

**COMMUNIQUE ON PRINCIPLES REGARDING
ASSET COVERED BONDS
(Serial:III, No:38)**

(Published in the Official Gazette dated 12/9/2009, numbered 27347)

SECTION ONE

Purpose, Scope, Source Definitions and Abbreviations

Purpose and scope

ARTICLE 1 — (1) The purpose of this Communiqué is to regulate the principles regarding the issuance and selling principles of Asset Covered Bonds and cover monitor and cover pool.

Source

ARTICLE 2 — (1) This Communiqué is issued under the authority provided by the Article 13/B of the Capital Market Law dated 28/7/1981 numbered 2499.

Definitions and Abbreviations

ARTICLE 3 — (1) Abbreviated terms in this Communiqué have the following respective meanings:

- | | | |
|------------------------------------|---|---|
| a) Intermediary Institution | : | Brokerage houses and banks |
| b) Issuers | : | Banks, leasing and consumer finance institutions defined in the Banking Law dated 19/10/2005, no:5411; real estate investment companies defined in Communiqué Serial:VI, No:11 of the Board, “Principles Regarding Real Estate Investment Companies”; public institutions that are entitled to issue securities according to their law and other issuers determined by the Board. |
| c) Public Disclosure Platform, PDP | : | The electronic disclosure system on which all notifications required to disclose are announced to public by using electronic signature technologies, in accordance with the capital markets and Istanbul Stock Exchange legislation. |
| ç) Law | : | Capital Market Law dated 28/7/1981, no:5411 |
| d) Board | : | Capital Market Board |
| e) Qualified Investor | : | Local and foreign mutual funds, pension funds, investment trusts, intermediary institutions, banks, insurance companies, portfolio management companies, mortgage finance corporations, pension and relief funds, foundations, funds established according to Temporary Article 20 of Social Securities Law, dated 17/7/1964, no: 506, benevolent societies and other investors to be accepted as similar to these organizations by the Board and real and legal entities who own at least 1 million TL worth of cash or capital market |

- instruments denominated in TL or any other foreign currency as of the date of the sale of Asset Covered Bonds.
- f) Cover register : Registry system in book and/or electronic form kept for distinguishing cover assets from other assets of the issuer.
- g) Cover Pool : Negotiable instruments, agreements and other documents which constitute collateral for ACB which are regulated with this Communiqué.
- ğ) Cover Monitor : Independent audit firm accountable for the oversight of the cover pool and cover register according to the standards determined by this Communiqué.
- h) TCL : Turkish Commercial Law dated 29/6/1956, numbered 6762
- ı) Asset : The receivables and other assets implied in the Article 5 of this Communiqué.
- i) ACB : Asset Covered Bonds

SECTION TWO

General Principles Regarding Asset Covered Bonds

Definition and legal characteristics of Asset Covered Bonds

ARTICLE 4 — (1) ACB are debt securities which provide full recourse to the issuers and are issued under the collateral of cover assets listed in Article 5 of this Communiqué with the Board Registration.

(2) ACB can be issued directly or indirectly through acquiring the receivables.

Cover assets and Receivables

ARTICLE 5 — (1) Assets and receivables that may be subject to ACB issuance are defined as follows:

- a) Consumer loans: Consumer loans regulated by the Law on the Protection of Consumers dated 23/2/1995, numbered 4077.
- b) Commercial loans: The loans given by banks and finance companies with the aims of manufacturing goods and services, financing of commercial-aimed real estate and financing of capital of the enterprise.
- c) Receivables from Financial and Operational Leasing Agreements: Receivables from financial and operational leasing agreements made by corporations authorized to financial leasing activity within the framework of the Financial Leasing Law dated 10/6/1995 numbered 3226 and related regulations.
- ç) Receivables from Export Transactions: Loans given for the purpose of exporting goods by banks and private finance houses and receivables acquired by factoring companies in return for export transactions.
- d) Other Receivables: Notes Receivables originating from installment sales of goods and service producing joint stock companies other than banks and State Owned Enterprises including those to be privatized according to the related regulation.
- e) Receivables from banks' specialized loans given to craftsmen and artisans and small enterprises.

f) Notes Receivables originating from real estate investment companies from the sale of real estate or agreements representing a promise to sell property.

g) Receivables originating from the sale of real estate of Housing Development Administration of Turkey.

ğ) Substitute assets: Provided that the amount will not exceed 10% of the total cover pool, all cash including the ones derived from the redemption of the receivables included in the cover assets, short term debt instruments issued by the Central Bank of the Republic of Turkey, deposits other than legal reserves deposited in the Central Bank of the Republic of Turkey and domestic and foreign public debt instruments,

h) Other assets determined by the Board.

The Guarantee

ARTICLE 6 – (1) The Board may require that the issuer provides a bank guarantee in relation to the ACB to be issued, if deemed necessary by the Board. In this case, the issuers shall provide the bank guarantee.

Custody Agreement

ARTICLE 7 – (1) The cover pool, which constitutes collateral for ACB issued indirectly, shall be kept in custody until the maturity date by the issuer, the institution which assigns the receivables or a bank according to the custody agreement signed by the issuer and the association that assigns the receivables.

SECTION THREE

Cover Register and Protection of Cover Assets

Cover register

ARTICLE 8 – (1) Issuers are responsible for; monitoring the assets that constitute collateral to the ACB in a distinguished and special account, and keeping separate accounting books and a cover register.

(2) The entries made to the cover register shall be taken into account in relation to all operations and conflicts.

Protection of Cover Assets

ARTICLE 9 – (1) Within the context of the article 13/B of the Law, the cover assets shall not be used for any other purpose, shall not be pledged, shall not be used as collateral, shall not be distrained, shall not be subject to precautionary measure decisions of courts, and shall not be included in the bankruptcy process, even for the purpose of the collecting public claims until ACB is redeemed,

(2) A bank account separate from issuer's other accounts shall be opened at a bank for the cash flows related with cover assets. The account can be opened at its own if the issuer is a bank.

(3) In case, the maturity date of the ACB is longer than the maturity date of the cover assets, the issuer shall add new cover assets by regarding the cover matching principles defined in article 11 of this Communiqué.

Calculation of net present value

ARTICLE 10 – (1) The net present value of assets defined in the article 5 of this Communiqué, shall be calculated by the principles defined in the International Financial Reporting Standards.

Cover Matching Principles

ARTICLE 11 – (1) The nominal value of cover assets shall not be less than the nominal value of ACB issued. While calculating the nominal value of ACB issued, residual amounts of loans and issuing price of discounted debt securities in the cover pool shall be taken into account.

(2) The total amount of interest revenue expected to be obtained from cover assets in one year period following the date of inspection made within the context of subparagraph (ç) of article 13 of this Communiqué, shall not be less than the interest liabilities arising from the ACB to be issued.

(3) The net present value of the covered assets shall exceed the net present value of the ACB by a specified rate, which shall not be less than %2, determined by the issuer.

SECTION FOUR

Cover Monitor

Appointment of the cover monitor

ARTICLE 12- (1) Appointment of an audit firm authorized and listed by the Board for auditing in capital markets as the cover monitor is required, by all issuers with the exception of public institutions entitled to issue securities according to their laws. The Board may require such public institutions to appoint a cover monitor if it deems necessary. Public institutions which are not obliged to appoint a cover monitor by the Board do not need to conform to the principles in the second and third subparagraphs of the article 11 of this Communiqué.

(2) The Board shall be notified in case where the cover monitor is appointed and replaced. Within the context of the article 13/B of the Law, the Board is authorized to replace or demand a replacement of the cover monitor which loses the requirements to be a cover monitor or have misfeasance or malfeasance in carrying out the duties given by the Law or this Communiqué.

(3) The cover monitor and representatives shall conform to the principles of the Board's independent audit standards and they cannot delegate their responsibility of performing their duties.

Duties of the cover monitor

ARTICLE 13 - (1) The cover monitor is obliged to monitor whether the issuer acts in accordance with the clauses of the Law and this Communiqué. The cover monitor shall;

a) Ensure that true records in the cover register are maintained by the issuer in accordance with the clauses of Law and this Communiqué,

b) Confirm by examining the entries related to additions done by the issuer to the cover registry, credit documents, custody accounts, contracts, other necessary data and documents and demands that the issuer excludes the assets which are not appropriate within the context of this Communiqué from the cover assets and deletes the related registries from the cover register.

c) Confirm and examine the demands of the issuer about the exclusion of assets from the cover assets and deletion of the related registries from the cover register within the context of Law and this Communiqué.

ç) Examine the compliance with the cover matching principles, stated in article 11 and prospectus, at least once in 3 months for sales through public offering and at least once in 6 months for sales through private placement, and report to the issuer and the Board about the results of examinations which are done within this context.

d) Check the fulfillment of cover matching principles within the period given to the issuer by this Communiqué, if the principles are violated and promptly notifies the Board.

e) Approve the transfer of funds obtained from cover assets to ACB owners, when the issuer is unable to fulfill its obligations stemming from the ACB.

f) Perform other duties which may be demanded by the Board.

(2) The issuer cannot take out assets from the cover pool and delete related registries from the cover registry without the approval of the cover monitor

Powers of the cover monitor

ARTICLE 14- (1) Within the context of the article 13/B of the Law, the cover monitor is entitled to demand any kind of information and document about any asset registered in the cover register, from the issuer and registries, to inspect relevant records and to get information from the employees. Due to article 13/B in the Law, the issuer and title offices are obligated to provide the information and documents requested by the cover monitor. If the cover monitor is hindered from reaching the information and documents requested, the cover monitor is obligated to inform the Board immediately.

Violation of cover matching principles

ARTICLE 15- (1) When the cover matching principles which are cited in the article 11 of this Communiqué are violated for the first time, cover pool needs to be restructured by the issuer satisfying the cover matching principles within a month following the detection of violation by the cover monitor. By checking whether cover matching principles are fulfilled by the cover pool, cover monitor promptly notifies the Board.

(2) If cover matching principles are not structured within the framework of this Communiqué's first article, utmost 3 months additional period can be given to the issuer so that the cover pool shall be structured by satisfying the cover matching principles. At the end of the additional period, by checking whether cover matching principles are fulfilled by the cover pool, cover monitor promptly notifies the Board.

(3) If the Board does not give any additional period regarding the second article of this Communiqué or the issuer cannot satisfy the cover matching principles despite the additional period, the accruals receivable till the date of the violation of cover matching principles for the last time become matured. That topic shall be included in the demand form by which the ACB is sold.

Issuer's failure to meet the obligations

ARTICLE 16- (1) If the issuer cannot fulfill payment obligation stemming from ACB completely or partially, within the framework of the cover monitor's consent, it shall transfer the funds obtained from cover assets to ACB holders in accordance with the fifth subparagraph of the article 13/B of the Law.

(2) If the assets included in cover pool are not enough to meet the claims of ACB owners, those owners can apply to other assets of the issuer.

SECTION FIVE

Principles Regarding the Registration of ACB

Sale of ACB through a public offering

ARTICLE 17- (1) The issuer shall apply to the Board with following documents and demand that the ACB to be issued be registered:

a) An application form which can be obtained from the Board,

b) The articles of association of the issuer,

c) Financial statements for the past 3 years as approved by the issuer's shareholders meeting, annual reports, audit reports and most recent quarterly financial statements drawn up comparatively with prior year figures,

ç) Turkish Trade Registry Gazette publishing the decision of shareholders' meeting relating to ACB issuing, a notarized copy of the decision of board of directors which is authorized to get into debt and the approval or decision of any other authorities if it is deemed necessary.

d) Information on the cover pool which constitutes collateral for ACB, tables which include the distribution of assets in terms of value, maturity, interest rate and other related qualifications,

e) The agreement made with the cover monitor,

f) In case of a bank guarantee deemed necessary by the Board, a certified copy of the paper indicating guarantee,

g) A certified copy of the custody agreement,

ğ) Notarized list of authorized signatures,

h) A copy of the prospectus and the circular which shall be released in public offering,

ı) Intermediation agreement,

i) Rating reports of the issuer and the security, if available,

j) A copy of price-fixing report regarding the ACB,

k) Other documents and information that may be requested by the Board

(2) ACB shall be registered with the Board before the public offering.

(3) In the event it is decided that the explanations are not sufficient and do not reflect the truth fairly such that an exploitation of the public may occur, the Board may deny registration of ACB by stating the reason for such a denial.

(4) Registration with the Board shall not be used for advertising purposes and shall not imply that the Board or the State guarantees the ACB to be issued or the related institutions.

(5) In the prospectus and circular related to public offering defined in the article 6 of the Law and in all announcements and advertisements, clear or indirect statements causing the interpretation of the Board registration as a guarantee of the Board or State, cannot be used.

(6) The Board, in accordance with the Article 22/b of the Law, may temporarily suspend the sale of ACB being issued or publicly offered by intervening to their sale.

(7) Applications for ACB issues can be made either separately for each issue or together for all ACB issues to be made in within a 5-year term. If the latter is chosen, the issue shall be completed within a 5-year period after the date of ACB registration. ACB, which is registered by the Board by taking into account a 5-year term cover pool, may be sold in series. Issuers shall submit the circular, information regarding the cover pool and all documents required by the Board at least 5 working days before the issuance of each series. After necessary examinations are made, Board shall approve the circular. Sale of ACB shall not be initiated unless the Board's approval has been obtained.

(8) Information required by the Board in relation to the sales results of the ACB shall be submitted by the issuer in an accurate and complete manner within six working days following the end of the sale period.

The principles regarding drawing up prospectus and circular and amendments to the issues disclosed to public

ARTICLE 18 – (1) After the registration of asset covered bonds which shall be offered to the public; the issuer registers the prospectus approved by the Board at the Trade Registry and publishes it in the Turkish Trade Registry Gazette within 15 days following the registration document's date. Within at most one week after the registration of the prospectus,

the circular shall be published in at least two national newspapers in order to invite the public to purchase asset covered bonds.

(2) Any changes in the prospectus and circular are subject to the same provisions.

Announcements and advertisements

ARTICLE 19 – (1) The texts of advertisements and announcements aimed at introducing the issuer and asset covered bonds and promoting the sale of these securities shall be submitted to the Board at least 5 working days before the date of publication. No information inconsistent with the prospectus and circular shall be included in the advertisements, announcements and any kind of releases. The Board may require the institutions concerned to make changes in the text, if it deems necessary. The texts shall not be published unless the changes required by the Board are made.

(2) The places where the prospectus related the public offering can be obtained and the title and date of the newspapers in which the circular for investors has been published shall be indicated in these texts.

(3) Announcements and advertisements shall not be released before the circular is published. If publicity through newspapers is desired, the first advertisements and announcements shall be published in the same newspaper which the circular is published, on the same date. In this implementation, advertisements and announcements shall not be published larger than the size of the circular. In the following days, advertisements and announcements may be extended provided that the date of publication of the newspapers in which the circular was published first is indicated and the size of advertisements and announcements does not exceed the size of the first advertisement and announcement.

(4) A copy of these newspapers shall be submitted to the Board within 2 working days following the first publication.

Incomplete application

ARTICLE 20 – The documents required to be supplemented to the application shall be delivered completely. In the event that the documents are not completed by the additional period allotted by the Board, the application will become invalid in accordance with the second subparagraph of the Article 5 of the Law. Applications shall be evaluated in 30 days; however, additional period granted by the Board for the completion of incomplete documents shall not be taken into account in calculating this 30 day period.

Sale of asset covered bonds through private placement

ARTICLE 21 – (1) Issuers shall apply to the Board with the following documents in order for the registration of asset covered bonds which shall be sold to qualified investors through private placement.

- a) Application form and projection table for the cover pool which is anticipated to be formed,
- b) The articles of association of the issuer,
- c) Financial statements for the past 3 years as approved by the issuer's shareholder's meeting, annual reports, audit reports,
- ç) Turkish Trade Registry Gazette publishing the decision of shareholders' meeting relating to ACB issuing, a notarized copy of the decision of board of directors which is authorized to get into debt and the approval or decision of any other authorities if it is deemed necessary.
- d) The tables indicating distribution of receivables which constitute collateral for ACB with respect to characteristics such as amount, maturity date, etc.,
- e) A certified copy of the agreement made with the cover monitor,

- f) In case of a bank guarantee deemed necessary by the Board, a certified copy of the paper illustrate guarantee,
- g) A certified copy of the custody agreement
- g) Notarized list of authorized signatures,
- h) Rating report of the issuer or the security, if available,
- i) A price-fixing report regarding the ACB,
- i) Other documents and information which may be requested by the Board.

(2) In sale of asset covered bonds by private placement, it is not mandatory to create the cover pool on the date of the application. In cases where the cover pool has not been created, issuers can apply to the Board with the documents mentioned in sub paragraphs (a), (b), (c) and (ç) of the first paragraph of this article. Provided that the provision of paragraph 3 of this article is reserved, the Board registers the ACB on the condition that the documents mentioned in subparagraphs (d)-(i) of the first paragraph of this article shall be submitted to the Board at least 5 working days before the sale of ACB.

(3) No prospectus or circular is prepared for asset covered bonds to be sold by private placement. The Board evaluates the application by taking into account whether information required by the Board is submitted in an accurate and complete manner and registers the asset covered bond. Issuer shall not start the issuance and selling process without the registration document. The selling process shall be started within five working days following the date of registration document.

(4) Information required by the Board about the sale results of asset covered bonds sold through private placement shall be submitted by the issuer or related intermediary institution in an accurate and complete manner within six working days following the end of the sale period.

(5) Being registered with the Board shall not be used for advertisement purposes and shall not mean that the Board or State gives an official guarantee to the asset covered bond issued and the related issuers. In the announcements and explanations, a direct or indirect expression that can be interpreted as an official guarantee is given by the Board or the State as a result of the registration with the Board, shall not be used.

(6) If registered asset covered bonds are re-issued in a manner that the issuance in the scope of public offering as defined in Article 3 of the Law, prospectus and circular shall be prepared according to Article 17.

Disclosure requirement and obligation to prepare and disclose audited financial statements

ARTICLE 22 – (1) The issuer shall disclose the performance of assets in the cover pool and the payments made to asset covered bonds holders every 3 months until the asset covered bonds are redeemed.

(2) The report mentioned in subparagraph (ç) of Article 13 and prepared by the cover monitor shall be published by the issuer at the stock exchange and Public Disclosure Platform in case asset covered bonds are publicly traded or at the website stated in the prospectus and circular in case asset covered bonds are not publicly traded, on the date of the report. In case the asset covered bonds are sold by private placement, the report will be distributed to security holders and the Board.

(3) Information about the cover pool where the asset covered bonds are sold by private placement shall be submitted to the Board every 3 months until the securities are redeemed.

(4) Until the asset covered bonds are redeemed, issuers shall prepare annual financial statements, have their financial statements audited by an independent audit firm and publish these statements in accordance with Communiqué's Serial: XI, No:29 and Serial: X, No:22. In

case asset covered bonds are sold by private placement, submission of the financial statement to the Board shall be sufficient in meeting the disclosure obligation.

SECTION SIX

Miscellaneous Provisions

The Principles Regarding Sale of Covered Bonds

ARTICLE 23 – (1) ACB can be sold in discount or with fixed, periodical or flexible interest coupon payments.

(2) Discount rate or interest rate and payment plan of covered bonds is determined by the issuer by considering the maturity structure, yields of the receivables that constitute collateral for the ACB and cover matching principles defined in Article 13 of this Communiqué.

(3) The principles regarding the use of the fund formed in the case of early payments of receivables from cover assets and the residual money in the bank account or in the client association's account by the proxy bank after the payments related to covered bonds are made shall be defined in detail in the prospectus and circular published by the issuer.

(4) Covered bonds which are not sold in the selling period shall be cancelled.

(5) The principles of downsizing the covered assets in proportion to covered bonds which are not sold during the selling period shall be stated in the prospectus. In case of private placement, holders of covered bonds shall be informed.

Intermediary Institutions

ARTICLE 24- (1) In case of public offering, the sale of covered bonds and payments of principal and interest of covered bonds to the investors shall be conducted through intermediary institutions.

Secondary Market Transactions

ARTICLE 25- (1) The transactions of covered bonds can be made in secondary markets subsequent to the request of the issuer and approval of the related exchange.

Dematerialization of Covered Bonds

ARTICLE 26- (1) Covered bonds shall be dematerialized through the Central Registry Agency within the framework of the article 10/A of the Law.

Registration Fee

ARTICLE 27- (1) Within the context of third paragraph of Article 28/b of the Law, the registration fee, which will be calculated as %0,005 of the net present value of covered assets on the last working day of three month period on a calendar year basis, shall be paid to the account of the Board within ten working days following the end of each period and copies of the calculation table and the payment receipts shall be submitted to the Board.

The Supervision of the Board and Notification

ARTICLE 28- (1) The Board supervises the issuers' accounts, whose securities are registered, and transactions related to those securities and may request from issuers all types of information and documents if deemed necessary for monitoring purposes.

(2) Upon the consent of the Banking Regulation and Supervision Agency, the standards related to registration of covered assets shall be determined by the Board. The Board shall also have the power to determine the registration of covered assets by a separate registry agency in addition to the issuer.

Co-efficient

ARTICLE 29- (1) The amounts stated in this Communiqué shall be re-assessed by the Board after 1/1/2010 by taking into consideration the recalculation coefficient which is announced every year by the Ministry of Finance and those amounts shall be announced in the Weekly Bulletin of the Board.

Validity

ARTICLE 30- (1) This Communiqué shall become valid upon the date of publication.

Enforcement

ARTICLE 31- (1) The provisions in this Communiqué shall be enforced by Capital Markets Board.