entry, the order is matched in full or in part. The unmatched quantity shall be cancelled.

Buy orders lower than the lower limit price and sell orders higher than the upper limit price may be entered into the System. Those orders are accepted by the System as "Paused" until they get into the price limits and become active as a result of daily price limit changes.

Stop orders

These are orders that are activated when the specified condition is satisfied. As condition, the last, best bid and best ask price of the contract or other contract in the same partition can be used. The features of the stop orders are as follows:

- i. They are entered based on a specific price (last price, best bid or best ask) condition.
- ii. If an order is entered or a trade is executed at the specified price condition, the stop order becomes active, in other words the order is triggered when the specified condition is fulfilled.
- iii. If there is a pending order in the System, that fulfills the activation condition, or the last trade price fulfills the activation condition, order becomes active when it is entered.
- iv. The order does not appear in the order book until activated.
- v. Contracts in which the order is entered and contracts used as a condition must be in the same partition.

3.3.4 Maximum Order Sizes

Price and quantity control is done by the system at order entry. Orders that do not match the features of the corresponding trading day part can not be entered into the system. The minimum and maximum order sizes applied in the market are shown in the table below:

Contract	Minimum Order Quantity	Maximum Order Quantity
Single Stock Contracts (Underlying Asset Closing Price < 25 TRY)	1	5,000
Single Stock Contracts (Underlying Asset Closing Price >=25 TRY)	1	2,500
Index Contracts	1	2,000
Mini Index Contracts	1	200,000
Currency and USD/Ounce Gold Contracts	1	5,000
Gold Contracts	1	500,000
Base Load Electricity Contracts	1	100
Other Contracts	1	2,000



3.3.5 Order Amendment

Unmatched orders or unmatched portion of the partially matched orders, except passive orders, may be amended by the authorized representatives at any time.

Brokers can amend their own orders whereas chief brokers can amend all orders of Market member they are authorized to. While information in certain fields may not be amended as being the main element of an order, information provided in other fields may be amended. In the table below (Table 4) amendable fields and whether or not the time priority would still remain in effect after the amendments are indicated:

Field	Amendable/Not Amendable	Time Priority
Account Number	Cannot be amended for orders in order book	-
Position	Amendable	Yes
Price	Amendable	No
Quantity	Can be increased decreased	No/Yes
Order Validity	Amendable	NO
Validity Time	Can be increased decreased	No/Yes
Reference	Amendable	Yes

When trigger conditions of stop orders are amended via trading workstations, existing order is deleted and a new order is created with a new order number. In other protocols used for market access, it is not allowed to change trigger condition.

3.3.6 Order inactivation

Market member's brokers/chief brokers can inactivate their orders and reactivate at any time during the day. On the other hand if configured, all orders can be inactivated automatically in case of a connection loss. Inactivation of an order is same as cancelation in the system. The only difference is that inactivated orders are hold on the local of brokers/chief brokers to be reentered into the System if preferred. Reactivated orders lose their time priority and get a new order number. Only TW users can use inactivation functionality. Messages regarding inactivated orders are sent to FixAPI Drop-copy users. TW users may also enter inactive orders in to the system and reactivate them during the day.

3.3.7 Order Cancellation

Unmatched orders or unmatched portion of the partially matched orders in the System may be cancelled by placing such order during time period specified in the workflow. Brokers may cancel solely their own orders whereas chief brokers may cancel all orders of the Market members they are affiliated with and authorized Exchange personnel may cancel or inactivate all of the orders in the System.

Orders may be cancelled by Pre-Trade Risk Management System.

"Good-Till-Cancelled" or "Good-Till-Date" orders of members whose trading authorization has been suspended or terminated are deleted from the system by the Exchange with no further notification.

A "Voluntary Order Cancellation Fee" shall be paid based on the nominal value of the voluntarily cancelled or inactivated orders by Members. In case the nominal value of the orders cancelled in a month will exceeds 50% of the total trading

volume accomplished by the Member, one in one hundred thousand of the nominal value of the amount exceeding 50% of the total trading value is paid to the Exchange as the "Voluntary Order Cancellation Fee". In calculation of the nominal value and trade volume, the price of the order will be taken into account. Exchange rate shall be used in calculations of the contracts traded in terms of foreign currency. In the calculation of the total trading values, position offsets on the expiry and trade report values are not taken into account.

Market maker accounts of market maker members are held exempted from Voluntary Order Cancelation Fee for the contracts they are responsible as a market maker. This provision shall not apply for BIST 30 futures contracts.

Order cancellations on all contracts based on currency and gold are held exempted from Voluntary Order Cancellation Fee.

Orders that are cancelled or inactivated by System or other reasons are held exempted from Voluntary Order Cancellation Fee calculation.

Regarding the cancellation of the orders by the Exchange, the provisions of Article 33 of the Regulation shall apply.

3.3.8 Pre-trade risk management

The pre-trade risk management is a risk management application developed integrated with the System to control and monitor the risks arising from both orders and trades.

Risk controls may be done at three steps such as pre-order (before orders are accepted into the System) post-order (after orders are accepted) and at the time of the trade.



3.4 Correction of Error Trades

Trades that occur due to erroneous order(s) may be canceled by the Exchange under the following rules.

a) Erroneous trade/trades shall be executed as a result of one of members' erroneous order at least.

b) All requirements stated below shall be fulfilled in time of cancellation request since erroneous trade/trades may be subject to cancellation.

i. Application Period For Erroneous Trade Cancellation:

Application for erroneous trade cancellation can be made within 15 minutes from the time the trade is executed.

ii. Required Information In Application For Erroneous Trade Cancellation: Order number, contract and account number relating to erroneous trade/trades shall be submitted during the application period. Trade number, price and trade quantity of erroneous trades executed as a result of the related order are also required.

iii. No Bust Range: Trades executed at the prices that are out of no bust range which are calculated by using reference price can be subject to cancellation. No bust ranges are stated below table on the related contract basis.

Instrument class Price Change Calculated from Reference Price

BIST30 Index and Single Stock Futures: +/- 5%

Currency Futures: +/- 3%

Other Futures Contracts: +/- 4%

All Call and Put Options: Maximum of +/-50% of premium price or market maker maximum spread defined for the related contract

iv. Minimum Loss Amount Generated As A Result of Trade/ Trades Which Is/Are Subject To Cancellation: Minimum loss amount calculated by comparing reference price and prices of trade/trades subject to erroneous trade cancellation shall be TRY 1,000.

v. Reference Price: Reference price shall be used for determining no bust range and calculation of the loss amount generated from erroneous trade;

1. For the nearest and the next contract months of the BIST 30 index and currency futures contracts, last trade price executed on the relevant contract before erroneous trade/ trades shall be used as reference price.

2. For the other futures and option contracts expect for stated above, reference price shall be determined by using one or more of the following methods.

- Last trade price before the erroneous trade/trades,
- If no trades were executed before the erroneous trade/ trades, the previous settlement price,
- Theoretical prices are calculated considering spot price of the underlying asset or prices for other contract months of the contract.

3. If the reference price cannot be determined in accordance with the above methods, reference price may be determined by General Management.

c) Erroneous trade cancellation requests which fulfill all the requirements stated above can be submitted via telephone numbered 0212 298 2427/3 or e-mail viop@borsaistanbul.com to the VIOP by either one or both of sides of trade.

ç) To be subject to cancellation, whether price tendency of the market is in line with the erroneous trade price or not may be taken into consideration separately.

d) In case trade cancellation is decided, cancellation decisions are announced pursuant to the relevant legislation. Before

the cancellation, trading on the relevant contract may be suspended. Also, parties of the relevant trade may be informed about the cancellation.

e) Even if the above conditions are met with regard to the cancellation of the erroneous trade, Article 33 of the Regulation shall be applied if the above conditions are not met, while the right of the Exchange to cancel or not to fulfill the whole or part of the cancellation request is reserved.

3.5 Position Limits

Position limit checks will be enforced by PTRM within a single investor (investor-based position limit) or whole market (market-based position limit). In breach state, only position decreasing order entry is allowed. Principal of position limits are available at the Clearing Legislation.

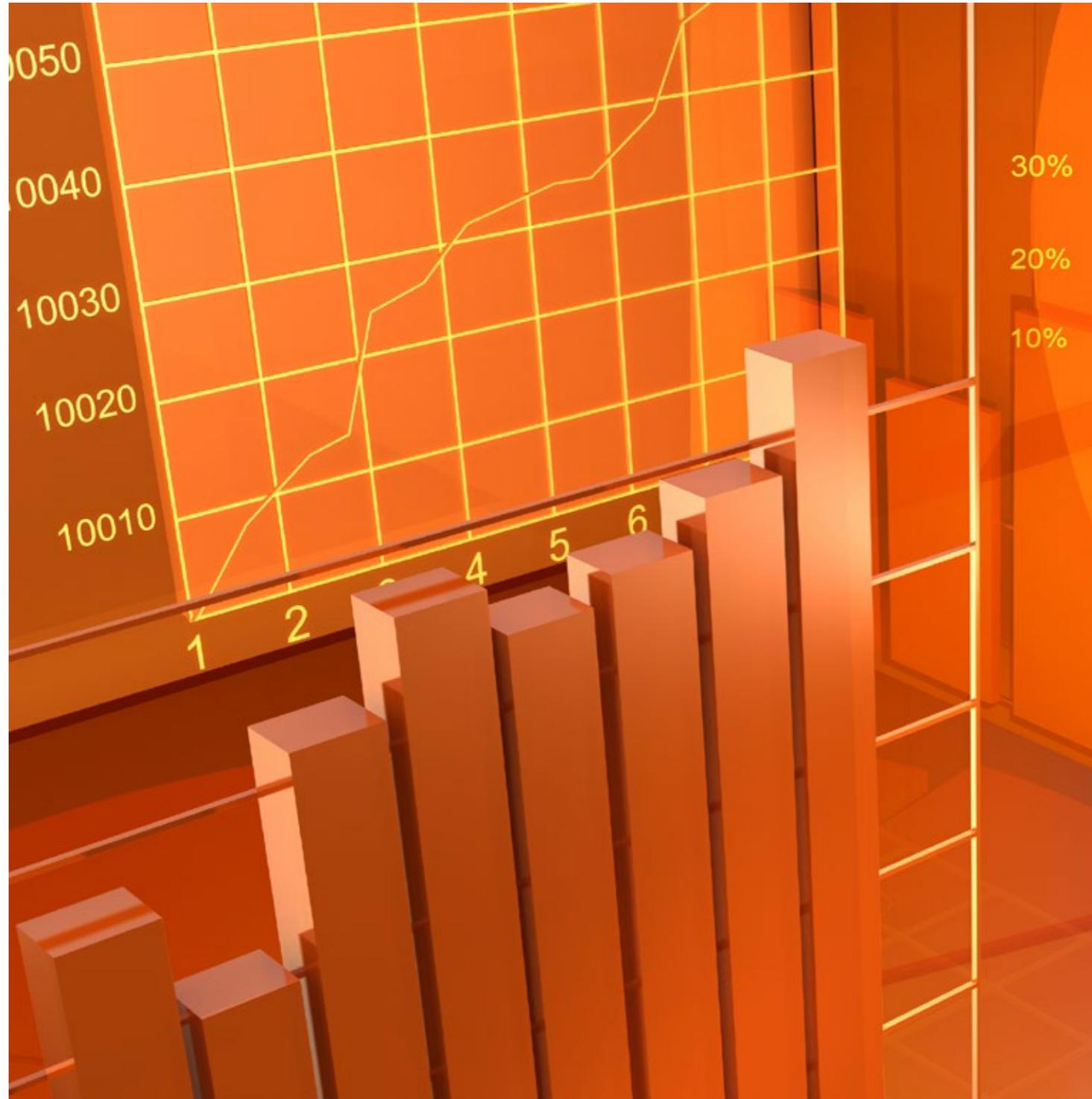
Market members will not be able to monitor position limits from PTRM application.

3.6 Settlement Price Committee and Corporate Action Committee

Borsa İstanbul Executive Management shall establish a Settlement Price Committee for the contracts traded on the Market. The daily settlement price will be determined by the Exchange in accordance with the methods envisaged in Circular on Futures and Options Market, following the end of the normal session. The Committee may determine a new price in accordance with the methods envisaged in the contract. Borsa İstanbul Executive Management may accept the determined prices as they are or change such prices. On the other hand the last settlement price of the contracts traded on the Market may be corrected by a Committee decision as envisaged in the Circular.

Besides Settlement Price Committee, Borsa İstanbul Executive Management shall establish a Corporate Actions Committee for the contracts traded on the Market. The adjustments on the price and other features of the relevant contracts in accordance with the Corporate Actions Circular are reflected to the contracts. In the case of any rejections or uncertainties on reflecting the adjustments of corporate actions on the relevant contracts' prices and other features, Committee shall decide the adjustments and other features of the relevant contracts. Borsa İstanbul Executive Management may accept the Committee decisions as they are or change such decisions.





3.8 Miscellaneous

3.8.1 Data Dissemination

Orders in the trading system may be monitored via the inquiry screens that include market depth data such as market by level and market by order.

Furthermore, the price and depth information relating to pending orders in the trading system for each contract may be disseminated on a real time or delayed basis through distributors. Principles concerning the dissemination of price and depth information are determined by Borsa İstanbul Executive Management. To see the list of our licenced data distributors; <http://www.borsaistanbul.com/en/data/data-dissemination/data-vendors-directory>

3.8.2 Trading Fees

Trading Fee	<ul style="list-style-type: none"> · For the contracts written on equity index, the trading fee is 0.004% of the premium value for option contracts and the traded value for futures contracts. · For the contracts other than equity index contracts, the trading fee is 0.003% of the premium value for option contracts and the traded value for futures contracts.
Voluntary Order Cancellation Fee	0.001%

3.8.3 Exchange Bulletin

The Exchange publishes the exchange bulletin electronically at the end of the trading day. The bulletin includes information of the contracts traded or the contracts with open interest including the opening, the closing, low, high, weighted average price, settlement price, previous settlement price, price change, traded value, traded volume, number of trades, option premium value, number of open interests, and change in open interest. To see further data provided by the Exchange; <http://www.borsaistanbul.com/en/data/data/futures-and-options-market-data>

3.8.4 Members

Membership with the Exchange is necessary for trading at the Market. In order to trade at VIOP, an investor needs to open an account at one of brokerage houses or banks registered as VIOP member. To see our members; <http://www.borsaistanbul.com/en/members/members-list>

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Risk Management, Margining, Clearing

Risk management in the Market is carried out by Takasbank. Trades executed in the Market are subject to portfolio based margining method. Takasbank uses BISTECH Margin algorithm for portfolio based margining. Parameters constituting the basis for portfolio based margining calculation shall be determined and announced by Takasbank. Clearing Legislation shall be applied regarding risk management, pre-order risk management, margining and clearing method.

For further information regarding risk management, margining or clearing issues, please see;
<https://www.takasbank.com.tr/en/rules-and-regulations/procedures>

For further information regarding VIOP, please visit;
<http://www.borsaistanbul.com/en/products-and-markets/markets/futures-and-options-market>

For ISIN Codes of the VIOP Contracts, please visit;
<https://www.takasbank.com.tr/en/resources/isin-list>







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