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BORSA İSTANBUL A.Ş.

DIRECTIVE ON SURVEILLANCE MEASURES

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PART I

Purpose, Scope, Legal Grounds and Abbreviations

Purpose

ARTICLE 1 – (1) The purpose of this Directive is to regulate measures that will be taken to ensure that exchange transactions are conducted in a secure, transparent, efficient, stable, right, fair and competitive manner; to prevent improper, fraudulent acts and violations; and to prohibit illegal exchange transactions.

Scope

ARTICLE 2 – (1) Scope of this Directive is Borsa İstanbul’s markets, submarkets, platforms, and systems; investment instruments traded on Borsa İstanbul; members and their representatives authorized to trade on Borsa İstanbul; capital market institutions operating on Borsa İstanbul; issuers and fund founders; investors and other persons or institutions who are subject to Borsa İstanbul regulations.

Legal Grounds

ARTICLE 3 – (1) This Directive is prepared in accordance with Article 70 of Turkish Capital Market Law No. 6362 and Articles 25, 36, and 44 of Borsa İstanbul A.Ş. Regulation on Principles Relating to Exchange Activities.

Definitions and Abbreviations

ARTICLE 4 – (1) For the purposes and in the context of this Directive:

- a) “The Exchange” refers to Borsa İstanbul Anonim Şirketi; and
- b) “Gross settlement” refers to clearing at the settlement date not subject to netting of clearing obligations of entire purchase and sale transactions executed by an investor or on a particular capital market instrument within the same day; and
- c) “Pre-deposit requirement” refers to a specific requirement that before a bid/ask order is submitted to the Exchange, there shall be cash or capital market instruments deposited at an investment firm which is authorized to trade, at a bank or at a settlement and custody institution; and
- d) “Fund founder” refers to portfolio management companies being a founder of exchange traded funds, and founders of housing finance funds and asset finance funds; and
- e) “General Manager” refers to Exchange’s General Manager; and
- f) “Issuer” refers to a legal entity that issues capital market instruments or files an application to the Board for issuance, and a legal entity whose capital market instruments are offered to

- public, and exchange traded funds, housing finance funds, asset finance funds, and mortgage finance funds; and
- g) “Trading” refers to being tradable of investment instruments in the Exchange; and
 - h) “Trading day” refers to a day when marketplaces, markets, platforms and systems are open for trading; and
 - i) “Those authorized to trade” refers to those who are authorized to trade in the Exchange by becoming a member of the Exchange pursuant to first paragraph of Article 24 of the 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 or without becoming a member of the Exchange pursuant to third paragraph thereof; and
 - j) “Public Disclosure Platform (PDP)” refer to the system defined in sub-paragraph (k) of first paragraph of Article 3 of the Law; and
 - k) “Law” refers to the Capital Markets Law no. 6362 dated 6/12/2012; and
 - l) “Board” refers to the Capital Markets Board; and
 - m) “CRA” refers to Central Registry Agency; and
 - n) “Capital market institutions” refers to the institutions listed in Article 35 of the Law; and
 - o) “Marketplaces, markets, platforms and systems” refers to trading media established according to types, modus operandi or other specified characteristics of investment instruments traded therein; and
 - p) “Takasbank” refers to Istanbul Clearing, Settlement and Custody Bank Inc.
 - q) “Representative” refers to a person who is authorized to represent in the Exchange or settlement and custody operations those authorized to trade, and to whom notices and correspondences can be delivered by hand in the name of the represented person or entity; and
 - r) “Investment instruments” refers to capital market instruments and other contracts, certificates and assets deemed appropriate by the Board; and
 - s) “Investor” refers to real or legal persons submitting orders or executing trades in the Exchange’s marketplaces, markets, platforms and systems; and
 - t) “Regulation” refers to Borsa İstanbul Regulation on Principles Relating Stock Exchange Activities; and
 - u) “Up-tick rule” refers to a rule that requires short sales to be executed at a higher price than the last trading price of a security or at the last trading price if the last trading price is higher than the previous trade.

PART II

Authorization to Take Measures and Situations Leading to Take Measures

Authorization to Take Measures

ARTICLE 5 – (1) General Manager is authorized to take all preventive measures in order to prevent violations, to ensure that instruments are traded in a competitive environment, to develop fair trading principles, to prevent actions and transactions which cannot be explained with a reasonable economic or financial justification and which are of a nature deteriorating the functioning of exchanges in security, openness and stability, to ensure that transactions are executed in a secure, fair, and competitive manner and to ensure efficient price formation. Power to take measures exclusively granted to the Board of Directors is reserved.

Situations Leading to Take Measures

ARTICLE 6 – (1) Preventive measures may be taken when strong evidence is reached showing that secure, transparent, efficient, stable, right, fair, and competitive functioning of the exchange is distorted, healthy price formation is prevented or violations are caused. Such kind of acts or activities include but not limited to:

- a) Dominating the market through buy and/or sell trades in large volumes or proportions,
- b) Controlling buy and/or sell side of the order book and/or directing the price by submitting large bid and/or ask orders at different price levels,
- c) Creating wrong impression or misimpression among other investors by amending or deleting bid and/or ask orders within a short period of time,
- d) Submitting reverse orders which cannot be explained with a reasonable economic or financial justification within a short period of time,
- e) Creating the impression or misimpression of an active market and/or artificially increasing trading volume by trading with reverse orders submitted within a short period of time,
- f) Executing wash sales or collusion,
- g) Creating the impression or misimpression of a wide participation or continuous trading by submitting bid/ask split orders (i.e. trading through multiple orders with small volume although it is possible to trade the same amount with one single order)
- h) Increasing the price, decreasing the price, or keeping the price fixed by continuously executing active trades,
- i) Preventing formation of an efficient market by executing short sales,
- j) Entering, amending, deleting orders or executing trades aimed at affecting opening or closing prices,

- k) Entering orders or executing trades aimed at affecting end-of-day or end-of-maturity settlement prices,
- l) Exceeding the position limits set for all accounts associated with a registry or on market basis in the derivatives market,
- m) Executing transactions in the same direction with transactions executed in the relevant underlying asset market in the derivatives market,
- n) Market abuse cases resulting from the order entries, amends, deletes and trades of algorithmic trading users or high frequency trading users in specific.

(2) It is also possible to take measures for “persons acting in collaboration” i.e. persons who enters, amends, deletes orders or executes trades in liaison with each other or any other persons determined, by any means, to act together.

(3) It is also possible to take preventive measures when high volatility is observed or healthy price formation is distorted due to supply-demand imbalances which are seen as a result of cornering the market.

(4) Apart from the acts or activities mentioned above, it is also possible to take preventive measures in cases where abnormal price and/or volume or any other market movements occur or in cases where any material evidence is reached.

PART III

Measures to be Applied

Measure Types

ARTICLE 7 – (1) In cases referred to in Article 6 of this Directive, it may be decided to apply one or more of the following measures depending on the nature of the situation:

- a) For Investors
 1. Restriction on order transmission channels up to 6 months,
 2. Putting restrictions on short sales and margin trading up to 6 months,
 3. Implementing gross settlement mechanism up to 6 months,
 4. Imposing a pre-deposit requirement up to 6 months,
 5. Restriction on the number of positions taken in the same direction or corresponding maximum number of underlying instrument transacted in all accounts by a single investor for the contracts based on the underlying instrument in the derivatives market up to 6 months,
 6. Imposing contract based transaction and/or position limits or changing collateral obligation in derivatives market up to 6 months.
- b) For Instruments
 1. Restriction on order transmission channels in the instrument up to 3 months,

2. Restricting distribution of equilibrium price, volume and any other market data during order collection phase of single price trading sessions up to 3 months,
 3. Imposing up-tick rule for short sales to be executed in the instrument up to 3 months,
 4. Putting restrictions on short sales and margin trading in the instrument up to 3 months,
 5. Implementing gross settlement mechanism in the instrument up to 3 months,
 6. Imposing a pre-deposit requirement in the instrument up to 3 months,
 7. Changing trading method of the instrument up to 6 months,
 8. Temporary ban on trading for the instrument for a period specified in the Article 25 of Borsa İstanbul A.Ş. Regulation on Principles Relating to Exchange Activities.
 9. Restricting maximum number of underlying instrument corresponding to the sum of all open positions in the market for all contracts based on the same underlying instrument in the derivatives market up to 6 months,
 10. Increasing contract based collateral ratios in the derivatives market up to 6 months.
- (2) Measures to be taken are not limited to those mentioned above. Other preventive measures may also be taken when deemed necessary for the effective and robust functioning of the market.

(3) Systems may be developed for the automatic implementation of the measures mentioned in the first paragraph of Article 7 of this Directive. Audit and Surveillance Board is authorized to decide not to apply a measure which satisfies the rules of the system.

Implementation of Measures

ARTICLE 8 – (1) Depending on the issues identified and nature of the material event, the measures mentioned in Article 7 of this Directive shall be applied to marketplaces, markets, platforms, systems, investment instruments, issuers, fund founders, those authorized to trade together with their representatives and investors.

(2) Measures can be applied to transactions of an investor in all marketplaces, markets, platforms and systems, or measures can be applied to transactions of the investor in only one market or in only one investment instrument.

(3) Investor based measures referred to in Article 7 of this Directive apply to the accounts for which the investor acts through a proxy. When deemed necessary, scope of the measures may be extended to include the accounts of other investors for which the investor acts as a proxy.

(4) For joint accounts, if a measure is applied to one the owners in the joint account, the measure shall also be applied to other account owner(s) in the joint account. However, accounts of other owners opened in their own behalf are not within the scope of the measure unless otherwise stated.

PART IV

Announcement and Termination of the Measures

Warning Before the Measure is Applied

ARTICLE 9 – (1) Before a measure is applied, related parties may be warned, for one time only, by the Audit and Surveillance Board through the relevant investment firm specifying that a measure will be applied in case such orders and transactions continue. In such a case, the investment firm is obliged to make the warning immediately and keep a copy of the relevant document/record.

Announcement of the measures

ARTICLE 10 - (1) Information for measures that will be taken is announced through Public Disclosure Platform (PDP).

(2) In the announcement and PDP statement, according to its subject, the following information is published:

- a) Information regarding to marketplaces, markets, platforms and systems; and
- b) Information regarding to investment instrument, issuer, fund founder, those authorized to trade and CRA Registry Number and Turkish Identification Number of investors.
- c) Start date and application period of the measure.

(3) Takasbank, CRA, and other institutions that deemed necessary shall be notified separately depending on the measures taken.

Termination of the Measures

ARTICLE 11 – (1) Measures are automatically terminated after the predetermined period ends without any further action.

(2) If deemed necessary, duration of the measures may be extended for the longest period specified in the Article 7 of this Directive and other related regulations or they may be lifted before the end of the period. The decision to extend or terminate the measure before the end of the term shall be announced through PDP in accordance with Article 10 of this Directive.

PART V

Miscellaneous and Final Provisions

Obligations

ARTICLE 12 – (1) Capital market institutions and those authorized to trade in the marketplaces, markets, platforms and systems within the Exchange together with their representatives are obliged to take the necessary actions for the effective implementation of the measures.

(2) Those authorized to trade are obliged to ensure that, before an investor or investors subject to pre-deposit requirement submit a bid/ask order to the Exchange, for bid orders, there is an amount of cash that equals to the monetary value of the order at the quoted price in the investor's accounts at the investment firm, and for ask orders, there is an amount of investment instrument that equals to the volume of the order at related the sub-accounts at CRA. As long as the orders are pending, deposited cash or investment instruments shall be kept in these accounts. In the case that submitted orders are traded, for bid orders, the amount of cash that equals to the monetary value of the trade, and for ask orders, the amount of investment instrument that equals to the volume of the trade shall be kept in the related accounts. The deposited cash or investment instrument shall not be considered for the cash or investment instrument requirement of the investor's new order until the clearing transactions are complete. Similarly, cash or investment instruments that will be transferred to the investor's accounts on the clearing day shall not be considered within the scope of the pre-deposit requirement.

(3) Those authorized to trade are obliged to inform their customers about this Directive through methods and tools deemed appropriate by them.

(4) Clearing operations of investment instruments and real or legal persons subject to gross settlement are fulfilled in accordance with rules and procedures determined by Takasbank.

Surveillance Investigations and Disciplinary Proceedings

ARTICLE 13 – (1) Taking measures within the scope of this Directive does not prevent the conduct of a surveillance investigation or audit, taking other additional measures or applying disciplinary provisions.

(2) In case they act contrary to measures taken in accordance with this Directive, disciplinary sanctions may be imposed to those authorized to trade and their representatives according to Exchange regulations.

Matters on which this regulation remains silent

ARTICLE 14 – (1) On all and any matters on which this Directive remains silent or is not sufficiently clear, the General Manager is authorized to take decisions and to direct and regulate the practices within the framework of related regulations.

Effective date

ARTICLE 15 – (1) This Directive becomes effective as of the date it is published.

Execution

ARTICLE 16 – (1) General Manager executes the provisions of this Directive.