


Document	Name	DERIVATIVES MARKET DIRECTIVE	 BORSA İSTANBUL
	Type	DIRECTIVE	
	Code	30.YÖN.01	
	Date of Arrival	16/06/2016	
	Date of Revision	20/10/2017	
	Revision No.	1	
	Prepared By	DERIVATIVES MARKET	
	Approved By	BOARD OF DIRECTORS	



BORSA İSTANBUL A.Ş.

DERIVATIVES MARKET DIRECTIVE

İSTANBUL – 2016

This document is owned by Borsa İstanbul. Current version of this document is published in Borsa İstanbul corporate website. Please check whether this document is the current one before using.

DISCLAIMER: This translation may be used for reference purposes only. This English version is not an official translation of the original Turkish version (including tables for comparison of new and old rules and regulations; hereinafter the same). Certain parts of the translation may have been edited to accommodate differences in writing style and expression between English and Turkish. In cases where any differences including, but not limited to, those differences above occur between the English version and the original Turkish version, the Turkish version shall prevail. This translation is subject to change without notice. Borsa İstanbul A.Ş. shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding, or changes with regard to this translation.

SECTION ONE

Purpose, Scope, Legal Basis, Definitions and Abbreviations

Purpose

ARTICLE 1 – (1) The purpose of this Directive is to regulate the operation principles and rules of Borsa İstanbul A.Ş. Derivatives Market.

Scope

ARTICLE 2 – (1) This Directive regulates trading of futures and options contracts and other derivative instruments, the principles of trading, the order and trade rules related to trades, termination of trading, market maker and liquidity provider programs, the principles of clearing, default and guarantee funds.

Legal Basis

ARTICLE 3 – (1) This Directive is issued in reliance upon “Borsa İstanbul A.Ş. Regulation on Principles Relating to Exchange Activities” published in the Official Gazette no. 29150 and dated 19/10/2014.

Definitions and abbreviations

ARTICLE 4 – (1) The terms in this Directive shall mean the below;

- a) Open position: Positions created by trades executed on the Market or by methods as stated in the Clearing Legislation and not closed by offsetting trade, cash settlement, physical delivery or by methods as stated in the Clearing Legislation,
- b) Exchange: Borsa İstanbul A. Ş.,
- c) Underlying asset: Capital market instrument, goods, asset, economic or financial indicator, commodity and receipts based on these which are subject to the right and/or obligation to buy or sell in the contract,
- ç) Guarantee fund: Guarantee fund as described in the Article 4 paragraph 1 subparagraph f of the Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation no. 28735 and dated 14/8/2013,
- d) General Manager: General Manager of the Exchange,
- e) Trading Permit Holders: Those who are authorized pursuant to Article 24 of Regulation on Principles of Foundation, Operations, Activities and Audit of Exchanges and Market Operators published in the Official Gazette edition 28172 on 19/7/2013,
- f) Law: Capital Market Law no. 6362 dated 6/12/2012,
- g) Short position: The position that gives the owner an obligation; for futures contracts to sell the underlying asset with the agreed price and quantity or to provide cash settlement at expiry, for call options to sell underlying asset at the price and quantity agreed in the contract or to provide cash settlement at/till expiry, for put options to buy the underlying asset with the agreed price and quantity or to provide cash settlement at/till expiry,
- ğ) Board: Capital Markets Board,
- h) Liquidity provider: Institutions carrying out buy and sell activity to support liquidity and trading ability for contracts for which they are responsible for,
- ı) Central Counterparty service: Service as described in the Article 4 paragraph 1 subparagraph k of the Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation,
- i) Option contract: Contract that gives the buyer the right to buy or to sell an underlying asset at a predetermined price, quantity and quality at/till expiry in return of the option premium that is paid and gives the seller the obligation to buy or to sell an underlying asset in return of the option premium that is earned,
- j) Corporate actions: Circumstances that affect share value and/or share amount of a corporation such as dividend payments, increase of capital through rights or bonus issues,

decrease of capital, corporation mergers and divisions by means of acquisition or transfer, and equity trades between equity groups of the corporation,

- k) Sub-market: The electronic trading environments created on the Derivatives Market trading system according to types, operation principles or other specifications of the contracts,
- l) Market: Borsa İstanbul A.Ş. Derivatives Market,
- m) Market maker: Institutions authorized in accordance with the criteria determined by the Board of Directors to ensure fair, organized and effective working of the market and to contribute to market liquidity and continuity for the contracts they're responsible for and assessed in terms of their performance in this field,
- n) Session: The period of time that the contracts are traded on the Exchange,
- o) Capital market instruments: Capital market instruments as described in the Article 3 paragraph 1 subparagraph 5 of the Law,
- ö) Contract: Futures and option contracts and contracts regarding other derivative instruments,
- p) Contract group: Contracts which are written on the same underlying and classified pursuant to similar qualifications,
- r) Clearing: Procedure as described in the Article 4 paragraph 1 subparagraph v of the Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation,
- s) Clearing house: Center established within the Exchange or institution assigned as a clearing house by the Board of Directors upon approval of the Board to carry out clearing of trades conducted on the Exchange,
- ş) Clearing legislation: General Regulation on the Establishment and Operating Principles of Central Clearing and Settlement Institutions no. 28662 and dated 30/5/2013, İstanbul Settlement and Custody Bank Incorporation Central Clearing and Settlement Regulation no. 28711 and dated 18/7/2013 and İstanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation and directive, procedures and other regulations issued by the Clearing House,
- t) Default: Failure to fulfill obligations on time as set out by the Clearing House,
- u) Offsetting trade: Closing a position by taking short position against a long or by taking long position against short in the same contract,
- ü) Derivative instruments: Derivative instruments as stated in the Article 3 paragraph 1 subparagraph u of the Law,
- v) Settlement price: The price used for marking to the market of accounts and for cash settlement or physical delivery,
- y) Long position: The position that gives the owner; for futures contract an obligation to buy the underlying asset with the agreed price and quantity or to provide cash settlement at expiry, for call options the right to buy the underlying asset at the price and quantity agreed in the contract or to provide cash settlement at/till expiry, for put options to sell the underlying asset with the agreed price and quantity or to provide cash settlement at/till expiry,
- z) Futures contract: The contract that gives an obligation to buy or sell an underlying asset at a predetermined price, quantity and quality at a certain future date,
- aa) Directive: Borsa İstanbul A.Ş. Derivatives Market Directive,
- ab) Regulation: Regulation Regarding the Principles of Exchange Activities of Borsa İstanbul A.Ş.

SECTION TWO

Principles Regarding Contracts

Contracts that can be traded

ARTICLE 5 – (1) The underlying assets and minimum contract specifications stated in the article 24 of the Regulation are determined by the Board upon a proposal by the Board of Directors.

(2) Contract specifications other than the minimum specifications are determined by the Board of Directors.

Bindingness of contracts and expiry

ARTICLE 6 – (1) The provisions of the contracts to be traded on the Market are issued by the General Manager and all parties executing trades are subject to these provisions without any further notice.

(2) Rights and obligations arising from open positions generated as a result of trades executed on the Market or by methods stated in the Clearing Legislation are terminated by offsetting trades on the Market, expiry of the contracts, exercise of the right, transfer of open positions to other contract and/or contracts or by methods as stated in the Clearing Legislation. Otherwise, rights and obligations arising from open positions or contracts cannot be sold or transferred to another party at the Market or outside the Market by other means.

SECTION THREE

Principles Regarding Orders and Trades

Session

ARTICLE 7 – (1) Days and hours of sessions in the Market are determined by the Board of Directors.

Orders

ARTICLE 8 – (1) Order methods, order types and duration of these orders are determined by the Board of Directors.

Transmission of orders to Market

ARTICLE 9 – (1) Orders are transmitted by Trading Permit Holders in accordance with the principles determined by the Board of Directors.

Cancellation and amendment of orders

ARTICLE 10 – (1) Orders which are transmitted to the Market but unmatched or unmatched portion of the partially matched orders may be amended or cancelled by Trading Permit Holders in accordance with the principles determined by the Board of Directors.

Trading methods

ARTICLE 11 – (1) Multiple price is the main method of trading at the Market. Single price method may be also used within the framework of principles determined by the Board of Directors.

(2) Besides the single price and multiple prices methods, a different trading method and different order, trade and priority rules may be determined the Board of Directors.

Priority rules in matching of orders

ARTICLE 12 – (1) Priority rules as stated in the Article 31 paragraph 4 of the Regulation are applied in matching of orders.

Trade cancellation

ARTICLE 13 – (1) Rules stated in the Article 33 of the Regulation are applied for the cancellation of trades executed in the Market.

Notification and announcement of trades

ARTICLE 14 – (1) Information to be announced regarding trades executed in the Market and procedures and principles regarding the notification and announcement of the information are decided by the Board of Directors. In case of any discrepancy on contents of such information, the Exchange's records will prevail.

Broadcasting of order and trade information

ARTICLE 15 – (1) Information regarding the trades executed on the Market and market depth information of orders pending in every contract will be broadcasted via user terminals, via platforms operated by data vendors which have an agreement with the Exchange and via other electronic environments considered appropriate by the Board of Directors in real time or with a delay.

(2) The Board of Directors determines the order and trade information to be broadcasted, the content of the information, electronic environments through which the information will be broadcasted and frequency of the information.

Limitations regarding the trades

ARTICLE 16 – (1) Limitations may be introduced to contracts and/or to contract groups that can be traded, to orders that can be transmitted and to trades that can be executed in terms of capacity, volume and/or value in order to have risk controls over market operation, or determination and implementation of these limitations by member and/or user may be requested. The risk criteria which will be used and limits which will be applied shall be determined by the Board of Directors. General Manager can ex officio change the limits defined in the risk criteria on the basis of Trading Permit Holders, their users, contracts and/or contract groups if extraordinary circumstances emerge in the Market or when deemed necessary.

(2) Limitations regarding trade value that can be realized by Trading Permit Holders are determined by the Board of Directors.

Determination method of settlement price

ARTICLE 17 – (1) Settlement prices are determined according to principles established by the Board of Directors. Settlement prices, determined using this method, are announced by the Exchange.

Settlement price committee

ARTICLE 18 – (1) A settlement price committee is established on the basis of each contract or contract group which will be opened for trading. Committee members and principles on operation of committee are determined by the Board of Directors.

(2) Settlement price committee may update settlement price which is calculated using executed trades during session when deemed necessary.

Adjustments regarding corporate action

ARTICLE 19 – (1) Principles regarding adjustments to be made in contracts depending on corporate actions are determined by the Board of Directors.

Corporate actions committee

ARTICLE 20 – (1) Corporate actions committee is established to engage in activities to determine principles which will ensure reasonable and fair impact of corporate actions on prices and contract specifications. Committee members and principles on operation of committee are determined by the Board of Directors.

Determination of base price

ARTICLE 21 – (1) Base price which is used as a reference for daily price limits is determined by the Settlement Price Committee for the first trading day. For other trading days, previous settlement price is determined as base price.

(2) Base price is determined by the Corporate Action Committee in case of a corporate action.

Changing daily price limits

ARTICLE 22 – (1) General daily price limits may be changed temporarily by the General Manager in case of extraordinary circumstances stated in the Article 30 of the Directive or when deemed necessary within the framework of the market conditions.

(2) Price limits of a specific contract can be increased up to two times by the Deputy General Manager or the Market Director when deemed necessary within the framework of the market conditions.

Decomposition of accounts

ARTICLE 23 – (1) Trading Permit Holders monitor each customer's rights, liabilities and assets separately from their own and other customer's rights, liabilities and assets at books, documents and records. The related regulations of the Board are applied on this subject.

Declaration of positions

ARTICLE 24 – (1) The Exchange can request from Trading Permit Holders to notify the Exchange and/or the Clearing House about positions taken on the Market by their clients or by themselves. Format and time of notifications are determined by the Board of Directors.

Customer notification about risk statement

ARTICLE 25 – (1) The related regulations of the Board are applied in terms of customer notification liability of Trading Permit Holders about risk statement.

SECTION FOUR

Clearing, Default and Guarantee Fund Principles

Clearing

ARTICLE 26 – (1) Obligations raised from trades executed in the Market are carried out through the Clearing House within the framework of the Board's regulations and Clearing Legislation.

(2) Procedures and principles regarding clearing, clearing fee tariff, duties, authorities and responsibilities of the Clearing House, central counterparty services and clearing principles related to this service, financial liability of the Clearing House as a central counterparty, Default, Guarantee Fund, Guarantee Fund contribution shares and assets acceptable as contribution shares, utilization of the Guarantee Fund, liability on the completion of the Guarantee Fund contribution, accretion of cash contributions in the Guarantee Fund and other provisions are determined within the framework of the Clearing Legislation.

SECTION FIVE

Principles on Market Makers and Liquidity Providers

Market Makers

ARTICLE 27 – (1) Principles on market maker authorization, market maker mechanisms and eligible contracts and/or contract groups are determined by the Board of Directors.

(2) More than one market maker can be assigned for a contract and/or a contract group.

(3) Performance of market makers may be evaluated within the framework of principles determined by the Board of Directors.

Liquidity Providers

ARTICLE 28 – (1) Principles on liquidity provider authorizations, liquidity provider mechanisms and eligible contracts and/or contract groups are determined by the Board of Directors.

(2) More than one liquidity provider can be assigned for a contract and/or a contract group.

(3) Performance of liquidity providers may be evaluated within the framework of principles determined by the Board of Directors.

Temporary or permanent withdrawal of market makers/liquidity providers and suspension of authorization

ARTICLE 29 – (1) Market makers and liquidity providers shall notify the Exchange in written form stating their request of permanent or temporary withdrawal from market making/liquidity providing. Principles and conditions regarding withdrawal are determined by the Board of Directors.

(2) Principles on re-authorization of market makers or liquidity providers are determined by the Board of Directors.

(3) Permanent or temporary withdrawal of market makers/liquidity providers does not affect the Trading Permit.

(4) Principles on temporary or permanent suspension of authorization of market makers or liquidity providers which do not fulfill obligations stated in the Directive and regulations issued based upon the Directive are determined by the Board of Directors.

(5) Activities of Market makers/liquidity providers can be terminated ex officio by the Board of Directors, provided that reasons shall be announced, on the basis of market makers and/or liquidity providers or contracts and/or contract groups when deemed required for the robust and orderly operation of the Market.

SECTION SIX Other Provisions

Extraordinary circumstances and provisions to be applied at extraordinary circumstances

ARTICLE 30 – (1) All conditions and developments arising from conditions of markets, sub-markets, platforms and systems or infrastructure which prevent or may prevent the fair and secure functioning of the Market and other unexpected events are accepted as extraordinary circumstances.

(2) In case of extraordinary circumstances, one or more of the measures which may include but not limited to the below may be taken depending on the type of the extraordinary event, by the General Manager in order to ensure that trades are executed in a fair and secure manner in the Market:

a) To change the requirements concerning the financial obligations of Trading Permit Holders,

b) To request trades to be executed only for closing of positions,

c) To change expiry dates of contracts,

ç) To change method and conditions of settlement,

d) To change daily price limits,

e) To request closing of open interests and determine the settlement price of the contract,

f) To change the opening and closing hours of the trading session, suspend or restrict the trades.

(3) Depending on the type of the extraordinary circumstance, provisions of the Clearing Legislation shall be applied for precautions which may be taken by the Clearing House.

(4) In case of failure to fulfill the actions in a timely manner required in accordance with the provisions of this article by Trading Permit Holders or by their clients, actions that may be realized by the Exchange or the Clearing House will be realized ex officio without further notice.

(5) Extraordinary circumstances arising from this article or other provisions and procedures and principles to be applied at these circumstances are regulated by the Board of Directors.

Temporary suspension of trading

ARTICLE 31 – (1) In case of a suspension of trading of an underlying, trading of related contracts written on this underlying may be suspended by the General Manager.

(2) Durations regarding the suspension of trading on basis of contract due to extraordinary circumstances are determined within the framework of article 25 of the Regulation.

Termination of trading in contracts

ARTICLE 32 – (1) Trading in contracts may be terminated by the Board of Directors in the below circumstances.

a) Underlying of a contract is not traded in the spot market or trading of an underlying is suspended temporarily,

b) Termination of license agreements regarding the underlying of a contract,

c) Non-existence of trade or position in a contract for at least three months,

d) Other circumstances which may restrain trading ability or affect trades in the Market.

(2) A contract may be reopened for trading with the decision of the Board of Directors after termination of trading in the contract only if the minimum contract specifications are unaltered.

Temporary closing of the Market

ARTICLE 33 – (1) Upon occurrence of extraordinary developments, provisions stated in the article 39 of the Regulation are applied regarding the temporary closing of the Market or sub-markets within the Market.

Exchange fee and other revenues

ARTICLE 34 – (1) A fee within the principles which are determined by the Board of Directors and approved by the Board is collected from orders placed or trades executed in the Market on the basis of Trading Permit Holders, order, trade or contract type.

(2) Exchange fee may be subject to revenue sharing with the institutions which make a contribution to the Exchange's liquidity within the framework of principles determined by the Board of Directors.

(3) Lower exchange fees may be applied to market makers and/or liquidity providers compared to Trading Permit Holders with the decision of the Board of Directors and approval of the Board.

(4) Exchange fee discounts may be applied as an incentive on basis of contracts and/or contract groups within principles determined by the Board of Directors and approval of the Board.

(5) Fees and commissions other than the exchange fee which can be collected for the operation of the Market are determined by the Board of Directors and approved by the Board.

Regulation authority of the General Manager

ARTICLE 35 – (1) The Board of Directors can authorize the General Manager to make regulations regarding implementation details of procedures, principles and methods determined with this Directive, for the purpose of guiding implementation of matters in articles 5/2, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 20, 24, 27, 28, 29, 30, 32 ve 34/2 within the scope of this Directive.

Circumstances for which there is no provision in the Directive

ARTICLE 36 – (1) General Manager is authorized to decide, regulate and direct the implementation within the framework of related regulations on subjects that are not in this Directive or not clear, limited with circumstances that do not require the approval of the Board.

Effect

ARTICLE 37 – (1) This Directive is effective as of 24/02/2017.

Execution

ARTICLE 38 – (1) General Manager executes the provisions of this Directive.