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BORSA İSTANBUL A.Ş.

DIRECTIVE ON SWAP MARKET

ISTANBUL – 2018

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**FIRST PART
General Provisions**

**FIRST SECTION
Purpose, Scope, Grounds, Definitions and Abbreviations**

Purpose

ARTICLE 1- (1) The purpose of this Directive is to regulate and set down the procedures and principles of operations of Borsa İstanbul A.Ş. Swap Market.

Scope

ARTICLE 2- (1) This Directive sets down the firms authorized to trade in Swap Market founded within Borsa İstanbul A.Ş. organization to enable the exchange of currencies with each other or with precious metals under certain predetermined terms and conditions, as well as the markets to be operated therein, and valid order and trading rules, and other operating principles.

Grounds

ARTICLE 3- (1) This Directive is issued in reliance upon Borsa İstanbul A.Ş. Regulation on Principles Relating to Exchange Activities promulgated in the Official Gazette edition 29150 on 19/10/2014.

Definitions and Abbreviations

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

- a) “Exchange” stands for Borsa İstanbul A.Ş.; and
- b) “Exchange Regulation” stands for Borsa İstanbul A.Ş. Regulation on Principles Relating to Exchange Activities promulgated in the Official Gazette edition 29150 on 19/10/2014; and
- c) “Exchange Rate” refers to the exchange rate used in calculation of Turkish Lira obligation subject to settlement at the starting value date of currency swap; and
- ç) “CEO” stands for Borsa İstanbul A.Ş. Chief Executive Officer; and
- d) “Precious Metals” refers to precious metals as defined with their standards in the Governmental Decree no. 32 on Protection of the Value of Turkish Currency promulgated in the Official Gazette edition 20249 on 11/08/1989; and
- e) “Precious Metal Price” refers to the price used in calculation of settlement obligation in the currency of transaction at the starting value date of precious metal swap; and
- f) “CMB” stands for the Capital Markets Board of Türkiye; and
- g) “Sub-market” refers to an electronic trading environment created in the Swap Market according to types, operational principles or other defined specifications of swaps traded therein (tn: *while stating a specific “sub-market”, the word “Market” is used rather than “sub-market” in the title. For instance, “Currency Swap Market” is used instead of “Currency Swap sub-market”*); and
- ğ) “Market” stands for Borsa İstanbul A. Ş. Swap Market; and
- h) “Swap” refers the exchange of different currencies by the parties with each other or of precious metals with currencies within a certain time and under certain terms and conditions mutually agreed upon between them; and
- ı) “Swap Point” refers to a value determined by the counterparties to calculate end date exchange rate by taking into account the interest differences between currencies subject to the

transaction and a value determined by counterparties to calculate end date price of precious metal in precious metal swaps; and

i) “Takasbank” stands for İstanbul Takas ve Saklama Bankası A.Ş. (Istanbul Settlement and Custody Bank); and

j) “CBRT” stands for Central Bank of the Republic of Türkiye (Türkiye Cumhuriyet Merkez Bankası A.Ş.); and

k) “Member” refers to a firm authorized to trade in Borsa İstanbul A. Ş. Swap Market; and

l) “Value Date” refers to starting and ending settlement dates of swap transactions executed in Borsa İstanbul A.Ş. Swap Market; and

m) “Board” stands for Borsa İstanbul A.Ş. Board.

SECOND SECTION

Firms Eligible for Trading, Representatives and Operated Sub-Markets

Institutions Authorized to Trade, and Representatives

ARTICLE 5- (1) Intermediary institutions authorized to trade therein pursuant to the Exchange Regulation and other Exchange regulations pertaining thereto, as well as CBRT are eligible for trading in the Swap Market. The Board may impose limitations on firms eligible for trading.

(2) Those who fulfill required conditions as per the Exchange Regulation and other Exchange regulations pertaining thereto may trade as representatives in the Swap Market.

Operated Sub-Markets

ARTICLE 6- (1) The following sub-markets are operated within the Swap Market:

- a) Currency Swap Market
- b) Precious Metals Swap Market

SECOND PART

Sub-Markets

FIRST SECTION

General Operational Principles

Trading Hours

ARTICLE 7- (1) Trading hours to be applied in sub-markets within the Swap Market are determined and regulated by the Board.

(2) If deemed necessary by the CEO, in the sub-markets operating within the Swap Market, orders may be submitted by CBRT to the system prior to the sub-market opening time. However, members, other than CBRT, are not allowed to submit orders to the system during said time period.

Value Date

ARTICLE 8- (1) Minimum and maximum value terms to be applied on orders submitted in the sub-markets within the Swap Market are determined by the Board.

Transmission and Matching of Orders

ARTICLE 9- (1) Member representatives submit their orders via trading system terminals or remote access interface. If needed, member representatives may also submit orders to trading system by calling the Exchange personnel by phone.

(2) In the Swap Market, orders are matched by multiple price method.

(3) The Board may impose restrictions in respect of accounts for which orders may be entered on the basis of sub-markets.

Order Types

ARTICLE 10- (1) Two types of orders, namely limit order and market order, may be submitted in the Swap Market.

(2) Limit orders are submitted by stating currency amount, swap point and exchange rate for currency swaps, and quantity of precious metal, swap point and price of precious metal for precious metal swaps.

(3) Market orders are submitted by stating only currency amount without reference to exchange rate and swap point for currency swaps, and by stating only quantity of precious metal without reference to swap point and price of precious metal for precious metal swaps. These orders may match partially or fully with passive orders pending in the system. Remaining parts of an unfilled market order is automatically cancelled.

(4) Orders may further be submitted under the special conditions defined below for use together with limit order or market order.

a) Fill and kill order: The condition that the unmatched part of an order is to be cancelled as of the time the order is submitted.

b) Fill or kill order: The condition that order is to be filled completely. If not filled completely as of the time the order is submitted, order is fully cancelled.

Validity, Change, Cancellation and Size of Orders

ARTICLE 11- (1) Orders are valid for the day they are given. Unfilled orders and remaining parts of partially filled orders submitted to the Swap Market, may be changed or cancelled. If orders submitted to the system are not executed in the same day, they are automatically cancelled at the time determined by the Board.

(2) Minimum and maximum order sizes valid and applicable on sub-market basis in the Swap Market are determined by the Board.

Swap Point, Exchange Rate and Precious Metal Price Ticks Applicable in Orders

ARTICLE 12- (1) Swap point, exchange rate and precious metal price ticks to be applied for orders submitted in the Swap Market are determined by the Board.

Cancellation and Rectification of Trades

ARTICLE 13- (1) Trades executed in the Swap Market may be cancelled within the frame of Article 33 of the Exchange Regulation.

(2) Principles of implementation related to trade cancellation executed as a result of orders erroneously submitted by the member or the Exchange personnel are determined by the Board. Principles regarding trade rectification executed as a result of orders erroneously submitted are determined by Takasbank.

(3) Trades may be cancelled or rectified within the hours of operations employed by Takasbank. Cancellation or rectification requests filed after the starting time of netting operations determined by Takasbank, may not be accepted.

Registration of Prices and Trades, and Notification to Parties, and Announcement

ARTICLE 14- (1) Principles regarding registration in the Exchange of prices and quantities arising out of the trades executed in the Swap Market are determined by the Board.

(2) Information on trades executed in the Swap Market is notified to counterparties in electronic media within the frame of principles determined by the Board.

(3) Information on trades registered in the Exchange is published in the Exchange Bulletin in the same day.

(4) The Exchange Bulletin contains the lowest, highest and weighted average swap points registered in the Stock Exchange, as well as exchange rate or precious metal price, trading amount, quantity, number of contract/deal, and other information.

Publishing Order and Trade Information

ARTICLE 15- (1) Information on trades executed in the Swap Market, and order depth information relating to orders pending in the trading system, are published instantaneously or with delay in screens of member users connected to the system, and in platforms operated by data vendors contracted by the Exchange, and in other electronic media that may be deemed appropriate by the Exchange.

(2) Order and trade information to be published, and contents of such information, and electronic media they will be published, and frequency of update of said information are determined by the Board.

SECOND SECTION
Currency Swap Market

Operations of Currency Swap Market

ARTICLE 16- (1) In Currency Swap Market, swap transactions aiming to ensure the exchange of Turkish Lira and United States Dollar, and Turkish Lira and Euro, and other foreign currencies accepted by the Board with each other under the predetermined terms and conditions are executed.

(2) Swap orders are submitted by stating the starting value date, ending value date, currency amount, swap point and exchange rate.

(3) Swap orders for sale of foreign currency in exchange for Turkish Lira or for purchase of foreign currency in exchange for Turkish Lira may be submitted to Currency Swap Market.

(4) In Currency Swap Market:

a) In swap orders for sale of foreign currency in exchange for Turkish Lira, respectively orders with the highest swap point and the lowest exchange rate are prioritized, while in swap orders for purchase of foreign currency in exchange for Turkish Lira, respectively orders with the lowest swap point and the highest exchange rate are prioritized. Time priority rule is applied in orders with the same swap point and exchange rate.

b) Swap orders for sale of foreign currency in exchange for Turkish Lira are matched with swap orders for purchase of foreign currency in exchange for Turkish Lira with the same or lower swap point and with the same or higher exchange rate, while swap orders for purchase of foreign currency in exchange for Turkish Lira are matched with swap orders for sale of foreign

currency in exchange for Turkish Lira with the same or higher swap point and with the same or lower exchange rate. In such types of matching, swap point and exchange rate of the order previously entered into the system constitute the swap point and exchange rate of the transaction.

(5) Order loses its priority in case of changes in swap point and/or exchange rate and/or account information or in increase in currency amount thereof. However, changes in reference information and/or reduction in currency amount of order do not lead to loss of order priority.

(6) At the starting value date of swap, the party involved in the swap for sale of foreign currency in exchange for Turkish Lira performs its foreign currency obligation in the trading amount, while the party involved in the swap for purchase of foreign currency in exchange for Turkish Lira performs its Turkish Lira obligation in the amount calculated over exchange rate of swap, within the frame of procedures and principles determined by Takasbank.

(7) At the ending value date of swap, the party purchasing foreign currency at the starting value date performs its foreign currency obligation in an amount equal to the amount of foreign currency received at the beginning, while the party purchasing Turkish Lira at the starting value date performs its Turkish Lira obligation in an amount equal to the value calculated by using the end-of-maturity exchange rate found by addition of swap point to the exchange rate of swap in accordance with the principles determined by the Board, within the frame of procedures and principles determined by Takasbank.

THIRD SECTION

Precious Metals Swap Market

Operations of Precious Metals Swap Market

ARTICLE 17- (1) In Precious Metals Swap Market, swaps ensuring the exchange of Turkish Lira, United States Dollar, Euro, and other foreign currencies accepted by the Board with precious metals under the predetermined terms and conditions are executed.

(2) In Precious Metals Swap Market, gold and other precious metals determined by the Board may be exchanged in swap transactions. Standards of precious metals subject to swaps are also determined by the Board.

(3) Swap orders are submitted by stating the starting value date, ending value date, quantity of precious metals, swap point and price of precious metals.

(4) Swap orders for sale of precious metals in exchange for Turkish Lira or foreign currency and swap orders for purchase of precious metals in exchange for Turkish Lira or foreign currency may be submitted to Precious Metals Swap Market.

(5) In Precious Metals Swap Market:

a) In swap orders for sale of precious metals in exchange for Turkish Lira or foreign currency, respectively orders with the highest swap point and the lowest price of precious metals are prioritized, while in swap orders for purchase of precious metals in exchange for Turkish Lira or foreign currency, respectively orders with the lowest swap point and the highest price of precious metals are prioritized. Time priority rule is applied in orders with the same swap point and price of precious metals.

b) Swap orders for sale of precious metals in exchange for Turkish Lira or foreign currency are matched with swap orders for purchase of precious metals in exchange for Turkish Lira or foreign currency with the same or lower swap point and with the same or higher price of precious metals, while swap orders for purchase of precious metals in exchange for Turkish

Lira or foreign currency are matched with swap orders for sale of precious metals in exchange for Turkish Lira or foreign currency with the same or higher swap point and with the same or lower price of precious metals. In such types of matching, swap point and precious metal price of the order previously entered into the system constitute the swap point and precious metal price of the transaction.

(6) Order loses its priority in case of changes in swap point and/or precious metal price and/or account information or in increase in quantity of precious metals thereof. However, changes in reference information and/or reduction in quantity of precious metals of order do not lead to loss of order priority.

(7) At the starting value date of swap, the party involved in the swap for sale of precious metals in exchange for Turkish Lira or foreign currency performs its precious metal obligation in the trading quantity, while the party involved in the swap for purchase of precious metals in exchange for Turkish Lira or foreign currency performs its Turkish Lira or foreign currency obligation in the value calculated over precious metal price of swap, within the frame of procedures and principles determined by Takasbank.

(8) At the ending value date of swap, the party purchasing precious metals at the starting value date performs its precious metal obligation in an amount equal to the quantity of precious metals received at the beginning, while the party purchasing Turkish Lira or foreign currency at the starting value date performs its Turkish Lira or foreign currency obligation in an amount equal to the value calculated by using the end-of-maturity precious metal price found by addition of swap point to the precious metal price in accordance with the principles determined by the Board, within the frame of procedures and principles determined by Takasbank.

THIRD PART Other Principles

FIRST SECTION

Principles Regarding Risk Management, Variation Margin, Settlement and Default

Risk Management

ARTICLE 18- (1) With a view to controlling the probable post-trade risks in the Swap Market, before transaction capacity, quantity and/or amount limitations may be imposed on tradable capital market instruments, submitted orders, and transactions to be executed. Risk criteria to be employed and limitations to be applied are determined by the Board. In case of extraordinary events in the market or at any time if deemed necessary by providing a written explanation, the CEO may ex officio change the limits defined in risk criteria on the basis of members, users and/or capital market instruments.

(2) Risk management principles regarding transactions executed therein are determined and applied by Takasbank.

Variation Margin

ARTICLE 19- (1) Variation margin is calculated by a revaluation to be done by Takasbank during the time between starting and ending value dates of swap transaction. Variation margin calculation method and other principles pertaining thereto are determined by Takasbank.

Settlement and Default

ARTICLE 20- (1) Principles of performing settlement obligations arising out of trades executed in the Swap Market, and procedures and principles of implementation regarding defaults arising out of failure in performing the settlement obligations fully or partially within the time and by the methods specified in the applicable laws pertaining thereto are determined by Takasbank.

**SECOND SECTION
Other Provisions**

CBRT Transactions

ARTICLE 21- (1) As for transactions to be executed in the Swap Market or other issues and matters dealt with in this Directive, upon the demand of CBRT, the Board may make urgent changes or amendments as required in this Directive or may decide to introduce different practices in respect of the subjects regulated in this Directive.

(2) The CMB is subsequently informed about the actions to be taken pursuant to the first paragraph hereinabove, and all amendments and revisions required in this Directive are duly made.

Absence of Provisions

ARTICLE 22- (1) On subjects on which this Directive has no provisions or is not adequately clear, the CEO is authorized to take the necessary decisions, and to regulate and direct the practices within the frame of the pertinent regulations, except for the matters and subjects requiring a consent or approval of the CMB.

CEO's Authorization to Regulate

ARTICLE 23- (1) For the purpose of guiding the enforcement of the provisions of articles 5, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18 and 21 of this Directive, the Board may authorize the CEO to issue regulations in regard to details of implementation of procedures, principles and methods determined by this Directive.

Effective Date

ARTICLE 24- (1) This Directive becomes effective as of 1st of October, 2018.

Enforcement

ARTICLE 25- (1) The provisions of this Directive are enforced by the CEO.