COMMUNIQUÉ ON PRICIPLES REGARDING CAPITAL AND CAPITAL ADEQUACY OF BROKERAGE HOUSES

Serial : V
No : 34

Purpose and Scope

Article 1 – The aim of this Communiqué is to regulate the principles regarding the fundamental issues relating to capital and the capital adequacy ratios of brokerage houses within the framework of Articles 31 and 34 of Capital Market Law No: 2499 dated 28/7/1981 as amended by Law No. 3794.

Definitions

Article 2 – For the purposes of this Communiqué, the following definitions shall apply:

Law	:	Capital Markets Law No:2499, as amended by Law No:3794,
Board	:	Capital Markets Board,
Brokerage house	:	Institutions authorized by the Board to act in at least one of the capital market activities mentioned in paragraphs (a) and (b) of Article 30 of the Law,
Valuation Date	:	The arrangement date of the reports obliged to be prepared by this Communiqué,

Accounting Communiqués :	“Communiqué Serial: V, No: 6 of the Board Regarding The Documents and Records in Intermediation Activities” published in the Official Gazette dated 31/1/1992 numbered 21128, “Communiqué Serial XI, No: 1 Regarding The Rules and Principles Related to Financial Tables and Records in Capital Markets” published in the Official Gazette dated 29/1/1989 numbered 20064, Communiqué Serial XI, No: 3 Regarding Rules and Principles About Interim Financial Tables and Records in Capital Markets” published in the Official Gazette dated 26/7/1989 numbered 20233, Annex Communiqué to Communiqué on Rules and Principles Regarding Financial Tables and Records in Capital Market” published in the Official Gazette dated 29/12/1989 numbered 20387, “Communiqué on Account Plan and Utilization Principles of the Plan by Brokerage Houses“ published in the Official Gazette dated 31/1/1992 numbered 21128,
Current Value	The amounts of items in financial tables valued in accordance with the principles mentioned in Article 5 of the Communiqué herein,
Rating for Investment	The ratings attributed by rating agencies authorized by the Board as an indicator of the risk of failure to make the principal and interest payments of capital market instruments representing the borrowing by the issuer on due date and amount,
Risk Provision	The total amount calculated within the framework of the provisions of this Communiqué as position risk, counter-party risk, risk of large exposures and foreign exchange risk,
Option Delta	The percentage change in option contract price caused by a 1% change in current value of the instrument on which the option contract is based.

SECTION ONE
INITIAL CAPITAL AND OWN FUNDS*

Initial Capital

Article 3- The initial capital of brokerage houses comprises of the group that includes the amounts equaling to the part of net assets covered by the partnership stated in balance sheets prepared at the date of valuation within the framework of valuation principles introduced by this Communiqué.

Own Funds

Article 4- The own funds of brokerage houses is defined as the amount calculated by deducting the following assets from their initial capital calculated in accordance with Article 3 of this Communiqué.

a) Fixed Assets;

1) Tangible fixed assets (net),

2) Intangible fixed assets (net),

3) Fixed asset investments, left after deducting their capital commitments and provision for decrease of value of fixed asset investments, excluding the ones traded in stock exchanges and other organized markets,

4) Other fixed assets,

b) Receivables without collateral from personnel, partners, subsidiaries, affiliated undertakings and individuals and institutions who have direct or indirect relations in terms of capital, management and auditing even with the title of customer and capital market instruments not traded in stock exchanges and other organized markets issued by such individuals and institutions.

Valuation Principles to be used in Calculation of Initial Capital and Own Funds

Article 5- In calculations of initial capital and own funds, the assets and liabilities mentioned below shall be valued by taking into account their current values calculated in accordance with this Article:

a) Capital market instruments and precious metals traded in stock exchanges and other organized markets:

Capital market instruments including the debt instruments acquired temporarily and traded in stock exchanges and other organized markets, and precious metals shall be valued by the weighted average prices or rates occurring in related exchanges at the date of valuation, in exchanges with double session these shall be valued by weighted average prices or rates realized in the second session, capital market instruments and precious metals traded at stock exchanges and other organized markets but not subject to sale and purchase in stock exchanges at the date of valuation

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* These terms have been used in this communique since they were preferred by European Union Capital Adequacy Directive.

shall be valued by the weighted average prices or rates at the last transaction date.

b) Precious metals subject to international trade but not traded in exchanges and other organized markets:

Precious metals subject to international trade but not traded in exchanges and other organized markets shall be valued by the current (market) price of sale and purchase at the day of valuation.

c) Foreign currencies:

Foreign currencies shall be valued by the prices occurring in exchanges and other organized markets if any, if no such price exists, upon the foreign exchange rates announced by the Central Bank of Republic of Turkey, foreign currencies without such an announced exchange rate shall be valued by taking into account the cross exchange rates occurring in international markets,

d) Futures and options contracts traded in exchanges and other organized markets:

Futures and options contracts traded in exchanges and other organized markets shall be valued by taking the settlement price at the date of valuation or the other indicators determined by the settlement house as basis, in case such a price or indicator does not exist, the weighted average price occurring in the markets shall be used in valuation, in case no such price exists, the weighted average price or settlement price occurring at the last day the mentioned contracts have been traded shall be used in valuation. In case of failure to reach a price in the 5 working days prior to the valuation date through the mentioned method above, the valuation shall be realized by taking the market price into account. Forwards and option contracts not traded in stock exchanges and other organized markets shall be valued in accordance with the historical cost principle envisioned in the accounting communiqués of the Board.

e) Other assets and liabilities traded in exchanges and other organized markets or which have an active market:

Although not covered by the above, other assets and liabilities traded in exchanges and other organized markets or which have an active market shall be valued by taking into account the weighted average prices and rates occurring in the related market at the date of valuation:

f) Receivables and Payables:

All receivables and payables including the debt instruments that are not covered by the above valuation provisions with more than one month maturity shall be valued on the basis of compound interest by taking into account the average of interest rates occurring in exchanges and other organized markets at the date of valuation for public borrowing instruments that have the closest maturity with the receivable or payable.

Receivables and payables denominated in currencies other than the Turkish Lira shall be valued by taking into account the interest rates occurring in exchanges and other organized markets for the debt instruments issued by the Treasury of the related country.

Assets or liabilities with no provisions for valuation introduced in this

Article shall be subject to valuation within the framework of provisions mentioned in the accounting communiqués of the Board. The items deducted in own funds calculations may be kept out of the scope of valuation within the framework of provisions mentioned in this Communiqué and accounting communiqués of the Board.

The differences occurring due to valuation realized in accordance with this Article shall be related to the profit of the period and an amount for taxes to be paid on profit of the period shall be reserved. The tax provision shall be calculated by taking into account all income elements and by regarding those as realized within the framework of tax legislation excluding the ones exempted or excused from tax in case of realization, according to tax legislation.

Special valuations provisions regarding repurchase and reverse repurchase agreements are reserved.

In calculations made in accordance with this Communiqué, the transactions with different transaction and settlement dates shall be taken into account with their date of settlement.

Special Valuation Provisions for Repurchase and Reverse Repurchase Agreements

Article 6- Interest accrued within the framework of repurchase and reverse repurchase agreements and changes in the current value of the capital market instruments underlying such agreements shall be subject to valuation within the framework of principles mentioned in this Article.

The contract price of repurchase and reverse repurchase agreements is defined as the amount calculated by adding the accrued compound interest - within the framework of provisions regarding repurchase and reverse repurchase agreements to the sale price in each repurchase agreement and to the purchase price in each reverse repurchase agreement by brokerage houses from the transaction date to the valuation date.

If the current value calculated in accordance with this Communiqué of the capital market instrument subject to the repurchase agreement is lower than the contract price, the difference shall be deducted from the net profit of the period. Otherwise, the difference shall be added to the net profit of the period.

If the current value calculated in accordance with this Communiqué of the capital market instruments, which are among assets due to reverse repurchase agreements is higher than the contract value, the difference shall be deducted from the profit of the period. Otherwise, the difference shall be added to the net profit of the period.

Repurchase and reverse repurchase items mentioned in the table in Annex 1 of this Communiqué are the amounts related to the net profit of the period in accordance with this Article.

SECTION TWO
REQUIREMENTS

Minimum Initial Capital Requirement

Article 7- The amount of initial capital that the brokerage houses should have for intermediation in secondary trading is TL 90.000.000.000 (ninety billion TL). Furthermore, brokerage houses have to increase their initial capital in the following rates for each capital market activity realized:

a) For intermediation in public offering, 50% of the initial capital amount required for intermediation in secondary trading ,

b) For the sale and purchase of securities through repurchase and reverse repurchase agreements, 50% of the initial capital amount shall be required for intermediation in secondary trading ,

c) For portfolio management activity, 40% of the initial capital amount shall be required for intermediation in secondary trading ,

d) For investment consultancy activity, 10% of the initial capital amount shall be required for intermediation in secondary trading ,

e) (Annulled by Communiqué Serial: V, No: 48.)

(As amended by Communiqué Serial: V, No: 58) The minimum amount for initial capital determined in accordance with this Article shall be determined annually by the Board with the condition that they do not fall below 20% of the re-valuation rate announced by the Ministry of Finance[*]. Brokerage houses have to realize the new initial capital amount by the end of the 6th month of the related year latest.

However, at least 25% of the initial capital calculated as such must be paid up or issued capital.

Own funds Requirement

Article 8- Own funds of brokerage houses shall not be less than any of the following items;

a) Minimum initial capital corresponding to the certificates of authorization they have,

b) Risk provision,

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[*] The required amount of initial capitals for each activity in 2004 as follows:

Intermediation in Secondary Trading	TL 652.000.000.000
Intermediation in Public Offering	TL 327.000.000.000
Repurchase and Reverse Repurchase	TL 327.000.000.000
Portfolio Management	TL 261.000.000.000
Investment Consultancy	TL 68.000.000.000
TOTAL	TL 1.635.000.000.000

c) Operating expenses of the last three months prior to the valuation date

General Borrowing Limit

Article 9- The sum of all short and long term liabilities and liabilities included in the balance sheet of brokerage houses, including those that occur due to underwriting activities within the framework of Article 15 of this Communiqué, and liabilities to settlement agencies and customers, shall not exceed 15 times their own funds. In determining the amount of liabilities, their current value shall be taken into consideration.

Liquidity Requirement

Article 10- Liquidity requirement means the possession of current assets by brokerage houses calculated as stated in this Article in an amount at least equal to their current liabilities.

In the implementation of this Article, the current assets shall be taken into account with their current values. However, the items deducted in the calculation of own funds, and items that are determined to have 100% position risk or counter-party risk shall not be taken into consideration as current assets.

Special Provisions for Strengthening the Capital

Article 11- The following provisions shall be applicable for new brokerage houses that are formed by the merger of more than one brokerage houses within the framework of related legislation or brokerage houses acquiring the control of one or more brokerage houses.

a) Within the framework of the provisions in the first paragraph of Article 15 of this Communiqué, 0,5% shall be reserved for position risk regarding the capital market instruments not sold from the date of initiation of the commitment until the end of the sale period .

b) The general borrowing limit mentioned in Article 9 of this Communiqué shall be implemented as 30 times the own funds.

c) The credit amount allowed to be extended from the brokerage houses' own sources shall be implemented as the entire initial capital as described in "Communiqué Serial: V, No: 18 of the Board Regarding Margin Trading, Short Sales and Lending And Borrowing Transactions of Securities" published in the Official Gazette dated 8/1/1994 numbered 21812, the total amount of margin trading, short sales and lending and borrowing transactions of securities shall be implemented as 4 times the initial capital. The credit amount to be provided to one customer shall be implemented as 30% of the initial capital.

Such brokerage houses may make use of the conditions stated above pursuant to merger and acquisition. However, for the continuation of these conditions, it is obligatory that such brokerage houses must have 5 times the minimum initial capital amount determined by the Board for intermediation in secondary trading mentioned in the first paragraph of Article 7 in this

Communiqué at the end of one year following the date on which the merger and acquisition is legally deemed to be complete, , and 10 times the initial capital at the end of the second year. The provisions mentioned above in paragraph (a), (b) and (c) will also be applicable for the brokerage houses with 10 times the initial capital amount mentioned in the first paragraph of Article 7 in this Communiqué,

For the brokerage houses with 5 times the amount of initial capital mentioned in the first paragraph of Article 7 in this Communiqué, the position risk rate in paragraph (a) of this Article shall be implemented as 1%, the borrowing limit in paragraph (b) shall be implemented as 20 times, the credit amount allowed to be used from their own resources shall be implemented as 75% of initial capital, total amount of margin trading, short sales, lending and borrowing of securities transactions mentioned in paragraph (c) shall be implemented as three times and the credit amount provided to one customer shall be implemented as 20% of initial capital.

SECTION THREE
PROVISIONS AGAINST RISKS

Provisions Against Risks

Article 12- Brokerage houses shall calculate provisions against risks within the framework of the rates mentioned in Annex 1 of this Communiqué with regard to both balance sheet items and off balance sheet items. The risk provision implies the total of the amounts calculated within the framework of the provisions of this Communiqué in the form of position risk, counter-party risk, foreign exchange risk and risk for large exposures.

Position Risk

Article 13- Position risk implies the risks stemming from the issuer of the assets or price fluctuations occurring in the markets such assets are traded and changes in current values of receivables and liabilities. Brokerage houses shall calculate an amount in rates mentioned in the table in Annex 1 of this Communiqué against this risk by taking into account the special provisions in this Communiqué as well. In position risk calculations, the net position of the assets and liabilities to be calculated might be taken into consideration.

Position risk shall be calculated for the capital market instruments including the ones purchased for underwriting, liabilities and receivables, gold and precious metals, foreign currencies, financial futures, option and future contracts, securities subject to borrowing and lending and capital market instruments sold within the framework of repurchase agreements. Position risk shall not be calculated for capital market instruments acquired within the framework of reverse repurchase agreements.

Position risk shall not be calculated for the items deducted completely from initial capital in the calculation of own funds.

Net Position

Article 14- Net position is the single item of assets or liabilities calculated by netting the liabilities of brokerage houses such as capital market instruments, foreign exchange, and precious metals if items of the same kind are among assets. Net position calculation by brokerage houses is optional.

The position risk shall be calculated on amounts determined by this way regardless of whether the amount derived is an asset or liability as a result of netting.

Net position shall be calculated by taking into account the amounts of related items valued in accordance with this Communiqué.

Calculating the net position does not hinder further provisions against counter-party risk, risk for large exposures and foreign exchange risk.

In case of capital market instruments purchased through a reverse repurchase agreement to be subject to repurchase agreements, net position calculation might be done for capital market instruments subject to repurchase with the condition that the repurchase and reverse repurchase maturities are the same, . In this calculation, the current values of capital market instruments subject to repurchase and reverse repurchase shall be taken into account.

In futures and option contracts, special provisions regarding net position calculations are reserved.

Position Risk in Underwriting

Article 15- In calculation of position risk, within the framework of provisions in the underwriting agreement, as of the date of initiation of the commitment to purchase the related capital market instruments at a certain price, the capital market instruments committed to be purchased within the framework of underwriting shall be considered among assets whereas the amounts to be paid in return are considered among liabilities. This date shall be determined as the time of irrevocable commitment to purchase the capital market instrument within the framework of the provisions in the underwriting agreement, regardless of the time of payment in return for underwriting. In position risk the standby underwriting shall be treated as firm commitment. At best effort intermediation, the assets and liabilities subject to the agreement shall not be taken into account as items of the balance sheet.

Within the framework of the provisions in the first paragraph of this Article, 2% shall be reserved as position risk for the capital market instruments remaining unsold from the date of initiation of the commitment to the end of the sale period, .

Following the end of the sale period, position risk shall be calculated in rates mentioned below for the unsold portion of the capital market instruments:

Following the sale period;

a) On the first day, 10 %,

b) On the 2nd and 3rd days, 25 %,

c) On the 4th day 50 %,

d) On the 5th day 75 %,

e) On the 6th and following days 100 %.

In case the related capital market instruments are admitted for listing on the exchange, provisions for position risk shall be made according to the rates mentioned in the table in Annex 1 of this Communiqué, without taking into account the periods and rates mentioned above.

In case capital market instruments offered to public are purchased without underwriting, the position risk for the related instruments shall be calculated upon the rates mentioned above within the periods mentioned in this Article.

Position Risk in Futures and Option Contracts

Article 16- Position risk regarding the positions of brokerage houses in futures and option contracts, shall be calculated as described in this Article.

With regard to futures contracts, position risk shall be calculated:

a) For the futures contracts traded in exchanges and other organized markets, the margin provided to the settlement agency,

b) For the forward contracts, by implementing the rates envisioned in Annex 1 of this Communiqué to the current values of the underlying assets

For the short option contracts traded in exchanges and other organized markets, the position risk shall be calculated in the manner envisioned for futures contracts. In other short and long option contracts, position risk shall be calculated upon the amount derived by multiplying the current value of the underlying assets with the option delta, in the rate envisioned in Annex 1 of this Communiqué for the related assets. However, the position risk calculated for long option contracts cannot exceed the premium of the option.

Net position calculation might be done as envisioned in this Communiqué with regard to futures and option contracts. In these calculations, the current value of the assets underlying futures contracts and the amount calculated by multiplying the current value of assets underlying option contracts with option delta shall be taken into consideration.

Counter-Party Risk

Article 17- Counter-party risk implies the risks in receiving the assets back due to lending without sufficient collateral, making other commitments, delivery of assets as collateral, entrustment or loan. Brokerage houses shall make provisions for such risks calculated as described in this Communiqué. Counter-party risk shall also be calculated in case of delivery of assets entrusted by the customers in the way mentioned above.

Counter-party risk shall be calculated by taking into account the deficit in collaterals. The deficit in collaterals is calculated as the excess of the current value of the asset or liability subject to counter-party risk calculations mentioned in the first paragraph of this Article, over the current values of assets received as collateral from the other party less the position risk amount envisioned in this Communiqué, . Assets other than the ones listed as collateral in this Communiqué shall not be accepted as collateral. In case instruments not subject to position risk calculations such as letters of credit from banks are received as collateral, no further discount shall be implemented on them. Counter-party risk shall not be calculated for those items that are completely deducted in own funds calculations.

Deficit of collateral shall be calculated on the basis of each individual or institution. For the deficit of collateral occurring in transactions related to mutual funds of which the brokerage house is the manager or founder, counter-party risk shall not be calculated.

In determination of deficit of collateral, receivables and collaterals shall be taken into account separately for all the customers; the assets of one customer cannot be evaluated as collateral for a credit to another customer.

In counter-party risk calculation, the special provisions in Articles 18, 19, 20 and 21 shall be taken into consideration.

Provision against Counter-Party Risk

Article 18- 5% of the deficit of collateral occurring due to credits from the banks, brokerage houses, insurance companies, mutual funds and investment trusts established in Turkey and 0% of the deficit of collateral occurring due to transactions undertaken with central banks and settlement agencies established in Turkey and abroad are considered as counter-party risk.

For the individuals and institutions out of the scope of the first paragraph of this Article, this ratio shall be implemented as 100%.

With regard to the deficit of collateral occurring due to credits from financial institutions established abroad, the capital market instruments issued by whom have received a rating for investment internationally acknowledged rating agencies, the rate envisioned for the financial institutions mentioned in the first paragraph of this Article shall be applicable. For the institutions established abroad other than the ones mentioned in this paragraph, counter-party risk equaling to 100% of the occurring collateral deficit shall be calculated.

Counter-Party Risk in Lending and Borrowing of Securities

Article 19- In each security lending transaction, in case the current value of the lent securities exceed the current values of received collaterals and in each security borrowing transaction, in case the current value of provided collaterals exceed the current value of the borrowed security, the differences between shall be calculated as the deficit of collateral. Upon this amount, risk provisions shall be made within the framework of the provisions mentioned in Article 18 of this Communiqué.

Counter-Party Risk in Repurchase and Reverse Repurchase Agreements

Article 20- In each repurchase agreement, the excess of the current value of the capital market instrument subject to the repurchase agreement over the contract price of the repurchase agreement and in each reverse repurchase agreement, the excess of the contract value of the reverse repurchase agreement over the current value of the capital market instrument subject to the reverse repurchase agreement shall be taken into account as deficit of collateral. Provisions against risks shall be calculated upon these amounts within the framework of provisions in Article 18 of this Communiqué.

In case the capital market instruments sold within repurchase agreement are entrusted in the brokerage house, counter-party risk shall not be calculated.

Collaterals

Article 21- Assets that may be accepted as collateral within the framework of this Communiqué are as follows with the condition that they are ready to be used by the brokerage house within the framework of the collection of receivables from the other party or the receipt of the assets, due to the transactions mentioned in the first paragraph of Article 17 of this Communiqué, immediately or pursuant to the completion of certain legal procedures such as notice to debtor:

a) Capital market instruments traded in stock exchanges and other organized markets,

b) Public securities such as government bonds and treasury bills regardless of their being traded in exchanges and other organized markets,

c) Mutual fund participation certificates,

d) Asset backed securities (ABS), bank bills and bank guaranteed bills,

e) Gold and other precious metals subject to international trade

f) Cash, convertible foreign currency and letter of guarantee.

These assets shall be taken into account with the amounts remaining after deducting the position risk provision as stated in this Communiqué from their current values.

Risk for Large Exposures[*]

Article 22- Risk for large exposures implies the risk arising from a certain asset or liability of the brokerage house constituting a significant proportion of own funds.

Further provision for risk of large exposures shall be reserved in the

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[*] This term has been used in this communiqué since it was preferred by European Union Capital Adequacy Directive.

following rates if the capital market instruments belonging to an issuer or total receivables from an individual or institution or the items envisioned in this Communiqué to be subject to position risk provision, reaches the amounts specified below vis-à-vis own funds ;[**]

a) exceed 40% and up to 60%, three times the rate envisioned in Annex 1 of this Communiqué for position risk, for the excess,

b) exceed 60% and up to 80%, four times the rate envisioned in Annex 1 of this Communiqué for position risk, for the excess,

c) exceed 80% and up to 100%, five times the rate envisioned in Annex 1 of this Communiqué for position risk, for the excess,

d) exceed 100% and up to 250%, six times the rate envisioned in Annex 1 of this Communiqué for position risk, for the excess ,

e) exceed 250%, nine times the rate envisioned in Annex 1 of this Communiqué for position risk, for the excess ,

In the implementation of this Article, credits to individuals and institutions co-acting and capital market instruments issued by institutions related to each other in terms of capital, management and auditing shall be considered together.

For the capital market instruments purchased for underwriting provision for risk of large exposures shall not be calculated during the public offering period and in the 6 days following this period,

In the calculation of the risk provision for large exposures, the net position of assets might be considered. Provision for risk of large exposures shall not be calculated for items completely deducted in the calculation of own funds.

Maximum Provision for Risks

Article 23- The total of risk provisions calculated for an item shall not exceed the current value of the related item.

Foreign Exchange Risk

Article 24- Foreign exchange risk of brokerage houses consists of the total of net open positions calculated on the basis of each currency. Net open position with regard to foreign exchange shall be calculated as follows:

a) Without considering maturity, amounts found by deducting the liabilities from assets on the basis of each currency,

b) Without considering maturity, amounts found by netting open short and long positions being held within the framework of futures contracts and other similar contracts on the basis of each currency,

c) Amounts found by multiplying the current value of option contracts on foreign exchange with the option delta.

The open positions found through the calculations stated in the first

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[**] Capital Markets Board has amended, with its amendment no: 30/333 in 17.03.1999 that risk for large exposures shall not be calculated for public borrowing instruments and liabilities in the balance sheet.

paragraph of this Article shall be summed separately as short and long. In the calculation of foreign exchange risk, the highest of the net open long and short position totals, shall be taken into account. If the total calculated by this method exceeds 2% of the own funds of the brokerage house, 8% of the excess shall be considered as the foreign exchange risk.

Calculations for foreign exchange risk provision shall be made separately in addition to the risk provision calculations made with regard to the assets subject to this calculation. Assets completely deducted in the calculation of own funds shall not be taken into account in foreign exchange risk provision calculations.

SECTION FOUR

ACCOUNTING DAY, NOTIFICATION TO THE BOARD, INDEPENDENT AUDIT AND INCOMPLIANCE WITH THE REQUIREMENTS

Accounting Day and Obligation to Notify the Board

Article 25 – The brokerage houses shall calculate, the risk provision envisioned in this Communiqué by using the “Risk Provision Calculation Table” in Annex 1 of this Communiqué, initial capital and own funds requirements by using the “Own Funds Calculation Table” in Annex 2 of this Communiqué, the liquidity requirement by using the “Liquidity Requirement Calculation Table” in Annex 3 of this Communiqué. These tables shall be prepared in accordance with the explanations in this Communiqué and Annex 4 of this Communiqué.

Brokerage houses are obliged to prepare the mentioned tables in the calculation period determined by the Board, to submit these to the Board in the envisioned period and to file these in their headquarters. In case own funds, initial capital or liquidity requirements fall below the minimum amounts mentioned in this Communiqué or in case the borrowing ratio surpasses the ratio envisioned in this Communiqué, the mentioned tables shall immediately be submitted to the Board without waiting for the determined period.

The Board may change the calculation and submission date of the tables related to the requirements mentioned in this Communiqué.

If deemed necessary, the Board may request the tables envisioned, to be calculated and submitted to the Board in accordance with this Communiqué more frequently from the brokerage houses that fail to comply with one or more of its requirements.

Brokerage houses and portfolio management companies shall submit to the Board their monthly trial balance prepared in account details determined by the Board as of the end of each month, whereas intermediary institutions and portfolio management companies shall submit the table in Annex 5 of this Communiqué in five working days following the end of each month after the publication of this Communiqué in the Official Gazette**.**

Independent Audit of Statements

Article 26 – (As Amended by Communiqué Serial: V, No: 56) At the end of the year and six month interim period, brokerage houses are obliged to get the opinion of independent audit organizations responsible to audit their financial statements concerning whether the risk provision, own funds and liquidity requirement calculation tables are prepared within the framework of provisions introduced by this Communiqué. These opinions shall be forwarded to the Board within 5 work days following each period. Moreover, independent auditing reports for own funds tables prepared on the basis of annual financial tables subject to independent audit shall be forwarded to the Board with in the time envisioned in article 48 of the Communiqué regarding "The Rules and Principles Related to Financial Statements and Records in Capital Markets" numbered Serial: XI, No: 1 and independent audit reports for own funds tables prepared on the basis of interim financial tables subject to independent audit are forwarded to the Board in the time envisioned in article 10 of the Communiqué regarding "The Rules and Principles About Interim Financial Tables and Records in Capital Markets" numbered Serial: XI, No: 3. The mentioned tables may be subjected to independent audit for shorter period, on the basis of all brokerage houses or some if deemed necessary by the Board.

In formation of opinion about the financial statements by independent audit organizations and concluding of relevant contracts, the provisions of "Communiqué on Independent Audit in Capital Market" numbered Serial: X, No: 16 of the Board shall apply.

Failing to Comply with the Requirements

Article 27 – According to Article 25 of this Communiqué, the brokerage houses that fail to forward their tables to the Board in the determined period shall be subject to provisions of sub-paragraph 5 in paragraph B of first indent in Article 47 of the Law and Article 57 of Communiqué Serial: V, No: 19 regarding The Principles on Intermediary Activities and Intermediary Institutions, published in the Official Gazette dated 1/3/1995 numbered 22217.

About the brokerage houses that fail to realize one of the three requirements namely minimum initial capital, own funds and liquidity requirement or surpass the general borrowing limit, the provisions of Articles 28, 29 and 30 of this Communiqué shall be applicable within the framework of the provisions in Article 57 of Communiqué Serial: V, No: 19 regarding The Principles on Intermediary Activities and Intermediary Institutions.

The Board may, apply periods shorter than those in the mentioned articles considering the financial status of the brokerage house or the failure to comply with more than one requirement or suspend the activities of brokerage houses temporarily or cancel their certificates of authorization regardless of the mentioned periods and rates.

Failing to Comply with the Own Funds Requirement

Article 28 – In case own funds of a brokerage house falls below the amount envisioned in this Communiqué, the following measures will be applicable.

a) If own funds are below the minimum amount envisioned in this Communiqué but 75% and more, 30 working days shall be granted to the brokerage house in case of occurrence of such a deficit for the first time within that year, 20 working days shall be granted in case of occurrence of such a deficit for the second time.

b) If own funds are less than 75% of the amount envisioned in this Communiqué but 40% and more, 20 working days shall be granted to the brokerage house in case of occurrence of such a deficit for the first time within that year, 10 working days shall be granted in case of occurrence of such a deficit for the second time.

c) If own funds are less than 40% of the minimum amount envisioned in this Communiqué, 10 working days shall be granted to the brokerage house.

Within this granted period, if the brokerage houses fail to increase their own funds in accordance with the level envisioned in his Communiqué, their activities shall be suspended temporarily or their certificates of authorization license shall be cancelled partially or completely. If own funds fall below the minimum amount by more than the amounts mentioned in (a), (b) and (c) of the first paragraph within a year, an additional period shall not be granted to brokerage houses, their activities shall be suspended temporarily or their certificates of authorization shall be cancelled partially or completely. If own funds fall below the minimum amount envisioned in Article 8 of this Communiqué more than once in a year and in different ratios, the period to be granted shall be determined by taking into account the lowest rate of own funds within the ratios mentioned in (a), (b) and (c) of the first paragraph and the previous deficits shall be presumed to be realized upon this ratio.

Failing to Comply with the General Borrowing Limit

Article 29- The following measures shall be applicable if the ratio of liabilities to the own funds of the brokerage house are higher than the ratios mentioned in this Communiqué:

If the liabilities are more than 15 times the own funds;

a) Up to 30%, 30 working days shall be granted to the brokerage house in case of first occurrence of such a violation within a year, 20 working days in case of occurrence of such a violation for the second time.

b) Between 30% and 100%, 20 working days shall be granted to the brokerage house in case of first occurrence of such a violation within a year, 10 working days in case of occurrence of such a violation for the second time.

d) 100% or more, 10 working days shall be granted to the brokerage house.

The activities of brokerage houses that fail to reach the borrowing limit mentioned in this Communiqué within the granted periods shall be suspended temporarily or their certificates of authorization shall be annulled partially or completely. If the general borrowing limit is surpassed more than the numbers mentioned in paragraphs (a), (b) and (c) of the second paragraph within a year, an additional period shall not be granted to brokerage houses; their activities shall be suspended temporarily or their certificates of authorization shall be annulled temporarily or completely. The period to be granted in case of exceeding the general borrowing limit in different ratios more than once within a year shall be determined by taking into account the highest exceeding figure and the previous surpasses shall be presumed to be realized upon this ratio.

Failing to Comply with Liquidity Requirement

Article 30 – In case of the brokerage houses do not realize the liquidity requirement in the manner mentioned in this Communiqué the following measures shall be applicable:

a) If the liquidity ratio is less than 1 but 0.8 or higher, in case of first time occurrence of such incompliance within a year, 30 working days, for the second occurrence 20 working days shall be granted to the brokerage house.

b) If the liquidity ratio is less than 0.8 but 0.5 or higher, in case of first time occurrence of such incompliance within a year, 20 working days, for the second occurrence 10 working days shall be granted to the brokerage house.

c) If the liquidity ratio is less than 0.5, 10 working days shall be granted to the brokerage house.

The activities of brokerage houses that fail to reach the liquidity requirement limit mentioned in this Communiqué shall be suspended temporarily or their certificates of authorization shall be annulled partially or completely. If the liquidity requirements could not be realized in numbers more than the ones mentioned in paragraphs (a), (b) and (c) of the first paragraph within a year, an additional period shall not be granted to the brokerage houses; their activities shall be suspended temporarily or their certificates of authorization shall be annulled temporarily or completely. The period to be granted in case of incompliance with the liquidity requirement in different ratios for more than once within a year shall be determined by taking into account the lowest ratio and the previous violations shall be presumed to be realized upon this ratio.

Off Balance Sheet Operations

Article 31- Any kind of limitation on the assets of brokerage houses including mortgage and operations committed to cover liabilities of others by brokerage houses shall further be taken into account by the Board in regulations with regard to this Communiqué.

Letter of Guarantee

Article 32 – If the own funds of brokerage houses fall below the requirements mentioned in Article 8 of this Communiqué, a letter of guarantee with the type and content determined by the Board might be used to cover these deficiencies. The letter of guarantee shall be blocked by the ISE Settlement & Custody Bank Inc. until the realization of the own funds requirement. However the period of the blockage shall not exceed three months.

PART FIVE

OVERRULED PROVISIONS, EXECUTION AND ENFORCEMENT

Overruled Provisions

Article 33 - a) Second paragraph in Article 14 of the Communiqué Serial: V, No: 7 regarding Repurchase and Reverse Repurchase of Securities published in the Official Gazette Annex dated 31/7/1992 numbered 21301, paragraph (a) of Article 9, paragraph (a) in Article 10 and first paragraph in Article 11 in Communiqué Serial: V, No:19 regarding the Principles on Intermediary Activities and Intermediary Institutions published in the Official Gazette dated 1/3/1995 numbered 22217, and Communiqué Serial: V, No:12 regarding The Tables to be Submitted to the Board by Brokerage Houses, Portfolio Management and Investment Consultancy Companies published in the Official Gazette dated 8/1/1994 numbered 21812 are repealed.

b) Article 44 of Communiqué Serial: V, No: 19 Regarding The Principles on Intermediary Activities and Intermediary institutions published in the Official Gazette dated 1/3/1995 numbered 22217 is repealed.

Entry Into Force

Article 34 – The fifth paragraph of Article 25 and paragraph (a) of Article 33 of this Communiqué will enter into force at the date of publication. Paragraph (b) of Article 33 and other articles shall enter into force on 30/9/1998.

Execution

Article 35- Capital Markets Board shall execute this Communiqué.

Annex 1

RISK PROVISION CALCULATION TABLE (Thousand TL)

No	Account Name	Trial Balance	Valued Status	Position Risk Ratio (%)	Position Risk (b*c)	Counter Party Risk	Foreign Exchange Risk	Risk of Large Exposure
		a	b	c	d	e	f	g
1	Cash & Cash Equivalents							
	Cash & Cash Equivalents in Turkish Currency							
	Cash & Cash Equivalents in Foreign Currency							
2	Investments-Capital Market Instruments							
	Stocks and Similar Capital Market Instruments (T)			10				
	Stocks and Similar Capital Market Instruments (NT)			100				
	Type A Fund Participation Certificates			5				
	Type B Fund Participation Certificates			2				
	Borrowing Instruments							
	Private Sector Borrowing Instruments							
	Less than one year maturity (T)			5				
	Less than one year			100				

No	Account Name	Trial Balance	Valued Status	Position Risk Ratio (%)	Position Risk (b*c)	Counter Party Risk	Foreign Exchange Risk	Risk of Large Exposure
		a	b	c	d	e	f	g
	maturity (NT)							
	More than one year maturity (T)			6				
	More than one year maturity (NT)			100				
	Public Borrowing Instruments							
	Less than one year maturity (T)			1				
	Less than one year maturity (NT)			3				
	More than one year maturity (T)			2				
	More than one year maturity (NT)			5				
3	Precious Metals			5				
4	Commodities Subject to Future and Forward Contracts			10				
5	Other Commodities			100				

No	Account Name	Trial Balance	Valued Status	Position Risk Ratio (%)	Position Risk (b*c)	Counter Party Risk	Foreign Exchange Risk	Risk of Large Exposure
		a	b	c	d	e	f	g
6	**Short Term Trade Receivables** (Net)							
	Customers							
	Central Bank and Settlement Agencies			1				
	Financial Institutions			5				
	Other Customers			8				
	Credit Account							
	Central Bank and Settlement Agencies			1				
	Financial Institutions			5				
	Other Customers			8				
	Guarantees Against Borrowed Securities							
	Notes Receivable (Net)							
	Central Bank and Clearing Agencies			1				
	Financial Institutions			5				
	Other Individuals & Institutions			8				
	Deposits and Guarantees Given							
	Other Short Term Trade Receivables (Net)							

No	Account Name	Trial Balance	Valued Status	Position Risk Ratio (%)	Position Risk (b*c)	Counter Party Risk	Foreign Exchange Risk	Risk of Large Exposure
		a	b	c	d	e	f	g
	Central Bank and Settlement Agencies			1				
	Financial Institutions			5				
	Other Individuals & Institutions			8				
7	Other Short Term Receivables (Net)							
	Due from Shareholders			8				
	Due from Subsidiaries			8				
	Due from Affiliated Undertakings			8				
	Short Term Other Receivables			8				
8	Settlement and Custody Center			0				
9	Provided Advance Payments							
10	Other Current Assets							

No	Account Name	Trial Balance	Valued Status	Position Risk Ratio (%)	Position Risk (b*c)	Counter Party Risk	Foreign Exchange Risk	Risk of Large Exposure
		a	b	c	d	e	f	G
11	Long Term Trade Receivables (Net)							
	Central Bank and Settlement Agencies			10				
	Financial Institutions			10				
	Other Individuals and Institutions			10				
	Notes Receivable			10				
	Other Long Term Trade Receivables			10				
12	Other Long Term Trade Receivables (Net)							
	Due from Shareholders			10				
	Due from Subsidiaries			10				
	Due from Affiliated Undertakings			10				
	Long Term Other Receivables			10				
13	Fixed Asset Investments (Net)							
	Associated Securities							
	Associated Securities (T)			10				
	Associated Securities (NT)							
	Subsidiaries (Capital Commitments Deducted)							
	Subsidiaries (T)			10				
	Subsidiaries (NT)							
14	Tangible Fixed Assets (Net)							
	Land							

No	Account Name	Trial Balance	Valued Status	Position Risk Ratio (%)	Position Risk (b*c)	Counter Party Risk	Foreign Exchange Risk	Risk of Large Exposure
		a	b	c	d	e	f	G
	Ground and Underground Fixtures							
	Buildings							
	Plants Machinery and Equipment							
	Motor Vehicles							
	Furniture and Fixtures							
	Other Tangible Fixed Assets							
15	Intangible Fixed Assets (Net)							
16	Other Fixed Assets (Net)							
	TOTAL ASSETS							

No	Account Name	Trial Balance	Valued Status	Position Risk Ratio (%)	Position Risk (b*c)	Counter Party Risk	Foreign Exchange Risk	Risk of Large Exposure
		a	b	c	d	e	f	g
17	Current Liabilities							
	Financial Liabilities			3				
	Trade Payables			3				
	Other Current Liabilities			3				
	Advances			3				
	Provisions for Liabilities & Charges							
18	Long Term Liabilities							
	Financial Liabilities			5				
	Trade Payables			5				
	Other Long Term Liabilities			5				
	Advances							
	Provisions for Liabilities & Charges							
19	Initial Capital							
	Share Capital							
	Unpaid Capital (-)							
	Share Premium							
	Revaluation Reserve							
	Legal Reserves							
	Status Reserves							
	Special Reserves							
	Extraordinary Reserves							

No	Account Name	Trial Balance	Valued Status	Position Risk Ratio (%)	Position Risk (b*c)	Counter Party Risk	Foreign Exchange Risk	Risk of Large Exposure
		a	b	c	d	e	f	g
	Other Reserves							
	Net Profit of the Period							
	Net Loss of the Period (-)							
	Loss of Previous Terms (-)							
	TOTAL LIABILITIES & INITIAL CAPITAL							
20	Reverse Repurchase agreements							
	Central Banks and Settlement Agencies							
	Financial Institutions							
	Other Customers							

No	Account Name	Trial Balance	Valued Status	Position Risk Ratio (%)	Position Risk (b*c)	Counter Party Risk	Foreign Exchange Risk	Risk of Large Exposure
		a	b	c	d	e	f	g
21	Repurchase Agreements							
	Central Banks and Settlement Agencies			OA				
	Financial Institutions			OA				
	Other Customers			OA				
22	Borrowed Securities							
	Central Banks and Settlement Agencies			OA				
	Financial Institutions			OA				
	Other Customers			OA				
23	Lent Securities							
	Central Banks and Settlement Agencies			OA				
	Financial Institutions			OA				
	Other Customers			OA				
24	Net Borrowing Transactions			OA				
25	Risk Provision in Relation to Future, Forward Transactions							
26	Operating Expenses of the Last Three Months							
	Risk Provision				**X**	**X**	**X**	**X**

No	Account Name	Trial Balance	Valued Status	Position Risk Ratio (%)	Position Risk (b*c)	Counter Party Risk	Foreign Exchange Risk	Risk of Large Exposure
		a	b	c	d	e	f	g

Abbreviations:
T: Traded in exchanges and other organized markets
NT: Not traded in exchanges and other organized markets
OA: For the other assets to be transacted on position risk ratios envisioned in this Table.

Annex: 2 Own funds Calculation Table

No	Transaction			Amount
1	Initial Capital			X
2	Discounts (In accordance with Article 4 of this Communiqué)			(X)
		Tangible Fixed Assets (Article.4/a-1)	(X)	
		Intangible Fixed Assets (Article 4/a-2)	(X)	
		Fixed Asset Investments (Article 4/a-3)	(X)	
		Other Fixed Assets (Article 4/a-4)	(X)	
		Receivables from Related Individuals and Institutions (Article 4/b)	(X)	
3	Own funds			(1-2)
4	Risk Provision			X
		Position Risk	X	
		Counter-Party Risk	X	
		Risk of Large Exposures	X	
		Foreign Exchange Risk	X	
5	Operating Expenses of the Last Three Months			X
6	Total Liabilities			X
7	Required Minimum Initial Capital			X
8	Surplus (or Deficit) of Own funds			(3-4), (3-5),(3-7)
9	Surplus (or Deficit) of Minimum Initial Capital			(1-7)
10	Total Liabilities / Own funds			(6/3)

Annex: 3

LIQUIDITY REQUIREMENT CALCULATION TABLE

	ITEMS	Revalued Status (TL)	Net Amount (TL)
A.	**Current Assets**		
1.	Cash & Cash Equivalents		
2.	Investments-Capital Market Instruments		
3.	Short Term Trade Receivables		
4.	Inventories		
B.	**Current Liabilities**		
1.	Financial Liabilities		
2.	Trade Payables		
3.	Other Current Liabilities		
C.	**Current Assets / Current Liabilities (A/B)**		

Annex: 4

EXPLANATIONS ON IMPLEMENTATION OF THE COMMUNIQUE

I. General Explanation

In this Annex, explanations for understanding the provisions of this Communiqué are provided. These explanations do not amend the provisions of this Communiqué and do not introduce new provisions. In this framework, in case of perception of difference between the explanations herein and provisions of the Communiqué, it is obligatory to take the provisions of the Communiqué as basis.

Unless otherwise stated, this Communiqué shall not repeal or amend the provisions introduced in the Capital Markets Law and in other Communiqués of the Board issued on the basis of Capital Markets Law regarding brokerage houses or shall not facilitate the brokerage houses with the opportunity to perform activities without authorization or license. For example, in this Communiqué the method for the calculation of position risk provision regarding the precious metals within the assets of brokerage houses is explained. The existence of such a provision does not waive a limitation imposed by another Communiqué for intermediation in precious metals. Accordingly, there are provisions regarding valuation of positions acquired in futures contracts. These provisions cannot be interpreted to mean undertaking the mentioned activity is possible without authorization.

II. Purpose of the Communiqué

The Communiqué is based on the fact that the paid up or issued capital amounts do not sufficiently reflect the financial status of a brokerage house. It is really true that in case of poor management of the assets, it is possible to face financial problems regardless of the amount of the paid up capital of a brokerage house. In addition to this, the paid up capital might be deposited on illiquid or risky assets.

In this case, in addition to paid up capital, the management method of assets and liabilities gains importance in terms of financial structure. The main function of this Communiqué is subjecting two brokerage houses with the same paid up capital to different evaluation by taking into account the structure of their assets. In this framework, a brokerage house with securities traded in exchanges among its assets and a brokerage house with receivables from a partner among its assets shall be subject to different considerations even if their paid up capitals are the same. This difference is provided by deducting all or part of certain assets from the initial capital within the framework of provisions of the Communiqué.

III. Initial Capital and Own Funds

Own funds is a new concept introduced by this Communiqué. This concept is different from the “equity” concept described in other Communiqués of the Board. For example, shareholders’ equity defined in Communiqué Serial: V, No: 19 Regarding The Principles on Intermediary Activities and Intermediary Institutions and Communiqué Serial: V, No:18 Regarding Margin Trading, Short Sales and the , Lending and Borrowing of Securities, ; implies the amount derived by deducting the loss if any from the sum of paid up capital and reserves. Unless otherwise regulated, the mentioned shareholders’ equity description shall be taken as basis in the participation limits and margin trading transaction limits.

Additionally, the initial capital described in this Communiqué consists of the same items with the shareholders’ equity concept described in Accounting Communiqués of the Board. However, since different valuation principles are used, the amount of initial capital calculated in accordance with this Communiqué is different from the shareholders’ equity amount calculated by taking the valuation principles in accounting communiqués as basis.

On the other hand, through this Communiqué, the “own funds” concept is introduced by deducting the illiquid assets and assets causing an outflow of capital from initial capital.

In order to reach the own funds, fixed assets and unguaranteed receivables from individuals and institutions having a direct and indirect relation in terms of capital, management, auditing are deducted from initial capital. However, advance payments by brokerage houses to mutual funds are not subject to the mentioned deduction.

The calculation method of initial capital and own funds and the identification of the items included therein shall be further examined in explanations on the risk provision calculation table in Annex 1 of this Communiqué.

IV. Valuation Principles

Special valuation provisions have been introduced by this Communiqué for some items. Own funds are calculated by using the mentioned special valuation provisions.

These valuation provisions are introduced so as to reach current values of the items among the assets and liabilities in the balance sheet of the brokerage house. However it is not permitted to reach the current value of each asset. For example the real estate and fixtures in assets cannot be marked to market.

Generally it is envisioned to mark to market the capital market instruments traded in an exchange and precious metals and goods subject to transactions in futures contracts. In addition to this, borrowing instruments not even traded in exchanges (except for the ones deducted from initial capital within the framework of Article 4/b of this Communiqué) are also marked to market.

Sale and purchase prices of some assets like foreign currency are different. Such assets must be subject to valuation as necessitated by the concept of “prudence”. For example, if a liability in terms of foreign currency exists, it is obligatory to purchase foreign currency to undertake this liability. For this reason, the sale price on which the foreign currency can be purchased must be used to bring foreign currency liabilities to their current values. Similarly, in converting a foreign currency asset to Turkish Lira, it is necessary to use foreign currency purchase price. The valuation principles in the Communiqué are explained below.

A. Assets Traded in Exchanges

Assets traded in exchanges and other organized markets shall be valued by the weighted average prices occurring in the exchanges at the date of valuation (not the closing price). Other instruments such as bonds may also be traded in exchanges in addition to stocks. In valuation of these instruments it is again necessary to take the exchange prices as basis.

Some of the capital market instruments quoted in exchanges may not be traded every day. In situations in which the related asset has not been traded temporarily, the weighted average price occurring on the last day of transaction of the mentioned instrument should be taken as basis. When trading ceases permanently, the related instrument must be valued in accordance with the valuation provisions that apply to the assets not traded in exchanges.

B. Valuation Principle of Borrowing Instruments

In valuation of borrowing instruments, it is not important if these are billed or not. The valuation principles are the same in both situations. In order to be subject to valuation, the related instrument must have more than one month to maturity at the date of valuation. If it is traded in an exchange valuation on the basis of exchange prices is necessary even if it has less than one month to maturity. If these instruments are not traded in exchanges, they shall be subject to valuation upon prices or ratios occurring for other similar instruments in the exchange. If the borrowing instruments are not traded in exchanges, they shall be subject to valuation by taking into account the average of interest rates occurring in State Domestic Borrowing Bills (SDBB) with the closest maturity. In valuation, compound interest method should be taken as basis. A related example is as follows:

By 30/4/1998, in assets of the firm, there exists a private sector commercial paper with nominal value of 100.000.000 TL and maturity on 30/9/1998 and recorded by 70.000.000 TL cost price. By 30.04.1998, let us assume that the interest rate occurring for SDBB is 78.74 and there are 153 days to maturity. The price of the mentioned security shall be calculated with the formula below.

$$\text{Price} = \frac{100.000.000}{(1+78.74)^{\frac{153}{365}}}$$

By this way, the price of the security shall be calculated as 78.392.437 TL and valued upon this price. The difference between the cost price and the new value calculated with the above method shall be added (8.392.437 TL) to net profit of the term.

Let us continue with our example in order to understand how the valued status of the mentioned security shall change with the changes in interest rate. Let us assume that the interest rate has increased to 150% other things being equal. In this case, the price of the mentioned security shall be 68.107.081 TL according to the formula and the difference between the new value and cost price, that is 1.892.919 TL, shall be deducted from the profit of the term.

In these calculations, the withholding tax to be paid on interest revenues must be taken into account as an element diminishing the interest and prices must be calculated accordingly.

Borrowing instruments with periodic interest payments and other featured borrowing instruments shall be subject to valuation by using appropriate formulas.

C. Valuation Provisions Regarding Other Assets

Future and option contracts traded in exchanges shall be subject to valuation by taking into account the current prices mentioned in this Communiqué. Settlement prices occurring in the exchange should be taken as current price. Unrealized profits in OTC forward and option contracts cannot be related to the profit of the term in accordance with the historical cost principle. If a loss occurs, a provision shall be reserved for this loss and this amount shall be deducted from the profit of the term. Net position calculation might be done for OTC forward and option contracts as well.

It is envisioned to value the precious metals subject to international trade but not traded in exchanges and other organized markets upon the normal sale and purchase prices at the date of valuation. Some precious metals are easily sold and purchased although they are not traded in exchanges and other organized markets. Price data regarding these are published by data distribution organizations and it is possible to trade on these prices easily. These prices disseminated by data distribution organizations may be accepted as “normal” sale and purchase prices of precious metals fulfilling the above feature.

D. Other Provisions Regarding Valuation

In the valuation of items without special provisions introduced by this Communiqué, the provisions in accounting communiqués have to be followed. Items without valuation provisions in this Communiqué are generally items deducted in the calculation of own funds. Since such items do not need to be valued, the amounts in the trial balance may be used. Valuation of these assets may increase the initial capital items, however since in calculations of own funds, these shall be deducted in valued status, valuation of the mentioned assets shall not cause any change in the own funds amount. A related example is given in the explanations concerning own funds calculations.

E. Valuation of Repurchase and Reverse Repurchase

Although repurchase and reverse repurchase agreements seem similar to guaranteed borrowing or lending in essence, the Communiqués of the Board envision recording of the mentioned transactions as the sale or purchase of a capital market instrument in accounting. In order to reflect the current status of the brokerage house, repurchase and reverse repurchase agreements recorded as a purchase or sale of securities in accounting, have to be valued in accordance with the special provisions provided with this Communiqué. A related example is given below.

The balance sheet of the brokerage house on 30/4/1998 is as follows:

Balance Sheet of Brokerage house ABC on 30/4/1998

Asset	Liability
Cash........................100	Capital 100

On 30/4/1998, Brokerage house ABC gave the 100 TL in its cashier and made a repurchase agreement with Bank B (reverse repurchase for ABC) Maturity is 100 days. The Bank promises to repurchase the securities it sells for 200 TL at the end of 100 days. The Treasury bill with nominal value of 300 TL having maturity on 30/11/1998 is subject to sale and purchase. The new balance sheet of the brokerage house ABC pursuant to repurchase agreement of 30/4/1998 is as follows:

Balance Sheet of Brokerage house ABC on 30/4/1998

Asset	Liability
Securities........................100	Capital 100
Total... 100	**Total................................100**

Let us assume that this brokerage house shall make own funds calculations on 10/5/1998 in accordance with this Communiqué. Let us also assume that 10 TL interest is applicable on the repurchase agreement until that day (with the interest rates envisioned in repurchase agreement). Within the framework of valuation principles of the Board, the related securities shall be subject to valuation and the occurring valuation differences shall be related to the net profit of the term.

Let us assume that the current value of the related security is 90 TL on 10/5/1998 due to both the fluctuations in market prices and difference of the interest rates envisioned in initial purchase from the interest rate occurring in the market. In this case, the new balance sheet shall be as follows.

Balance Sheet of Brokerage house ABC on 10/5/1998

Asset	Liability
Securities……………….......90	Capital…. 100
	Net Loss of Period …..............(10)

As can be seen here, the initial capital of the brokerage house has decreased to 90 TL. Now let us assume that the related security is 150 TL instead of 90 TL. In this case, the new balance sheet of the brokerage house shall be as follows:

Balance Sheet of Brokerage house ABC on 10/5/1998

Asset	Liability
Securities………............150	Capital……….. 100
	Net Profit of Period …......................50

In this balance sheet, the initial capital of the firm has increased to 150 TL. However, the initial capital of this firm is the sum of principal that is 100 TL and accrued interest that is 10 TL, which makes 110 TL.

As can be understood from these calculations, valuation of securities included in assets due to reverse repurchase with the same method used for other securities shall lead to miscalculation of the initial capital of brokerage houses. Since this brokerage house is liable to resell the securities upon the pre-agreed price rather than the market price, it is obligatory to take into account this responsibility. When we take into account this responsibility, the initial capital of the brokerage house must remain the same in both situations, in which the price of the related security decreases to 90 TL or rises to 150 TL. This situation is provided with the provisions introduced by the Communiqué.

Within the framework of the provisions in the Communiqué, the "contract price" of the reverse repurchases is 110 TL and the due interest is 10 TL. When the price of the security is 150 TL, the difference between the contract price and 150 TL, which is 40 TL, shall be deducted from the net profit of the period. In this case the net profit of the period shall be realized as 10 TL instead of 50 TL and the initial capital shall be 110 TL. In the contrary situation, in other words when the price of the security is 90 TL, the difference between the contract price and 90 TL, which is 20 TL shall be added to the profit of the period and 10 TL being the net loss of the period shall turn into net profit of the period of 10 TL while the initial capital is again realized as 110 TL.

Repurchase agreements between brokerage houses and their customers shall be subject to the valuation method envisioned for reverse repurchase above. In repurchase transactions, since it is obligatory to repurchase the security upon the pre-agreed price regardless of its market value, this has to be taken into account in valuation.

F. Tax Provisions

Formation of income is connected to the condition of “realization” in general in tax legislation. Even if the market price of an item within the assets of a brokerage house is higher than the registered value in assets, the difference between the registered value and market price shall not be viewed as an income element within the framework of tax legislation and shall not be subject to tax. However, in case of sale of this asset, income subject to tax shall occur.

Therefore, the “profit of the period” amount reached as a result of the valuation provisions of this Communiqué shall realize quite differently from the profit subject to taxation. However, other than the exceptions in tax legislation, tax shall be paid on this income when realized. Some income elements even if realized shall not be subject to tax due to exemptions and exceptions in tax legislation.

In this Communiqué, it is envisioned to reserve tax provision concerning the income elements that shall be subject to tax when realized. The payment time of these taxes is not important.

Let us take a stock within assets with increasing price in the stock exchange as an example. The valuation provisions of this Communiqué envision relating this increase to the profit of the period. Since the mentioned stock has not been sold, no income has occurred according to the tax legislation. For this reason, it is not yet necessary to pay taxes in the framework of tax legislation. However, if the mentioned stock was sold, an income subject to tax would occur. In this Communiqué, it is envisioned that while reserving tax provisions, the sale should be considered as realized and consequently tax provision for all the occurring profit should be reserved. By this way, prior reserve for taxes that shall be paid in case of realization of the sale is provided.

Additionally, regardless of the valuation provisions in this Communiqué certain taxes might be paid upon the income expected to emerge in the pursuant periods. In this case, these taxes shall not be valued as a receivable but considered as a deduction from the profit of the period.

V. Liabilities

Through this Communiqué, some limitations are introduced to brokerage houses regarding minimum initial capital, own funds, liquidity and borrowing. These limitations are explained in detail below.

A. Minimum Initial Capital Requirement

Brokerage houses have to keep a minimum initial capital even if there is no risk provision. This amount is determined by considering the authorization certificates belonging to the brokerage house and it is envisioned to be increased annually by at least 20% of the revaluation rate, starting from 1999 in ratios determined by the Board, for the purpose of preserving the real value.

Initial capital must be calculated by considering the financial tables valued in accordance with this Communiqué. Initial capital covers all items under initial capital in financial tables. However, tax provision should be, reserved from the profit of the period and deducted from the initial capital.

Provision of minimum amounts mentioned in Article 7 of this Communiqué for initial capital does not necessarily mean that the initial capital is at a sufficient level. As can be seen in detail in the explanations on own funds calculations, initial capital has to be increased by at least the value of fixed assets that are among the assets, in order to realize the own funds requirement. In other words, most of the times the required minimum initial capital has to be higher than the amounts stated in the mentioned article in order to realize the minimum own funds requirement.

B. Own Funds Requirement

Own funds are calculated by deducting some illiquid assets and items that take the form of an outflow of capital mentioned in Article 4 of the Communiqué from the initial capital calculated in accordance with this Communiqué. The own funds calculated in this way must not be less than either one of (not the sum of) the minimum initial capital amount that the brokerage house should have according to its certificates of authorization, risk provisions, operating expenses of the last three months prior to the valuation date. Therefore, the highest of the minimum initial capital, risk provisions and operating expenses of the last three months prior to the valuation date becomes the own funds requirement of the brokerage house. Furthermore, the operating expenses of the last three months does not consist of the cumulative operating expenses occurring at the end of the mentioned months starting from the beginning of the year, but the sum of operating expenses occurring only in those months.

In calculation of own funds, since certain items have to be deducted from initial capital and own funds can not be less than the required minimum initial capital, most of the times in order to fulfill the own funds requirement, the initial capital of the brokerage house has to be higher than the required minimum initial capital that the brokerage house shall have in accordance with its certificates of authorization. The subject is explained through a simple example below.

Let us assume that the balance sheet of the brokerage house on 30/4/1998 is as follows and the required minimum initial capital is determined as 300 TL, risk provision as 10 TL and the operating expenses of the last three months are 150 TL.

Balance Sheet of Brokerage house ABC on 30/4/1998

Asset	Liability
Securities……..........................250	Current Liabilities…............100
Fixed Assets…..........................200	Capital… 350

Initial capital of this brokerage house is 350 TL, which is above the required minimum amount. Under the assumption that the entire fixed assets are deducted, the own funds of the brokerage house shall be 150 TL. (= Initial capital – fixed assets). Since the risk provision and operating expenses of the last three months are less than the required minimum initial capital, the own funds of the brokerage house has to be 300 TL, which is the required minimum amount for initial capital. Since the own funds is less than 300 TL, there is a deficit of own funds. The brokerage house has to either purchase securities by selling the fixed assets within its assets or provide additional capital in order to overcome this deficit. In this example, for the brokerage house to provide the minimum own funds, it has to provide 150 TL worth additional capital and invest these completely in securities (or assets other than the ones mentioned in Article 4 of the Communiqué). In this case, the initial capital of the brokerage house has to increase to 500 TL. By this way, the brokerage house has to keep an initial capital in excess of the required minimum initial capital.

C. General Borrowing Limit

Unless a contrary provision exists, brokerage houses shall not borrow with a ratio higher than 15 times their own funds. The issue is discussed through an example below.

Let us assume that the balance sheet of the brokerage house on 30/4/1998 is as follows. Let us also assume that the balance sheet has been prepared in valued status in accordance with the principles mentioned in this Communiqué.

Balance Sheet of Brokerage house ABC on 30/4/1998

Assets	Liabilities
Securities…….....................4.200	Current Liabilities…... ....4.000
Fixed Assets…................ 300	Capital…................... 500
Total.......…..................... 4.500	**Total…............................... 4.500**

The own funds of this brokerage house is 200 TL; total liabilities including tax and other provisions are 4.000 TL. Let us assume that this brokerage house meets the own funds liability, which is 200 TL. Liabilities are 20 times the own funds. (Current Liabilities / own funds). The 15-fold limit introduced by the Communiqué is surpassed. In this case, the brokerage house is obliged to sell some of its securities and reduce its debt to 3.000 TL or increase its own funds to at least 267 TL from 200 TL.

In calculation of this limit, short and long term liabilities have to cover;

1. Liabilities stemming from underwriting, emerging within the framework of Article 15 of the Communiqué,
2. Liabilities to customers and settlement agencies,
3. Other liability items included in the balance sheet.

However, cash of customers processed in the money market within the exchange is not considered among the liability items.

D. Liquidity Requirement

Liquidity requirement illustrates the ratio of the current assets of the brokerage house to current liabilities in their balance sheet prepared on the valuation day within the framework of provisions of this Communiqué regarding valuation. This ratio (current assets / current liabilities) must be at least equal to 1.

Current assets and current liabilities have to be taken into account at their valued status in accordance with the provisions of this Communiqué in other words at their current value. Classification of the liabilities as short or long term and assets as current or fixed has to be done in accordance with the accounting communiqués of the Board. Generally, liabilities with less than one-year maturity are categorized as short-term liabilities.

Even if the items envisioned to be completely deducted from the initial capital in accordance with Article 4 of this Communiqué are included in current assets, these shall not be included in current assets in the calculation of the liquidity requirement. In this framework, stocks and similar capital market instruments not traded in exchanges and other organized markets, the unguaranteed portion of receivables, capital market instruments issued by partners but not traded in any exchange and other goods shall not be accepted as current assets in liquidity requirement calculations.

VI. Incompliance with Requirements

Requirements that the brokerage houses have to abide by in this Communiqué are as follows:

- Minimum initial capital requirement
- Own funds requirement
- General borrowing limit
- Liquidity requirement

In addition to these, there are also some sub-requirements such that certain portion of the minimum initial capital has to consist of paid up or issued capital.

The applicable measures in case these requirements are not fulfilled, are mentioned in Articles 27 to 30 of this Communiqué. Generally, in these articles it is envisioned to enforce stricter measures with stricter violation of the provisions of this Communiqué. These measures are summarized in the table below.

Measures Applicable in Violation of the Requirements				
No	**Violation**	**Frequency of the Violation**		
		First in A Year	**Twice in A Year**	**Three Times or More in A Year**
		a	**b**	**c**
1	**Minimum Own funds (x)**			
2	75% ≤ x < 100% of the Minimum Amount	30 working days	20 working days	Temporary suspension of activities – annulment of license
3	40% ≤ x < 75% of the Minimum Amount	20 working days	10 working days	Temporary suspension cessation of activities – annulment of license
4	x < 40% of the Minimum Amount	10 working days	Temporary suspension of activities – annulment of license	
5	Total Liabilities / Own funds			
6	Exceeding 15 times (of 5) by 30%	30 working days	20 working days	Temporary suspension of activities – annulment of license
7	Exceeding 15 times (of 5) between 30% and 100%	20 working days	10 working days	Temporary suspension of activities – annulment of license
8	Exceeding 15 times (of 5) 100% or more	10 working days	Temporary suspension of activities – annulment of license	
9	Liquidity Ratio (x)			

Measures Applicable in Violation of the Requirements				
No	**Violation**	**Frequency of the Violation**		
		First in A Year	**Twice in A Year**	**Three Times or More in A Year**
		a	**b**	**c**
10	$1 > x \geq 0.8$	30 working days	20 working days	Temporary suspension of activities – annulment of license
11	$0.8 > x \geq 0.5$	20 working days	10 working days	Temporary suspension of activities – annulment of license
12	$0.5 > x$	10 working days	Temporary suspension of activities – annulment of license	

The periods and measures mentioned in this table might become stricter by taking into account the financial status of the brokerage house and the violation of more than one requirement. Furthermore, in case of violation of a requirement for more than once in a year, the stricter ratio shall be applicable. Thus, a brokerage house with own funds decreasing to 90% of the minimum amount for once shall be granted a 30 working days period. If the mentioned ratio falls below the minimum amount for the second time in a year and realizes as 50% of the minimum amount, the brokerage house shall not be granted the period envisioned in the second line of column (b) but the period in line three of column b, which is 10 working days.

VII. Risk Provision

With regard to the assets and liabilities of brokerage houses among both the balance sheet and off balance sheet items, it is envisioned in this Communiqué to calculate provision in ratios mentioned in this Communiqué and Annex 1 upon the current values of the assets and liabilities calculated in accordance with this Communiqué. The sum of these calculated provisions has to be less than own funds. The risk provision is calculated by taking into account the sensitivity of the balance sheet of brokerage houses towards the price movements in the market and collection of receivables. It is necessary for the brokerage house to raise its own funds with the increase in this risk.

Risk provision consists of position risk, risk of large exposures, counter-party risk and foreign exchange rate risk. These risks shall be briefly explained below. However, the risks that the brokerage house faces are not limited with these only. Abuse of assets of customers with the violation of legislation by personnel of brokerage house is also a risk but no specific provision is reserved with this purpose in the Communiqué.

Risk provision can simply be classified as follows in relation to stock that is traded in an exchange within the assets of a brokerage house. The risk provision shall be calculated within the framework of the answers to the following questions about the stock;

- To what extent can its price change in a day? (position risk)
- Who keeps it as a collateral or entrustment? (counter-party risk)
- Which currency unit is it based on? (foreign exchange rate risk)
- Does it have a significant place within assets? (risk for large exposures)

Risks may be calculated by taking into account the balance sheet and off balance sheet assets and liabilities of the brokerage house as a whole. A brokerage house with liabilities and receivables in the same amount and maturity in US dollars shall not be faced with any foreign exchange rate risk regardless of the dollar rate. Since the value of its liabilities and receivables will decrease and increase at the same time, no deterioration will occur in its financial status due to fluctuations in the exchange rate (other risks for example counter-party risk with regard to failure to collect the receivable and position risk still exist).

In calculating the position risk, "net position" calculations are allowed by keeping an item of the same kind among both liabilities and assets and by reducing the risk through future transactions. Net position calculations enable reserving less provision for risks in case risks are reduced efficiently. According to the Communiqué, net position calculations by brokerage houses are optional.

A. Position Risk and Net Position

Position risk implies the risks stemming from the issuer of assets or price fluctuations occurring in the markets which these assets are traded and changes in current values of liabilities and receivables. Risks of each asset in this regard are quite different from each other. But these differences do not prevent a certain accumulation. In position risk calculations, net position may be taken into account.

Position risk provision will be calculated for capital market instruments including the ones purchased through underwriting, mutual fund participation certificates, liabilities and receivables, gold and precious metals, foreign currencies, goods subject to futures transactions, option and future contracts, borrowed and lent securities, and capital market instruments sold under repurchase agreements. Position risk provision will not be calculated for capital market instruments purchased within the framework of reverse repurchase agreements.

The amount of position risk provision to be calculated on specific assets is mentioned in Annex 1 of the Communiqué. It is envisioned that the current values of assets and liabilities of brokerage houses calculated in accordance with this Communiqué will be reduced by the ratios mentioned in

Annex 1. As can be seen from these figures, it is envisioned to reserve a lower provision for public borrowing instruments, a little more for private sector borrowing instruments and finally more for stocks. Furthermore, the capital market instruments traded in exchanges and other organized markets will be subject to lower rates of deduction whereas those that are not traded are subject to higher rates of deduction.

Position risk is only calculated for assets and liabilities belonging to brokerage houses. Position risk will not be calculated for the entrustments of customers.

1. Net Position

Provisions against position risk may be calculated upon the net position on the related asset. Net position calculations are made in case of existence of items similarly affected from price changes within assets and liabilities. For example, let us think of two brokerage houses. The First one borrows 100(000 units) of abc stock, sells the borrowed stock and purchases 150(000 units) of bcd stock. The second one borrows the same stock and lends it completely to its customer. The first brokerage house will be affected from price fluctuations while the second one will not. According to the Communiqué, the second brokerage house does not have to reserve position risk provision with regard to borrowed and lent assets. The first brokerage house has to reserve provision for both positions.

Net position calculation is not allowed for assets the price changes of which are highly correlated. For example, even if there is 90% correlation between the revenues of abc and bcd stocks, these will not be subject to net position calculations. Similarly, items that are among assets and that have full negative correlation will not be subject to net position calculations. In order to make such calculations; the assets have to be of the same kind.

In lending and borrowing of securities, net position calculation may be done with the condition that the securities are of the same kind.

In case the capital market instruments purchased through reverse repurchase are subject to repurchase agreements, net position calculation may be done for the capital market instruments subject to repurchase with the condition that the maturities are the same for the repurchase and reverse repurchase agreements. In this calculation, the current values of capital market instruments subject to repurchase and reverse repurchase will be taken as basis. Position risk will not be calculated for capital market instruments purchased within the framework of reverse repurchase transaction.

Special provisions for net position calculations in future and option contracts are reserved.

2. Position Risk in Futures and Option Contracts

In accordance with this Communiqué, position risk provision has to be calculated for future (FC) and option contracts (OC). For FC traded in exchanges, provision shall be reserved for the position risk on collateral ratios determined by the settlement agency. Some settlement agencies require less collateral for certain contracts when held together than the necessary amount in case of separate keeping of such contracts. In this case, necessary risk provisions have to be calculated less in this Communiqué as well.

Forward contracts will be valued as the underlying assets of the contract. In this case, in the calculation of position risk, provision for the forward contract providing the right to purchase 10,000 units of abc stock upon a certain price, the mentioned 10,000 units of stock has to be considered as an asset and in return for the asset, a liability with maturity at the end of the contract will be taken into account and position risk provision will be calculated accordingly. This liability shall not be considered among liabilities in the calculation of the borrowing limit.

In option contracts, the underlying assets will be taken into account upon the amount calculated through multiplying by the option delta and position risk provision will be calculated for these assets upon the envisaged ratios. For long position OC, the settlement agencies do not request collateral in case of advance payment of the premiums. In these option contracts, the maximum loss is this paid premium. For this reason, no amount exceeding this amount will be reserved as risk provision.

In position risk provision calculations, OC and FC are taken into account with their current values regardless of their being traded in exchanges. However, in calculations of initial capital, only the ones traded in exchanges will be valued on current value. The others must be valued upon the lowest of the market or cost price according to the accounting communiqués.

FC and OC can be purchased for hedging or speculative purposes. The ones with the purpose of hedging are suitable for net position calculations. The rest is considered to have speculative purposes. For example, if a brokerage house has a short position futures contract and if at the same time the asset underlying the contract is among the assets of the brokerage house, net position calculation can be done between the mentioned position and the item among the assets and this futures contract position is considered to have hedging purposes. On the other hand, if the brokerage house has only a short position futures contract and in return the underlying asset is not among the assets, then the mentioned position in the futures position is considered to have speculative purposes.

3. Position Risk in Underwriting

Position risk provision calculations for capital market instruments kept for underwriting are separately regulated considering the special status of the issue and some flexibilities are included.

At the date the brokerage house takes up the commitment, the capital market instruments subject to underwriting should be considered as assets, whereas the related payment commitment will be considered as a liability. When the underwriting will become an item in the balance sheet as such varies according to the provisions of the contract. As a general rule, the underwriting should be treated as a balance sheet item when the brokerage house makes a commitment to purchase the capital market instruments, irrevocable without the consent of the issuer. At best effort intermediation the underwriting never becomes a balance sheet item. Since the unsold portion will eventually be purchased by the brokerage house in both standby and full commitment underwriting, standby underwriting will be treated just the same as full commitment underwriting in position risk provision calculations. Furthermore, in standby underwriting even if the capital market instruments unsold within the sale period do not become a balance sheet item until purchased by the brokerage house, for the calculation of position risk provision, standby underwriting must be treated as full commitment and an additional line should be inserted in the risk provisions calculation table for this calculation .

Since the capital market instruments subject to underwriting are not listed in the exchange yet, it would be necessary to calculate 100% position risk provision for them, however according to Article 15 of the Communiqué, this requirement is cancelled and it is envisioned to reserve 2% for position risk within the underwriting period. Position risk provision is calculated upon the unsold amount at increasing rates until exchange listing.

In case capital market instruments are listed in the exchange after the termination of the sale period, prior to the end of the 6-day period introducing specific position risk ratios ranging from 10% to 100%, the position risk ratios mentioned in Annex 1 of the Communiqué will be applicable depending on the quality of the related capital market instrument and its being traded in the exchange,

With the last paragraph of the same Article, it is envisioned that position risk provision will be calculated on lower ratios mentioned above not only for the brokerage houses intermediating in public offering but also the ones purchasing capital market instruments in this public offering as customers. Consequently, position risk provision will be calculated for the capital market instruments purchased in the sale period on 2%, in 6 days pursuant to termination of the sale period on ratios between 10-100% and if the capital market instruments are traded in the exchange, ratios in Annex 1 of the Communiqué will be used in calculation regardless of the related 6-day period.

B. Counter-Party Risk

Generally, counter-party risk implies the risk emerging in the receipt from related individuals or institutions of the items among assets, which are provided as collateral or entrustment to others. Counter-party risk is calculated for the unguaranteed portion.

1. Occurrence of Counter-Party Risk

Brokerage houses lend securities and extend credit to their customers, engage in repurchase and reverse repurchase agreements, receive credits and provide guarantees accordingly within the course of their normal business relations. Additionally, as in futures contracts sometimes there occurs the liability to deposit collateral to the settlement agency for the customers and these collaterals are not always collected from the customers. In calculations of counter-party risk provision, , no difference was made between collateral and entrustment, taking into account the fact that securities even provided as collateral can be used by the counter-party easily.

All these situations put the brokerage houses under risk. It is possible to avoid this risk by the receipt of sufficient guarantee against the provided asset. The second way to avoid the risk is to transact with public institutions. In this framework, in transactions realized with institutions such as central banks it is assumed that no counter-party risk is encountered or that counter-party risk is encountered at a very low rate even if no guarantee is taken.

2. Reserving Provision for Counter-Party Risk

According to this Communiqué, each customer is a "counter-party". Let us assume that stock worth of 100 TL was purchased from the exchange for the customer, no payment was made by the customer for this purchase and the customer account is balanced by 100 TL liability (credit was provided to the customer). The counter-party risk for this receivable is calculated as follows.

- Calculation of the current value of the receivable,
- Determination of collaterals (If the securities entrusted by the customer can be sold in a reasonable time for the liquidation of the liability within the framework of the present legislation and the contract conducted with the customer, then this can be accepted as collateral), and determination of the fact that these collaterals are of the types of assets mentioned in Article 21 of this Communiqué,
- Calculation of the current value of the collaterals fulfilling the above mentioned criteria,
- Deduction of the position risk provision from the current value of the collaterals,
- Calculation of the counter-party risk upon the difference between the current value of the collateral reduced by the position risk provision and the current value of the receivable,

Let us assume in the example given above, that the current value of the receivable is 105 TL, including the accrued interests at the date of valuation, the current value of the stock is 95 TL and the position risk provision for that security is 10 TL (it is necessary to note that position risk provision is not reserved by the brokerage house for that security). In this case, the amount subject to counter-party risk calculations is 20 TL which is the difference between the current value of the receivable, that is 105 TL and current value of the security kept as collateral that is 85 TL after deducting the 10 TL position risk from 95 TL.

Provision for counter-party risk will be reserved on this 20 TL. If the customer is a settlement agency or central bank, 0% provision will be reserved. In other words, no provision will be reserved. If the customer is a bank, a brokerage house or a mutual fund, then the counter-party risk will be reserved as 5% of 20 TL that is 1 TL. If the customer is an institution or individual other than these whole of 20 TL in other words 100% of it will be reserved as provision.

In repurchase and reverse repurchase agreements, determination of counter-party risk presents a specific character. Although repurchase and reverse repurchase are recorded as final sale in accounting, the liability to repurchase or resell the related capital market instruments for such a transaction still exists. The counter-party risk occurs due to this liability. In repurchase agreements, the counter-party risk occurs if the contract price is lower than the current value of the capital market instrument. If the current value of a capital market instrument that was sold to a customer for 100 TL with a repurchase commitment rises to 150 TL, a counter-party risk occurs in cases in which the capital market instrument was delivered to the customer. This risk is the difference between the current value of the capital market instrument and the contract price. If the contract price is higher than the current value of the capital market instrument or if the related capital market instrument has not been delivered to the customer then no counter-party risk arises.

In reverse repurchase agreements, counter-party risk arises if the contract price is higher than the current value of the capital market instrument subject to sale and purchase. If the contract price is 150 TL and the current value of the capital market instrument is 100 TL, the counter-party risk becomes 50 TL.

After calculating the amount subject to counter-party risk, provision will be reserved upon this amount according to the principles mentioned above.

In repurchase and reverse repurchase agreements and borrowing and lending transactions, different ratios (0%, 5% or 100%) are applicable against the deficit of collateral, according to the qualifications of the parties.

In case of the receipt of instruments like letters of guarantee that are not subject to position risk as collateral, no further deduction will be applicable on them. No counter-party risk provision will be calculated for items that are deducted completely in the calculation of own funds.

3. Collaterals in Counter-Party Risk

In determination of the counter-party risk, the current values of collaterals are considered. Generally, it is envisioned to accept assets such as Cash & Cash Equivalents and bank letter of guarantees as collateral in calculations of counter-party risk.

Brokerage houses might accept different assets like checks, real-estate mortgages as collateral for their receivables. However, not all of these are accepted as collateral within the framework of counter-party risk calculations. In other words, even if a check is accepted as collateral for the receivables, this receivable will be treated as a receivable without collateral in this Communiqué. In determination of collaterals, their essence rather than their legal forms were taken into account. Securities entrusted by an indebted customer are not collaterals. However, if this entrustment can easily be sold by the brokerage house for the collection of the liability within the framework of the current legislation and the contract with the customer, then this asset can also be accepted as collateral.

B. Risk of Large Exposures

Risk of large exposures is calculated in case of a specific item among assets or liabilities reaches a high proportion of own funds.

Provision for the risk of large exposures will be calculated upon items subject to position risk provision calculation and the total amount of receivables from a single individual or institution. Since position risk provision is not calculated for tangible fixed assets, provision for risk of large exposures will not be calculated either.

Risk of large exposures is calculated not only for the assets and liabilities but also for futures transactions. In calculating the provision for this risk, relevant items will be taken into account upon their net values and the risk of large exposures calculated for items in liabilities will not be deducted from the risk of large exposures calculated for the items in assets, these will be considered as the total provision for the risk of large exposures.

Furthermore, for risk of large exposures, receivables from co-acting individuals and institutions and capital market instruments issued by institutions related in terms of capital, management and auditing will be treated as belonging to one individual or institution.

C. Foreign Exchange Risk

Foreign exchange risk occurs due to the existence of items denominated in different currencies among assets and liabilities. The provisions to be reserved for foreign exchange risk are explained with the example given below.

Let us assume that the balance sheet of ABC Brokerage house on 30/4/1998 is as follows and its own funds are 200 TL. There are liabilities and assets expressed in foreign currencies in the balance sheet. These items are converted from the current exchange rate to Turkish Lira.

Balance Sheet of ABC Brokerage house By 31/8/1998

Asset			Liability
Securities (US Dollar)......	4.200	Current Liabilities (DM)	4.000
Securities (DM)	2.000	Current Liabilities (US Dollar). ...	2.000
Fixed Assets....	300	Capital	500
Total	**6.500**	**Total**	**6.500**

In reserving provision for foreign exchange risk, positions in foreign currency are classified first as short and long. Long positions consist of the items among the assets in the balance sheet and long position futures and options contracts, whereas the short positions consist of the items in liabilities of the balance sheet and short position futures and option contracts. Net open position implies the amount calculated by netting short and long positions of the same foreign exchange against each other. In the framework of these explanations, the net open position of the brokerage house is calculated as follows.

Foreign Currency	Long Position	Short Position	Net Open Long (Short) Position
US Dollar	4.200	2.000	2.200
DM	2.000	4.000	(2.000)

The foreign exchange risk provision will be calculated as 8% of the portion exceeding 2% of own funds of the higher of net open short and net open long positions. In the example, since the net open long position is higher than the net open short position, the provision for the risk will be calculated upon this amount. 2% of the own funds is 4 TL. In this case, the provision for foreign exchange risk will be calculated as 176 TL that is 8% of 2.196 TL calculated by subtracting 4 TL from 2.200 TL.

VIII. Calculation of Own funds (General Overview)

The calculation method of the own funds will be explained in detail within the explanations on the risk provision calculation table. However, a simple explanation without detail is provided here on how to make own funds calculations.

For calculating own funds, first of all "initial capital" should be calculated. Initial capital consists of the items included in the "shareholders' equity" portion of the balance sheet envisioned for brokerage houses in the annex of the communiqués of the Board on accounting standards. However, since in this Communiqué different valuation principles than the ones in accounting communiqués of the Board are envisioned, the calculated initial capital value may be realized differently.

An example is provided below illustrating the first step of calculating the own funds, that is the calculation of initial capital. Let us assume that the balance sheet prepared through valuation in accordance with the provisions in the existing accounting communiqués of the Board is as follows.

Balance Sheet of ABC Brokerage house on 31/8/1998

Asset		Liability	
Stock	100	Capital	100
Buildings (net)	75	Profit	50
		Revaluation Reserve	25
Total	**175**	**Total**	**175**

In the accounting communiqués of the Board, the stocks traded in exchanges are envisioned to be valued upon the average value of the weighted average prices of the last 5 working days. In this Communiqué, the weighted average prices of the stocks occurring on the valuation date are taken into account in valuation. Let us assume that as a result of the valuation with prices calculated through this method, the price of stocks is 110 TL. In this case, the profit item will increase to 60 TL and initial capital

(capital + profits + Revaluation Reserve + other reserves if any) will be 185 TL.

The second step in the calculation of own funds is the deduction of certain items from the amount of initial capital calculated through this method. In this Communiqué, the most important requirement to be fulfilled by brokerage houses is the own funds value. In determining the items to be deducted from the initial capital, criteria such as whether the related item is liquid or not and whether it reduces the real capital provided by the partners or not, are taken into account.

According to the balance sheet, within the framework of these explanations, the own funds of the brokerage house will be realized as 110 TL (=185-75) with the assumption that the stocks are valued as 110 TL. No valuation provision is introduced for buildings through this Communiqué. Because buildings will be completely deducted in the calculation of own funds (excluding the two-year transition period). Thus the value of the buildings has no importance in the calculation of own funds. For example, let us assume that the buildings were valued as 150 TL instead of 75 TL and that the difference is related to the profit. In this case, the profit will be 135 TL instead of 60 TL, initial capital will be 260 TL however, own funds will not change. In this case, own funds will be realized as 110 TL {=260 TL (new initial capital)-150 TL (the new value of buildings)}, too.

Brokerage houses are obliged to fulfill the minimum amount of own funds mentioned in this Communiqué. This could be provided by replacing items among assets, such as buildings that have to be deducted from initial capital according to this Communiqué, with securities or by providing additional capital.

IX. Risk Provision Calculation Table (RPCT)

The calculation method of own funds is explained above in general. The method for this calculation will be explained in this section by taking into account the risk provision calculation table in Annex 1 of this Communiqué.

A. General Explanation

The calculations in this Communiqué do not necessitate any changes in the accounting records of brokerage houses. The brokerage houses will keep their accounting records as defined in other Communiqués. Data kept as such will be re-classified within the framework of this Communiqué and transferred to the mentioned table.

Within the framework of own funds calculations, the calculation of risk provisions consists of three main steps:

1. Preparation of the trial balance,
2. Valuation of the items of the trial balance within the framework of the valuation provisions envisioned in this Communiqué, ,
3. Calculation of risk provisions on the basis of this revalued trial balance.

The first step of these calculations is the preparation of the general trial balance for the balance sheet items. In this step the accounts in the income statement will be related to profit and loss of the period. This trial balance has to be prepared according to the account names mentioned in “Communiqué Serial: XI, No: 7 on The Account Layout of Brokerage houses and the Utilization Principles of the Layout”.

In the second step, the data included in this trial balance has to be gathered in the manner defined in Annex 1 of the Communiqué and written in the related row of the Table. In “Communiqué Serial: XI, No: 7 on The Account Layout of Brokerage houses and The Utilization Principles of the Layout”, the bonds are monitored in account numbered 114 regardless of their maturity. Whereas in this table, related securities monitored in accounts 110-119 have to be subject to a re-classification according to their maturity or being traded in an exchange. The related figures that have been subject to this classification will be recorded in the “trial balance” column. Figures in this column consist of the balance sheet items that have not been subject to valuation according to this Communiqué.

The first 19 rows in this Table (repurchase and reverse repurchase row will also be treated as an item of the trial balance) consist of the balance sheet items in the trial balance. Consequently, the asset and liability items in these rows have to balance each other. This balance can be achieved by adjusting the profit of the period.

The risk that the brokerage house faces is affected by both the balance sheet items and the off balance sheet items. For example, if a brokerage house which holds US Dollars within its assets sells a futures contract denominated in US Dollars in futures transaction exchanges, (this contract is an off balance sheet item), its risk will decrease. However if it sells a futures contract without holding the mentioned foreign currency among its assets, its risk will increase. Thus, it is necessary to take off balance sheet items as well as balance sheet items into account in the calculation of the risk provision.

B. Structure of the Table

The table in question was prepared with the aim of providing that the risk provision calculation can be done and the brokerage house can better monitor the items from which the risks stem from.

In the RPCT, there are 9 columns and 26 rows excluding sub-items. The first column indicates the numbers given on the basis of main account groups. The second column indicates the “account name”. In this column, accounts generally included in trial balance are included in overall basis. Some items that are not included in the trial balance are also included in this column.

The third and fourth columns illustrate the balances of the items included in column 2 at the date of preparation. The only difference between the two columns is the utilized valuation principles. The valuation principles in the accounting communiqués are used in the third column (for most of the items not even valuation according to the accounting communiqués is necessary), whereas in column 4 valuation principles introduced by this Communiqué must be used.

In column 5, the provision ratios to be reserved for the position risk are determined. Since no provision is reserved for position risk in some assets, a position risk provision ratio has not been determined for each row. In other words, position risk will only be reserved for the items with an indicated ratio in the row and items further stated in the Communiqué.

Other columns illustrate the risk provisions reserved for related items. Provisions have to be reserved in the amounts indicated in the Communiqué for such risks.

The first 19 rows of RPCT illustrate the balance sheet items. Rows 20 and 21 consist of the corrections with regard to balance sheet items. Consequently, these must also be treated as balance sheet items. The other rows consist of the commitments not included in the balance sheet and the information to be used in the calculation of own funds.

C. Preparation of the Table

1. Who Prepares the Table?

All the brokerage houses will prepare this Table on the basis of the periods stated below and submit it to the Board within the stated time.

2. When will the Table be Prepared and Submitted?

RPCT shall be prepared in the accounting period determined by the Board and submitted to the Board within the envisioned period. The Board may request electronic transmission of this Table if deemed necessary.

However, for cases in which own funds fall below the ratios mentioned in this Communiqué or other requirements cannot be fulfilled, the tables will be immediately sent to the Board regardless of the envisioned period.

3. What is in the Trial Balance Row?

Basically, the trial balance of brokerage houses prepared within the framework of the accounting communiqués should be presented in the trial balance column. However, the items completely deducted in the calculation of the own funds do not necessitate valuation according to the accounting communiqués. However, the brokerage houses may value these items as well if they chose to do so. In this framework, valuation of fixed assets by the date of valuation is not necessary in general according to this Communiqué (excluding the transition period in Provisional Article 1 of the Communiqué).

Items in the income statement are not mentioned here. Therefore, these items have to be closed upon being related to the profit and loss of the period. There is no need to keep a record of this operation for accounting purposes. This operation must be realized by adjusting the figures in the table.

Row 20 and subsequent ones are not items of the trial balance (except for the particular case in repurchase and reverse repurchase row). The calculation of the figures in these rows will further be explained.

4. What is in the Valued Status Column?

In the valued status column, the items in trial balance valued according to this Communiqué must be given. Valuation provisions are not determined for every item of the financial statement in this Communiqué. Generally, there exist valuation provisions for capital market instruments traded in an exchange and borrowing instruments. The valuation methods for the related items are specified in Article 5 of the Communiqué.

Items for which no valuation provision has been specified will be recorded in this column by the amount indicated in the trial balance column. All items with a corresponding figure in trial balance column should thus be represented with an amount in the valued status column as well.

The assets and liabilities in the Table have to balance. This balance must be achieved by adjusting the profit of the period. Items of the income statement will not be included in this column either.

5. How is the Risk Provision Calculated?

Risk provision is separated into its components and presented in 4 different columns. Risk provision consists of the sums of the amounts indicated in these columns.

The ratio of the provision to be reserved for position risk is given in column 5. When no net position calculation is done, the provision for position risk will be calculated by multiplying the amount in the valued status column with the ratio envisioned for the item in question. The calculated amount will be written in the position risk column corresponding to the related row. Position risk provision will be calculated for the items mentioned in the Communiqué in addition to items with a corresponding ratio.

Net position calculation is possible according to Article 14 of the Communiqué. Position risk may not be calculated for a portion or all of the items in the framework of this article. Position risk provision may not be calculated for each trial balance item even if there exists a corresponding ratio if net position is calculated as such. In case long and short positions do not offset each other, position risk will be calculated upon the uncovered amount. The amount calculated through this method will be written in the row corresponding to the exceeding item.

The risk provision calculated for all positions must be valued as a positive figure. Accordingly, the risk provision calculated for both assets and liabilities has to be a positive figure.

Since the provision for foreign exchange risk is made by the calculation of many different items together, it is not possible to attribute it to a single trial balance item. For this reason, the foreign exchange risk provision must be allocated to main accounts, according to the weight of the items in foreign exchange within the accounts. The larger one of the total of all long and short positions of the same currency must be taken into consideration and the related portion must be written on the related column by calculating its ratio in own funds.

Counter-party risk and risk for large exposures must be calculated as stated in the Communiqué and written in related rows.

6. How to Treat Row 20 and Subsequent Rows?

Explanation on information to be provided in row 20 and subsequent rows in the RPCT are given below.

a) Repurchase and Reverse Repurchase Agreements

According to the accounting communiqués of the Board, repurchase and reverse repurchase agreements are recorded in accounts of the balance sheet as sale and purchase of securities. Repurchase and reverse repurchase agreements recorded as such must be valued by taking into account the difference between the contract price and the current value of the related security as stated in the Communiqué. Furthermore, risk provision must be calculated for repurchase and reverse repurchase agreements as stated in the Communiqué.

In the valued status column of the reverse repurchase agreement row numbered 20, the differences arising from valuation, calculated according to Article 6 of the Communiqué will be written. No provision for position risk will be calculated for the items kept in assets due to reverse repurchase agreements,. Provision for other risks occurring due to reverse repurchase agreements, will be reserved in this row, while no operations are necessary for the amounts monitored among securities. The counter-party risk will be calculated by taking into account the part of the contract price exceeding the current value of the security as stated in Article 20 of this Communiqué and will be written in this row.

In the valued status column of the repurchase agreement row numbered 21, the differences arising from valuation, calculated within the framework of the principles in Article 6 of the Communiqué will be written. For the securities sold with a commitment to repurchase, risk provision will be calculated in the same way as for securities among assets. The position and counter-party risk provisions that are reserved will be presented in related columns of repurchase agreement row numbered 21.

The figures in the “valued status” column of rows 20 and 21 must be taken into account as an item in assets and the calculated figures must be written as positive or negative values depending on whether they reduce or increase the initial capital.

b) Securities Lending and Borrowing

Brokerage houses that do not monitor lending and borrowing of securities as a balance sheet item will further fill in the rows related to lent and borrowed securities in rows 22 and 23. These rows are not items of the balance sheet. The current value of lent and borrowed securities will be written in the “valued status” column while the trial balance column will not be filled. Risks pertinent to these will be written in the other columns. Lent securities within the assets of the brokerage house will not further be illustrated in these rows.

In the net lending/borrowing transactions row, the absolute value of the difference between lent and borrowed securities on the basis of each security will be written. By this way, the differences in case of borrowing of stock A worth 10 TL and lending its portion worth 8 TL and borrowing of stock A worth 10 TL and lending of stock A worth 12 TL will be summed up and written in the “valued status” column of this row. In case stock A worth 10 TL is borrowed and stock B worth 10 TL is lent, 20 TL will be written in this column.

Counter-party risk will be calculated on the basis of each security and entered into the lent and borrowed securities row. Position risk will be calculated upon the net position. Therefore, the position risk column in rows 22 and 23 will be left blank.

c) Risk Provision In Relation to Futures Transactions

Risk provisions in relation to futures transactions will be written in row numbered 25. “Trial Balance” and “Valued Status” columns in this row will be left blank and risk provisions calculated in accordance with the Communiqué will be entered into the other columns.

d) Operating Expenses of the Last Three Months

The amount of the operating expenses realized in the last three months prior to the valuation date will be written in valued status column in row 27. This amount is used in the determination of the own funds requirement.

e) Risk Provision

The amounts calculated by summing up the risk provisions in related columns will be entered into the risk provision row,.

X. Own Funds Calculation Table (OFCT)

The own funds calculation table is prepared so as to determine whether the brokerage houses fulfill the requirements introduced by this Communiqué. There are 10 rows in this Table excluding the sub-rows.

The Initial capital item in row 1 indicates the initial capital occurring in the financial statements prepared as a result of the valuation undertaken in accordance with this Communiqué. This figure is derived from the valued status row 19 of the RPCT.

The items to be deducted from the initial capital according to the principles in Article 4 of the Communiqué are given in row 2. These items also have to be derived from the valued status row in the RPCT.

The amount of own funds is reached by deducting the amount in row 2 of OFCT from initial capital. The amount calculated by this way is written in row 3 of the Table.

The risk provision figures in RPCT are written in row 4 and the operating expenses of last three months are written in row 5 as indicated in the mentioned table.

Total liabilities calculated in accordance with the explanations in this Communiqué will be written in row 6.

Required minimum initial capital will be calculated as explained in Article 7 of the Communiqué and written in row 7 of the Table. The minimum initial capital is determined differently according to the type of activity to be engaged in and increased annually to keep the determined amount constant in real terms.

In the 8th row of the Table, the excess or deficit of the own funds of the brokerage house at the date of valuation will be written. The excess or deficit of own funds will be calculated by deducting the largest figure in rows 4, 5 and 7 from the figure in row 3. If the figure derived at the end of this calculation is positive, then the brokerage house has an excess of own funds. If this value is negative, then the brokerage house has a deficit of own funds.

Calculations on the minimum initial capital requirement, which is another requirement introduced to brokerage houses will be done in row 9. The amount reached by deducting the required minimum initial capital amount (row 7) from the existing initial capital at the date of valuation (row 1) will be written in this row. If this figure is positive, there is an excess of initial capital, if negative then there is a deficit of initial capital.

In the last row of the Table, the ratio of total liabilities in own funds will be written. Brokerage houses will provide that this ratio is below the level mentioned in Article 9 of the Communiqué.

The preparation and submission of this Table to the Board are subject to the principles mentioned in the RPCT.

XI. Liquidity Requirement Calculation Table (LRCT)

The liquidity requirement calculation table will be prepared in accordance with Annex 3 of the Communiqué so as to determine the ratio between current assets and current liabilities.

In the calculation of the liquidity requirement, the current value of assets included in the calculation will be taken into account. The current assets and liabilities in the valued status column of the RPCT will be written in the indicated places in this table.

Some current assets have to be deducted in the preparation of the LRCT. Assets to be deducted are specified in Article 10 of the Communiqué. These assets consist of the illiquid items such as receivables from customers without collateral and capital market instruments not traded in any market. The amount calculated by deducting these items from the amounts in the valued status column will be entered into the “net amount” column.

In the realization of the ratios introduced by this Communiqué, the figures in the “net amount” column, calculated through the above method will be taken into account.

The preparation and submission of this Table to the Board are subject to the principles mentioned in RPCT.

ANNEX/5 (MILLION TL)

MONTHLY STATEMENT ON CAPITAL MARKET ACTIVITIES OF INTERMEDIARY INSTITUTIONS AND PORTFOLIO MANAGEMENT FIRMS

COMMERCIAL TITLE OF THE INSTITUTION		TERM:	DAY	MONTH	YEAR
			DAY (GG)	M0NTH(AA)	YEAR(YYYY)

1. Intermediation in purchase and sale A) CUSTOMERS	INDIVIDUAL				INSTITUTIONAL			
	TRADED IN EXCHANGE		NOT TRADED IN EXCHANGE		TRADED IN EXCHANGE		NOT TRADED IN EXCHANGE	
RESIDING AT HOME	PURCHASE AMOUNT OF THE PERIOD	SALE AMOUNT OF THE PERİOD	PURCHASE AMOUNT OF THE PERIOD	SALE AMOUNT OF THE PERİOD	PURCHASE AMOUNT OF THE PERIOD	SALE AMOUNT OF THE PERİOD	PURCHASE AMOUNT OF THE PERIOD	SALE AMOUNT OF THE PERIOD
- Stock Transactions (TL)								
- Stock Transactions (Foreign Exchange)								
- Treasury Bill Transactions (TL)								
- Treasury Bill Transactions (Foreign Exchange)								
- Government Bond Transactions (TL)								

- Government Bond Transactions (Foreign Exchange)								
- Eurobond								
- Other (shall be indicated in terms of type) (TL)								
- Other (shall be indicated in terms of type) (Foreign Exchange)								
B) CUSTOMERS **RESIDING ABROAD**	INDIVIDUAL				INSTITUTIONAL			
	TRADED IN EXCHANGE		NOT TRADED IN EXCHANGE		TRADED IN EXCHANGE		NOT TRADED IN EXCHANGE	
	PURCHASE AMOUNT OF THE PERIOD	SALE AMOUNT OF THE PERİOD	PURCHASE AMOUNT OF THE PERIOD	SALE AMOUNT OF THE PERİOD	PURCHASE AMOUNT OF THE PERIOD	SALE AMOUNT OF THE PERİOD	PURCHASE AMOUNT OF THE PERIOD	SALE AMOUNT OF THE PERİOD
- Stock Transactions (TL)								
- Stock Transactions (Foreign Exchange)								
- Treasury Bill Transactions (TL)								
- Treasury Bill Transactions (Foreign Exchange)								
- Government Bond								

Transactions (TL)								
-Government Bond Transactions (Foreign Exchange)								
- Eurobond								
- Other (shall be indicated in terms of type) (TL)								
- Other (shall be indicated in terms of type) (Foreign Exchange)								

C) PORTFOLIO	TRADED IN EXCHANGE		NOT TRADED IN EXCHANGE	
	PURCHASE AMOUNT OF THE PERIOD	SALE AMOUNT OF THE PERİOD	PURCHASE AMOUNT OF THE PERIOD	SALE AMOUNT OF THE PERİOD
- Stock Transactions (TL)				
- Stock Transactions (Foreign Exchange)				
- Treasury Bill Transactions (TL)				
- Treasury Bill Transactions (Foreign Exchange)				
- Government Bond Transactions (TL)				

- Government Bond Transactions(Foreign Exchange)				
- Eurobond				
- Other (shall be indicated in terms of type) (TL)				
- Other (shall be indicated in terms of type) (Foreign Exchange)				
2. Initial Capital (calculated according to article 7 of The Communique Serial:V, No:65)				
Average of Three Months Initial Capital Prior To Table Period				
Last Month Initial Capital Included in Average				
3. Limits				
Margin Trading Limit of Capital Market Instruments				
Lending and				

Borrowing Limit of Capital Market Istruments					
Short Sale Transaction Limit					
4. Margin Trading, Short Sale and Lending and Borrowing of Capital Market Instruments	1. Amount of Margin Trading		Credit Amount Provided Via Banks		
			Total Credit Amount		
	2.The Highest Credit Amount Provided to a Customer				
	3. The Number of Customers Provided Credit in Table Period				
	4. Number of Customers Informed to ISE Because of Default According To Article 35 of the Communique Serial:V, No:65				
	5.Total Amount of Short Sale Transactions				
	6.Current Market Value of Borrowed Capital Market Instruments				
5.Collaterals Provided Against Credits from Banks	Type	STOCK	TREASURY BILL	GOVERNMENT BOND	OTHER
	Nominal Value				
	Current market value				
6.Total	0				

Commitment Amount of Capital Market Instruments Intermediated in Public Offering Within the Period						
- Stock						
- Other						
7. Repurchase-Reverse Repurchase Transactions			INDIVIDUAL		INSTITUTIONAL	
	CUSTOMERS		TRADED IN EXCHANGE	NOT TRADED IN EXCHANGE	TRADED IN EXCHANGE	NOT TRADED IN EXCHANGE
A) CUSTOMERS RESIDING AT HOME	Securities Subject to Repurchase Agreements	Nominal Value				
		Sale Value				
		Purchase Value on Maturity				
	Securities Subject to Reverse Repurchase Agreements	Nominal Value				
		Purchase Value				
		Sale Value on Maturity				
			INDIVIDUAL		INSTITUTIONAL	

	CUSTOMERS		TRADED IN EXCHANGE	NOT TRADED IN EXCHANGE	TRADED IN EXCHANGE	NOT TRADED IN EXCHANGE
B) CUSTOMERS RESIDING ABROAD	Securities Subject to Repurchase Agreements	NominaL Value				
		Sale Value				
		Purchase Value on Maturity				
	Securities Subject to Reverse Repurchase Agreements	Nominal Value				
		Purchase Value				
		Sale Value on Maturity				
	PORTFOLIO		TRADED IN EXCHANGE	NOT TRADED IN EXCHANGE		
C) PORTFOLIO	Securities Subject to Repurchase Agreements	Nominal Value				
		Sale Value				
		Purchase Value on Maturity				
	Securities Subject to Reverse Repurchase Agreements	NominaL Value				
		Purchase Value				

		Sale Value on Maturity		
8. Portfolio Management	Managed Portfolio's … at the Last Date of Valuation	Number		
		Current Value		
		Cash Value		
9. Customer Debts Without Collateral (Negative Overall)	Number of Indebted Customers Without Collateral			
	Total Value of Debts Without Collateral			
10. In Case of Default Within the Period	Securities Default	Type of Security	STOCK	STATE INTERNAL BORROWING BILL
		Number		
		Current Market Value		
	Cash Default	Number		
		Amount		
11. Investment Consultancy	Number of Contracts			
	Investment Consultancy Fee			

PRINCIPLES ON THE PREPARATION OF "THE MONTHLY STATEMENT ON CAPITAL MARKET ACTIVITIES OF INTERMEDIARY INSTITUTIONS AND PORTFOLIO MANAGEMENT COMPANIES"

(As amended by the Communiqué Serial:V, No:72)

1) "The Monthly Statement on Capital Market Activities of Intermediary Institutions and Portfolio Management Companies" will be prepared monthly by brokerage houses, banks and portfolio management companies in relation to activities they are authorized to undertake. Only investment firms will fill in section (2), (3), (4), (5) of the table.

2) The section of "Intermediation in Sale and Purchase" in table will be filled in separately by banks and brokerage houses related with activities they have been authorized; in accordance with total amount of sale and purchase within the period, traded in exchange or not and for customer/portfolio, TL and foreign exchange sub-sections without netting. Data about customers will be filled in according to sub-sections of customers residing at home and abroad, individual and institutional.

About the "Other" row placed in table, adding can be made according to type of security sold and purchased in period.

3) The initial capital figure in section (2) of the table will be found, after calculating and writing down the average of three months initial capital prior to the table period and last month initial capital included in average in related rows, by writing down smaller one in initial capital row.

4) Margin trading, short sale, lending and borrowing of capital market instruments limits in section 3 of table will be filled in according to initial capital figure –in case of benefiting from special regulations on enhancing initial capital of the Communiqué Serial: V, No: 34, by taking into account incentive rates-calculated by taking into account month table prepared.

5) Total liability of brokerage houses due to margin trading, short sale, lending and borrowing transactions will be calculated with respect to the preparation date of table. Moreover, in the framework of article 35 of the Communiqué Serial: V, No: 65, number of customers informed to ISE in related table period will be written down in related row.

6) In calculation of current market value of securities given as collateral in return of credits provided from banks in section 5 of the table, current price of related collaterals will be taken into consideration in the date of table preparation.

7) In determining the amount of capital market instruments intermediated in public offerings within the period that is given in section 6 of the Table, the total of both standby underwriting and full commitment by the brokerage house not finalized at the date of the table will be taken into account in type of related security. For each underwriting, the portion that was sold previously will not be deducted from the total underwriting amount until the capital market instrument subject to underwriting is completely sold.

8) The section 7 of “Repurchase- Reverse Repurchase Transactions” in table will be filled in by banks and brokerage houses; in accordance with sub-sections of traded in exchange or not and for customer/portfolio, TL and foreign exchange without netting. Data about customers will be filled in according to sub-sections of customers residing at home and abroad, individual and institutional.

9) Default data placed in section 10 of the table will be written down in accordance with stock and public borrowing instruments sub-sections.