

COMMUNIQUE ON REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

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- 2-(Supplementary Communiqué Serial: V, No: 11 to Communiqué on Repurchase and Reverse Repurchase Agreements was published in the Official Gazette dated 4.2.1993 No: 21486)
- 3-(Supplementary Communiqué Serial: V, No: 13 to Communiqué on Repurchase and Reverse Repurchase Agreements was published in the Official Gazette dated 3.2.1994 No: 21838)
- 4-(Communiqué Serial: V, No: 14 on Amending the Communiqué on Repurchase and Reverse Repurchase Agreements was published in Reiterated Official Gazette dated 5.4.1994 No: 21896)
- 5-(Communiqué Serial: V, No: 15 on Amending the Communiqué on Repurchase and Reverse Repurchase Agreements was published in the Official Gazette dated 22.6.1994 No: 21968)
- 6-(Communiqué Serial: V, No: 21 on Amending the Communiqué on Repurchase and Reverse Repurchase Agreements was published in the Official Gazette dated 1.3.1995 No: 22217)
- 7-(Communiqué Serial: V, No: 36 on Amending the Communiqué on Repurchase and Reverse Repurchase Agreements was published in the Official Gazette dated 22.7.1998 No: 23410)
- 8-(Communiqué Serial: V, No: 44 on Amending the Communiqué on Repurchase and Reverse Repurchase Agreements was published in the Official Gazette dated 31.5.2000 No: 24065)
- 9-(Communiqué Serial: V, No: 57 on Amending the Communiqué on Repurchase and Reverse Repurchase Agreements was published in the Official Gazette dated 25.10.2002 No: 24917)

Serial : V
No : 7

Purpose

Article 1– Repurchase and reverse repurchase transactions on securities are regulated by this Communiqué on the basis of the authority attributed by paragraph (k) of Article 22 of Capital Market Law No: 2499 amended by Law No: 3794.

Definitions

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

Law: Capital Market Law No: 2499 amended by Law No: 3794,

Board: Capital Markets Board

Intermediary Institution: Brokerage houses and banks,

Repo: Sales of securities through repurchase agreement,

Reverse Repo: Purchase of securities through reverse repurchase agreement

Scope

Article 3– Repo and reverse repo transactions at a certain maturity and price on securities enumerated in this Communiqué, of intermediary institutions with authorization certificates granted by the Board to engage in the activities mentioned in subparagraph d of paragraph 1 of Article 30 of Capital Market Law among themselves or with real or legal persons in accordance with the framework agreement laid down in Article 12 of this Communiqué shall be subject to the provisions of this Communiqué.

Open market operations with the Central Bank of Republic of Turkey are not within the scope of this Communiqué.

Authorized Institutions

Article 4– (As Amended by Communiqué Serial: V, No: 57) Repo and reverse repo transactions can only be undertaken by the banks having license in accordance with Article 34 of the Law and brokerage houses operating within the framework of capital market legislation, authorized to intermediate in buying and selling of previously issued capital market instruments and having capital no less than the amount required in Board's capital adequacy regulations. .

(Paragraph added by Communiqué Serial: V, No: 57) For intermediary institutions to undertake repo and reverse repo transactions, it is obligatory that;

- a) They have enough number of customer representatives for undertaking repo and reverse repo transactions,
- b) They provide adequate site, technical hardware and organization for recording and reporting. Intermediary institutions are obliged to take license from the Board before commencing this activity.

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Eligible Securities

Article 5– Securities that can be subject to repo and reverse repo transactions are exclusively as follows:

- a) Government bonds,
- b) Treasury bills,
- c) Bank bills and bank guaranteed bills,
- d) (Amended by Communiqué Serial:V, No:36) Debt securities issued by Privatization Administration and Mass Housing Administration, debt securities issued by local administrations and their related

administrations, undertakings and establishments in accordance with the Law.

e) (Paragraph “e” amended by Communiqué Serial: V, No: 21) including asset backed securities, debt securities registered with the Stock Exchange or traded on securities exchanges or other organized markets: (*)

f) (Last paragraph amended by Communiqué Serial: V, No: 36) Except for the depository receipts representing the securities given by Central Bank of Republic of Turkey and depository receipts in return for debt securities issued by Privatization Administration, no transaction can be made on the depository receipt within the framework of the provisions of the Communiqué. (**)

Maturity and Interest Rate

Article 6– The maturity of repo and reverse repo transactions can be determined freely with the condition that the maturity does not exceed the redemption date of the related securities. Maturity date shall be determined as a working day.

The interest rate to be charged in repo and reverse repo transactions shall be determined by the parties.

Principles of Repo and Reverse Repo Transactions

Article 7– (As Amended by Communiqué Serial: V, No: 14) Repo and reverse repo transaction within the framework of provisions of this Communiqué shall be undertaken in accordance with the following principles:

-A written contract engagement regulating the general principles of transactions shall be concluded between the parties.

-The transactions shall be undertaken as agreed between the parties and the payment for securities shall be made in the way determined by the contract engagement.

-In reverse repo transactions, the transaction shall be undertaken as agreed between the parties and the securities shall be delivered in accordance with the procedure determined in the contract engagement and these securities shall be “deposited” by the authorized institution within the framework of the regulations to be made by the Central Bank of Republic of Turkey,

-The commitments shall be honored by making agreed payment to the related party and returning securities to the counter party on due date.

-In reverse repo transactions between the customers and authorized institutions, the related securities shall be withdrawn from the securities deposit account by the authorized institution and returned to the counter party on due date of the transaction.

-In reverse repo transactions between the authorized institutions, on due date the securities shall be returned to the counterparty in book entry

form between the securities deposit account in accordance with the instructions by the authorized institution,

In off-exchange repo and reverse repo transactions, the authorized institutions shall deliver a receipt for repo and reverse repo transactions with a serial number in continuous succession, drawn up in accordance with the attached sample (Annex:1), to the counter party in course of the transaction.

Documents proving the transactions to be executed on the Exchange shall be drawn up in accordance with the principles and requirements to be determined by the Board of Directors of the Stock Exchange. There is no obligation to draw up receipts for the transactions to be executed on the Exchange and authorized institutions can execute transactions by giving a guarantee, the content of which will be determined by the Stock Exchange, to the Stock Exchange instead of concluding a framework agreement among themselves.

(*) Paragraph (e) had been previously amended by Communiqué Serial: V, No: 14 of the Board.

(**)The last paragraph had been previously amended by Communiqué Serial: V, No: 15 of the Board.

Provisions on Transaction

Article 8– In a repo transaction, the ownership of the security is transferred to the purchaser and its returns belong to this person or institution, if there is no contrary provision in the framework agreement. On due date, the ownership of the security shall be transferred back to the authorized institution with the payment of the predetermined price of the security.

In purchase of the security through reverse repo transaction, the ownership of the security is transferred to the authorized institution and the returns belong to the authorized institution, if there is no contrary provision in the framework agreement. On due date, the ownership of the security shall be transferred back to the counter party with the payment of the pre-determined price of the security.

Principles of Delivery

Article 9– (As Amended by Communiqué Serial: V, No: 14) The securities subject to repo and reverse repo transactions must be “deposited” by the authorized institutions in accordance with the regulations to be made by Central Bank of Republic of Turkey.

The Central Bank of Republic of Turkey can make regulations in a manner to carry out transactions relating to clearing and custody through institutions authorized to offer clearing and custody services that have an account at Central Bank of Turkish Republic.

The securities subject to repo shall not be delivered physically to the purchaser. The transaction shall be realized in book entry form.

The securities purchased through reverse repo can be resold through repo transaction in the period between the trading date and due date with the condition that the maturity does not exceed the maturity of reverse repo.

(Paragraph added by "Communiqué Serial: V, No: 44) Authorized institutions authorized as market maker by the Undersecretariat of Treasury can trade in Government Domestic Debt Instruments purchased through reverse repo transaction, on ISE Bonds and Bills Market. Deposit requirement laid down in this Communiqué is not required for Government Domestic Debt Instruments purchased through reverse repo that are subject to outright sale.

Principles of Operation

Article 10– (As Amended by Communiqué Serial: V, No: 14) Authorized institutions can engage in transactions in the name and for the account of the customer, for the customer's account in their name and in their name and for their account on the Stock Exchange. In off-exchange, they can only engage in transactions in their name and for their account.

Authorized institutions shall not use the securities not owned by them in repo transactions.

Transaction Limit

Article 11– (As Amended by Communiqué Serial: V, No: 14) Regulations regarding the limits on repo transactions that can be engaged by authorised institutions shall be made by the Central Bank of Republic of Turkey in accordance with Article 4 of Central Bank of Turkish Republic Law No:1211.

Non-compliance with the regulations regarding repo practices made by the Central Bank of Turkish Republic shall mean non-compliance with the Capital Market Law.

Format and Content of the Framework Agreement

Article 12 – It is obligatory that a written agreement shall be concluded between the parties in repo and reverse repo transactions. In this agreement, at least the following points shall be included:

- Name, surname or commercial title of parties,
- A provision stating that the agreement covers the general principles of repo and reverse repo transactions between the parties, in single transactions, the content of the receipt mentioned in Annex 1 of the Communiqué shall be actualized, a copy of the receipt drawn up as two copies shall be given to the counter party in course of trans action after the parties agreed and the other copy shall be kept by the authorized institution,

- A statement of the mutual commitment by the seller to sell and repurchase the security at maturity in accordance with the content of the receipt, and by the purchaser to buy and resell the security at maturity,
- Penal liabilities of the party in default, type and amount of the penal liability,
- Form of cash payments to be made for the transaction; for payments through the bank, the branch of the bank and account number,
- Name, surname and scope of the authority of the individuals authorized to represent the parties in order to sign the receipts, receive and make payments, undertake the issues laid down in the framework agreement and receipt,
- Notification addresses,
- Term of the agreement,
- A provision stating that securities subject to repo and reverse repo transactions shall be deposited as set forth by the Central Bank of Republic of Turkey,
- A provision stating that repo and reverse repo transactions shall be executed on the Exchange and/or off-exchange,

The provisions of the agreement that is prepared in two copies and signed by the parties, is the general principles to be followed in transactions between the parties within the period determined in the agreement and shall be followed in each transaction together with the related receipt.

Registration Principles

Article 13 – (As Amended by Serial: V, No: 14) Authorized institutions monitor repo and reverse repo transactions on the basis of securities and customers as regards the securities subject to the transaction and parties of the transaction. The commitment and liabilities stemming from the transaction shall be monitored as a separate item under assets and liabilities of the balance sheet. Furthermore, these commitments and liabilities shall be explained in detail in the footnotes as regards their maturity.

In transactions with regard to this Communiqué, the authorized institutions shall give a code number to their customers and monitor these customers in the records through this code number. Authorized institutions are responsible for the accuracy of the identity information of the customers.

Auditing and Obligation to Provide Information

Article 14 – (Paragraph 1 amended by Communiqué Serial: V, No: 14) Repo and reverse repo transactions undertaken within the framework of this Communiqué and institutions authorized to engaged in these transactions shall be audited by the Board. The Central Bank of Republic of Turkey is authorized to audit whether the authorized institutions act in accordance with all types of regulations regarding the issues within its duties and authority, and request any document and information.

(Paragraph 2 has been overruled by Communiqué Serial: V, No: 34)

Overruled Provisions

Article 15 – Provisions of the circular and related notices published by the Board, not complying with the regulations of this Communiqué have been overruled.

Supplementary Article 1 – (Added by Communiqué Serial: V, No: 14) The provisions of this Communiqué shall also be applied to outright purchase and sales transactions carrying the purpose of repo and reverse repo.

Entry Into Force

Article 16 – This Communiqué will enter into force in fifteen days after its publication.

Execution

Article 17 – The provisions of this Communiqué shall be executed by the Capital Markets Board.

ANNEX 1
(As Amended by Communiqué Serial: V, No: 14)

Sample Receipt for Repo and Reverse Repo Transactions

Type of the Executed Transaction:

Transacting Individual or Institution:

Type of Securities Purchased/Sold:

(In case of securities of private sector, the issuing institution shall also be indicated)

Information on Securities (*)

- Nominal Value
- Maturity
- Number of Denomination
- Interest Rate
- Serial Number, if any

Sales / Purchase Price of Securities

(Unit sale price shall also be indicated)

Maturity

Amount to be Paid /Received at Maturity

Value Date

(*) For the securities purchased from Central Bank of Republic of Turkey through tender and not delivered yet, it shall be indicated in this part that securities are in the deposit account at the Central Bank of Republic of Turkey and the number of depository receipt shall be indicated.