

**By-Law On Principles Regarding
Konut Finansmanı Fonu And İDMK**

(Serial: III, No: 34)

**SECTION ONE
Purpose, Scope, Source, Definitions**

Purpose and Scope

Article 1- This By-law is to regulate the establishment and activities of housing finance funds and principles of İDMK.

Source

Article 2- This By-law is issued under the authority provided by the Article 38/B of the Capital Market Law.

Definition

Article 3- Abbreviated terms in this By-law have the following respective meaning:

Bank	: Banks defined in the Article 3 of Banking Law, no.5411.
BRSA	: Banking Regulation and Supervision Agency.
Finance companies	: Financing companies that are regulated in “By-law On the Principles Regarding Establishment and Activities of Leasing, Factoring and Finance Companies” and are given permission by BRSA in order to conduct housing finance operations.
Fund 38/B of	: Konut Finansmanı Fonu (Housing Finance Fund) as defined in Article the Law (Turkish SPV structure)
ISIN Code securities.	: International Securities Identification Number that are assigned to
İDMK	: İpoteğe dayalı menkul kıymet (Turkish mortgage backed security)
İTMK	: İpotek teminatlı menkul kıymet (Turkish mortgage covered bond)
Mortgage Finance Corporation	: Mortgage Finance Corporations as defined in Article 39/A of Law
Residential Mortgage Loan	: Loans and receivables secured by a mortgage on at least one residential property that are registered as dwelling in the land registry
Law	: Capital Market Law
Housing Finance Institution	: Housing finance institutions as defined in Article 38/A of Law
Originator	: Founder or housing finance institution who grants the mortgage loans directly to the consumers, which are transferred into the fund portfolio and/or who acquires the mortgage loans granted to the consumers

Founder	: Banks, finance companies, mortgage finance corporations and intermediary institutions that qualify with the principles set out in this By-law
Board	: Capital Markets Board
Qualified investors	: 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, no. 506, benevolent societies and other investors to be accepted as similar to these organizations by the Board and real and legal entities that have total asset amount equal to at least 1 million TRY in terms of cash in Turkish and/or foreign currencies and in terms of capital market instruments, by the date of public offering of İDMK.
Derivative contract	: Forward, futures, option, swap and similar contracts.

SECTION TWO

General Clauses

Fund

Article 4- Fund is a separate property which is formed with the proceeds of İDMK issued, in accordance with the principle of fiduciary ownership. Fund must be established within the borders of the Republic of Turkey. Fund is not a legal entity. Fund assets are separate from those of the Founder, servicer and other originators. Multiple funds created by the same Founder shall be numbered consecutively in the order of their establishment.

A fund bank account separate from Founder's accounts shall be opened to collect all the cash inflows and to make all payments and expenses.

Fund is established for a finite or infinite term. Funds shall be managed as pass through. Pass through management is done by transferring the scheduled or unscheduled cash inflows from the assets in the fund portfolio, after making necessary deductions, to İDMK holders. İDMK shall be redeemed after all the payments have been made.

Fund cannot engage in any transaction and cannot be used other than these stated in this By-law.

The terms "Konut Finansmanı Fonu" and "İpoteğe Dayalı Menkul Kıymet" and any other equivalent terms shall not be used for the funds and securities, respectively, which are not issued under the provisions of this By-law.

Qualifications of Founders of Funds

Article 5- Regarding the founders who want to establish funds;

a) The operations of Founders must not have been stopped permanently, suspended for one month or more in the last one year on the basis of regulatory or legal infractions within the framework of the capital market legislation and their own legislation.

b) The authorized individuals of the founders must not be bankrupt and convicted due to infamous crimes such as smuggling other than for production purposes, embezzlement, peculation, extortion, bribery, theft, swindling, breach of trust, forgery or convicted for not compliance with the capital market legislation and their own legislation.

For the intermediary institutions who want to become founders also:

- a. Must have obtained the permission of the Board in order to undergo the operations in the Capital Markets according to the Law's Article 30 subparagraphs (a), (b), (c), (d), (e) and (f)
- b. Minimum equity capital, must be at least 10 times the amount of the minimum equity capital defined in all of the licensed documents
- c. The minimum required capital amount must be at least 30% more.

SECTION THREE

Provisions in Relation to the Organisation of the Fund

Fund Board and the Fund Operations Manager

Article 6- Founder shall appoint a Fund board for each Fund comprising of 3 directors. It is compulsory for at least one member of the Fund Board to be independent. For purposes of this By-law, independence means lack of employment, partnership, or commercial relation directly or indirectly within the past two years and lack of blood or marital relationship up to a third degree with owners and subsidiaries of the founder, and with who possess more than 10% of those.

Fund board members;

- a) Shall be university graduates with at least five years of experience in banking and capital markets and must have dignified characteristics as required to become a board member and at least one of them shall get "Capital Market Activities Advanced Level Licence" and "Derivative Instruments Licence" in accordance with the Board licensing regulations.
- b) Themselves or the company's with which they own shares should not be bankrupt or should not be declared as having engaged in bankruptcy arrangements.
- c) Should possess the required characteristics defined in the subparagraph (d) of the first paragraph of Article 9 of the By-Law on Intermediation and Principles based on Intermediary Activities published in the Official Gazette dated 7/9/2000 No. 24163.

The Fund board shall be responsible for the following:

- a) Preparation and the registration of the Fund statute and the prospectus.
- b) Constitution of the Fund portfolio, valuation, bookkeeping in a truly manner and safekeeping and custody in accordance with the provisions of this By-law, of the Fund assets, setting up the organization for documentation and safekeeping of the information and documents.
- c) Representation, administration and monitoring the supervision of the Fund in accordance with the methods and principles stated in this By-law, fund statute and prospectus by preserving the rights and benefits of the IDMK holders.
- d) Opening accounts under the name of the Fund at banks and ensuring that payments to investors and payment of other fees and expenses of the Fund are made truly and in accordance with this By-law.
- e) Providing periodic reports to investors in compliance with the provisions of this By-law.
- f) Ensuring the servicer performs servicing regarding residential mortgage loans properly and changing the servicer, if it does not fulfil the obligations as stated in the servicing agreement.
- g) Other responsibilities as may be provided in the Fund statute, the offering prospectus, the Law, this By-law, or in any other regulation of the Board.

All decisions of Fund board shall be approved and registered in "Fund Board Decision Book". The Fund board may appoint a fund operations manager for each Fund, to provide operational management of the fund's activities as stated above in accordance with the provisions of this By-law or may pursue those duties himself. Banks, intermediary institutions and portfolio management companies, which carry the qualifications stated in the first

paragraph of Article 5 may be appointed as fund operations manager. Natural persons as Fund operations manager must possess the characteristics as defined in both the clause (b) of the first paragraph of Article 5 and second paragraph of this article.

Members of the Fund board and Fund operations manager shall not be compensated any higher than the ongoing prevailing market price.

Internal Control System and the Fund Internal Auditor

Article 7- Internal control system is the principles and methods that are applied in order to ensure the effectiveness and efficiency of the fund operations and obtainability on time and reliability of the information regarding financial and administrative issues, to execute the fund operations in accordance with the related legislations, related contracts, prospectus and internal statute of the fund, to determine and prevent improper actions, mistakes and frauds, to ensure the completeness and trueness of the accounting records and timely preparation of financial information in a truly and trustworthy manner. All policies and procedures regarding the internal control system of the fund shall be in written form.

Internal control system shall include but not be limited to make sure that:

- a) the requirements of the Law, this By-law, the Fund statute and the offering prospectus are met on the issuance date of the IDMK and periodically throughout the life of the Fund;
- b) the servicer's execution of its duties are done according to the provisions in the servicing contract and this By-law;
- c) the payments to the investors and related parties from Fund accounts are executed within the context of the provisions of this By-law;
- d) the management, addition and removal of Fund assets are executed within the context of this By-law;
- e) the Fund assets are segregated and safekept apart from the Founder's assets and the implementation of the accounting, documentation and registration system are executed as required under this By-law;
- f) other responsibilities as may be required by the Fund statute, prospectus or by the Board are pursued.

The Fund internal auditor shall supervise the activities of the Fund for compliance with the rules and principles of internal control system.

Fund board appoints a Fund internal auditor who is not actively engaged in operational activities of the fund and possesses the qualifications required for a Fund board member as set out in the second paragraph of Article 6. The Fund internal auditor shall be responsible to the Fund board. The Fund board may change the internal auditor if necessary, in order to protect the interests of investors.

The reports containing the findings and the inspection results of the Fund Internal Auditor shall be submitted to the Fund board at least once a year. The Fund board shall adjudicate the precautions to be undertaken with respect to the report results. It is compulsory that these reports be kept by the company at least for five years.

The Fund internal auditor shall immediately report to the Fund board any violations or discrepancies discovered while carrying out his responsibilities and shall forward a copy of the report to the Board on the same day.

The Fund internal auditor shall have unrestricted access to the Fund books, accounts and documentation, including the documentation of the housing finance receivables, external audit reports and reports of servicers.

The Fund auditor shall not be compensated any higher than the ongoing prevailing market price.

The Servicer

Article 8- The servicer is the founder or an institution that possesses the qualifications of a Founder that is responsible for the day to day management of the residential mortgage loans.

The servicer must have the experience, human resource, and management and information technology systems necessary for management of mortgage lending.

The responsibilities of the servicer are determined according to a servicing agreement made with Fund board. The servicer shall be responsible for the following:

- a) timely collection of the interest and principal payments of the mortgage loans and remittance to the Fund account,
- b) timely collection of property insurance premiums, or other insurance premiums if the borrower is insured for any reason regarding his/her debt, and payment to the insurer,
- c) if there are any relating clauses in the underlying loan agreement, the collection of the taxes in relation to the property in timely manner from the borrower, and payment of property taxes to the tax authorities,
- d) monitoring the repayment credibilities of borrowers, and making necessary notifications to borrowers in cases of delinquencies and defaults,
- e) provided that it is stated in the servicing agreement, following foreclosure of the non-performing residential mortgage loans as defined in the "By-law on the Identification of the Loans and Other Receivables by the Banks and Reserve Requirements",
- f) at least monthly reporting to the Fund board regarding the cash flow from the housing finance receivables including the time of payments and outstanding balances,
- g) other tasks that will be determined by the Board.

The servicer shall not be compensated any higher than the ongoing prevailing market price.

Within the context of the agreement made with the Fund board, the cash which is due to be transferred to the fund via the servicer, belongs to the fund portfolio and shall be transferred into a Fund account at a bank, which is segregated from servicer's accounts.

In case the servicer fails to fulfil the liabilities that are defined in the servicing agreement or the servicer's licence to operate is cancelled, the agreement shall be terminated by the Fund board and a new servicer shall be appointed and shall give notice to the Board.

Upon termination of the servicing agreement, the servicer shall deliver to the Fund board or the new servicer all the Fund books, accounts and documentation, that are kept electronic or paper based, and all cash and accounts pertaining to the residential mortgage loans without any kinds of deductions, and the servicer shall continue to carry out its obligations until the new servicer begins its operations. All these issues shall be defined in the agreements.

Independent Auditing of the Fund

Article 9- Independent auditing shall be conducted annually in accordance with the Board's regulations. The independent auditing company shall be subject to the Board's regulations.

The independent auditing company shall prepare a report semi-annually, stating that the assets of the fund are keeping existence. This report shall be sent to the Board within 6 weeks following the end of the related six-month period.

Custodian

Article 10- The assets in the fund other than the residential mortgage loans shall be kept under custody within the context of an agreement that shall be made.

The minimum principles of the custody agreement shall be determined by Takasbank if the assets are to be kept under the custody of Takasbank, and by the Board if the assets are to be kept under custody of an institution to be defined by the Board.

A copy of the custody agreement shall be sent to the Board in 6 business days as of the date the agreement is made.

Confidentiality

Article 11- Fund board, fund auditors, fund operations manager, servicer can not disclose and utilize on their own interests confidential information pertaining to related and third parties while executing their tasks stated in this By-law.

SECTION FOUR

Provisions in Relation to the Establishment of the Fund and the Registration of IDMK with the Board

Application Procedure

Article 12- The founder shall apply to the Board with the application form, the fund statute, and all other documents stated in the application form, in order to get permission for the fund establishment and to register the IDMK. In case the application is made by an institution subject to BRSA, the Board obtains BRSA's opinion on whether there is any matter preventing fund establishment. The applications for the establishment of the fund and the registration of the IDMK shall be evaluated together. The Board may request that the applications be done in electronic form. The application is approved providing that the following conditions have been met:

- a) The Fund board members, the internal auditors and the independent auditors must have been appointed, the internal control system must have been established, custody, accounting and registration and documentation systems must have been developed.
- b) Sufficient location, technical facilities and organizational structure must have been designated for the management of the residential mortgage loans and IDMK, and necessary human resource must have been defined.
- c) Conformity with the regulations of the Board regarding the fund establishment and management shall be provided.

The documents attached to the application to the Board must be submitted completely. and incomplete applications are not taken into consideration by the Board.

Fund Statute

Article 13- The Fund Statute is an accessionary contract between the IDMK holders, Founder and the Fund board and consists of the conditions regarding the safekeeping of the fund assets in accordance with the principle of fiduciary ownership and management of them in accordance with the provisions of the proxy agreement.

The Fund Statute shall be prepared in line with the regulations of the Board. The minimum information to be included in the Fund Statute and the standards of the Statute shall be defined by the Board.

Various classes of IDMK issues and rights pertaining to IDMK holders must be defined in the Fund Statute.

Fund Establishment Permission and Registration of the Fund Statute

Article 14- Upon approval of an application, the Fund Statute and the approval letter shall be registered in the commercial register office and shall be published in the Trade Registry Gazette in six days following the permission date. The establishment process shall be completed upon the registration of the Fund Statute.

IDMK shall be registered by the Board after the relevant documents regarding the registry is submitted to the Board.

If IDMK issuance is cancelled following the registration of the fund statute, related fund board decision is sent to the Board immediately and internal statute in the trade registry shall be cancelled. Related documents shall be sent to the Board in 6 business days.

Amendment of Fund Statute

Article 15- In case of a need for a change in the Fund Statute, The Fund board shall fill the application form, whose standards shall be defined by the Board, regarding the changes in the statute, and shall submit relevant documents to the Board. Upon the application, The Board shall examine whether the legal requirements are met with respect to the Law, this By-law and other relevant regulations and the approved amendments shall be registered to commercial register office and shall be published in the Trade Registry Gazette within six days following the permission date.

Any changes that may affect investment decisions of the investors shall be announced via methods that shall be determined and declared to the Board by the Founder. The changes shall not be valid upon a date stated in the announcements which shall not be earlier than the 10th day following the announcements.

The Board may deny approval of the changes in the statute, if such a change results in violation of the Law, this By-law or other relevant regulations or necessary disclosure is not made.

iDMK

Article 16- iDMK are debt securities secured by the assets in the fund portfolio.

iDMK can be traded and sold at the exchanges upon application of the Fund board and approval of the exchange, provided that there is a provision in the Fund Statute.

An issue of iDMK may be comprised of various classes by the Fund board which gives different rights. In defining various classes for iDMK, the following issues shall be taken into consideration:

- a) Maturity of assets,
- b) The schedules for the payment of principal or interest of assets, interest type
- c) The priorities for the payment of principal or interest of assets
- d) Rights pertaining to liquidation procedures,
- e) Credit risk,
- f) Other criteria defined by the Board.

iDMK may be issued in different prices and maturities but shall not be redeemed by the fund.

Minimum monthly payments shall be made to owners of iDMK. The payments to iDMK holders shall be derived from the cash flows obtained from the assets in the portfolio. Whole or partial guarantee may be provided by the Founder and/or the third parties for the payments which can not be met from the cash flows.

Following the redemption of the iDMK, the cash flow obtained from the assets in the portfolio in excess of the payments due to the iDMK holders may be allocated by the Fund Board in its discretion. The decision of the Fund Board regarding this subject should be written in the prospectus.

The Issuance and Sale of iDMK

Article 17- Fund Board applies to the Board by means of a letter including information regarding fund portfolio and other documents determined by the Board so as to register iDMK that will be sold by private placement and/or to qualified investors and/or abroad. No prospectus or circular is prepared for such kind of iDMK sale.

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 iDMK. The registration document is prepared related to registered iDMK. Issuer can not start the issuance and selling process without the registration document.

iDMK selling applications may be made separately per issue as well as in a way comprising all iDMK issues to be made in a 5 year period. If the latter type of application is made, the issue shall be made in 5 years as of the date of iDMK registration. In this period, iDMK may be sold in series. Issuers shall submit information regarding fund portfolio and all documents required by the Board at least 10 business days before the issuance of each series.

Board approves IDMK issue after necessary examinations are completed. Issuer can not start the selling process without Board approval.

Information required by the Board about sales results of IDMK must be submitted by the Fund Board in an accurate and complete manner within six business days following the end of the sale period.

Being registered with the Board shall not be used for advertisement purposes and doesn't mean that the Board or State gives an official guarantee to the IDMK issued and the related Issuers. In the announcements and explanations, direct or indirect expression that can be interpreted as an official guarantee is given by the Board or State for registration with the Board shall not be used.

If registered IDMK 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 18.

Preparation of Prospectus and Circular

Article 18- Board evaluates the applications regarding IDMK public offerings within the framework of public disclosure by taking into account whether prospectus and circular include all information considered necessary by the Board and registers IDMK which will be sold through public offering. The registration document is prepared related to registered IDMK. Issuer can not start the issuance and selling process without the registration document.

As a result of the evaluation, if the explanations are found to be insufficient and cause public abuse for not reflecting the truth fairly, the Board may refrain from registration of related IDMK by stating its justification.

IDMK public offering applications may be made separately per issue as well as in a way comprising all IDMK issues to be made in a 5 year period. If the latter type of application is made, the issue shall be made in 5 years as of the date of IDMK registration. In this period, IDMK may be sold in series. Issuers shall submit the circular, information regarding fund portfolio and all documents required by the Board at least 10 business days before the issuance of each series. Board approves the circular after necessary examinations are completed. Issuer can not start the selling process without Board approval of the circular.

Being registered with the Board shall not be used for advertisement purposes and doesn't mean that the Board or State gives an official guarantee to the IDMK issued and the related Issuers. In the announcements and explanations, direct or indirect expression that can be interpreted as an official guarantee is given by the Board or State for registration with the Board shall not be used.

The prospectus and circular related to the IDMK which will be publicly offered, should be patterned in a detailed manner entailing all the necessary information foreseen in the regulations and required by the Board, should be in line with all the minimum required standards determined by the Board, should include all the necessary additional information if required by the Board and should be based on necessary underlying documentation when deemed necessary.

Information in the prospectus and circular regarding financial positions and results of the Fund in audited periods shall be prepared in accordance with the independent audit reports of firms and approved by independent audit firms.

It is compulsory that the public offering and principal and interest payments of IDMK are done via intermediary institutions that have the license of intermediation in the public offering.

The prospectus and circulars shall be signed by the Founder, Fund Board and intermediary institutions. Except the issues that are within the scope of the responsibilities of independent auditing firms stated in the sixth paragraph of this article, intermediary institutions are responsible for ensuring that the information obtained in the offering prospectus and in the circulars reflect the real truth in an honest manner in accordance with the second paragraph of Article 7 of the Law.

The prospectus approved by the Board shall be registered at the commercial register office where the Founder is registered within one week time after the date on registration form, and shall be published in the Trade Registry Gazette.

The circular must be announced in at least two daily newspapers minimum three, maximum seven days before the beginning of sale, within seven days following the registration of prospectus.

The Board, in accordance with the Article 22/b of the Law, may suspend temporarily the sale procedures of İDMK issued or offered to public by intervening to their sale.

Any amendments or new issues regarding the information in the prospectus and circulars, that occur during or before the sales process and which if not declared shall result in a loss for the investors, must be declared to the Board in written form, within at most three business days following the occurrence, by the fund board before the commencement of the sale or within the sales process by suspending the sale, or by ensuring that the intermediary institutions offering the sale suspend the sales process.

Changes and new issues shall not be declared to the public by amending the prospectus and circular without the Board's approval or shall not be put into enforcement. After the Board's approval, the changes in the prospectus should be registered at the commercial register office and be declared, and the changes in the circular should be announced in the newspapers where this circular have been declared.

The sales period of the İDMK that will be sold to the public shall be defined in the circular. İDMK that are not sold in the selling period are cancelled.

The copies of Trade Registry Gazette where the prospectus has been published, the newspapers where circular has been published, and information required by the Board in relation to the sales results shall be submitted by the Fund board in an accurate and complete manner within six business days following the end of the sale period.

Due to public offering of İDMK, the texts of advertisements and announcements to be published shall be submitted to the Board at least 2 business days before the publication date. No information other than those in the prospectus and circular shall be included in the advertisements, announcements and any kind of releases. The Board may require that any change made in the texts if it deems necessary and the unchanged texts shall not be published.

At the date of circular is announced, if announcements wanted to be made through newspapers, the advertisement and announcement must be made at the same newspapers. After the circular is announced, announcements and advertisements may be continued by means of any way on condition that the dates of newspapers which the circular was published are clearly disclosed. Locations where the prospectus and circular are obtained shall be disclosed in the texts of advertisements and announcements made after İDMK registration.

A form including information on risk level of İDMK that would probably affect investment decisions shall be submitted to the investors willing to buy İDMK to be publicly offered and if the investor decides to buy İDMK, a written statement shall be obtained proving that the form had been submitted to the investor

Rating of İDMK to be publicly offered and disclosing the rating degree in the prospectus and circular and other related documents are compulsory.

Registration Fee

Article 19- Within the context of third paragraph of sub clause (b) of Article 28 of the Law, the registration fee, which will be calculated on the net asset value of the fund assets on the last working day of three month period on a calendar year basis, shall be paid to the Special Account of the Board within ten business days following the end of each period and copies of the calculation table and the payment receipts shall be submitted to the Board.

Within the relevant calculation period if the Fund has offered İDMK to the public or is being liquidated, the registration fee shall be calculated by taking into consideration the ratio of the number of days when the İDMK have been offered to the public to the number of days during the related three month period.

SECTION FIVE Provisions Regarding Fund Portfolio

General Principles

Article 20- Providing that it must be stated in the Fund Statute, Fund assets may include;

- a) Residential mortgage loans,
- b) İDMK and İTMK based on the article 13/A of the Law,
- c) Any cash equivalent short term investments used in order to invest the cash obtained from the residential mortgage loans,
- d) Assets in the reserve accounts,
- e) Derivative contracts.
- f) Other assets approved by the Board.

Within the scope of this By-law, cash equivalent short term investments are reverse repo and deposits shorter than three months, liquid funds, money market operations in Takasbank and other money and capital market instruments approved and publicly announced by the Board.

Fund assets shall not be used for any purpose other than the settlement of the obligations and undertaking of responsibilities stemming from the Law, this By-law, Fund Statute and other related regulations.

Until İDMK issued by the fund are redeemed, the fund 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 into the bankruptcy process, even for the purpose of the collection of the government receivables.

It is mandatory that the following issues be adopted:

- a) Within one month following the issuance date of the İDMK, fund portfolio is created in such a manner that the remaining principal value of residential mortgage loans be at least equal to the total principal value of the issuer's obligations to İDMK holders.
- b) Originator may purchase only junior tranches of İDMK and only for credit enhancement purpose.
- c) The fact that the mortgage loan has been transferred to the fund shall be declared in the title registry of the property securing that loan. In case a residential mortgage loan is included in the fund portfolio, the property securing that loan shall be registered to the title register under the name of the founder, on behalf of the fund.
- d) The interest revenue obtained from the residential mortgage loans must exceed the interest cost to be paid to İDMK owners.
- e) İDMK of the funds of Founder or other founders having direct or indirect relationship with the Founder in terms of capital, management and supervision may be included up to 10% of the fund portfolio.
- f) Fund may owe in the aim of cash management.

The Transfer of Residential Mortgage Loan to the Fund Portfolio

Article 21- Fund acquires residential mortgage loans which the originator granted directly to the consumers or acquired from other housing finance institutions and receivables acquired from Housing Development Administration from that originator by signing a contract so as to include them in the portfolio. By the transfer of the loan, all of the rights pertaining to the ownership of the loan are also transferred to the Fund.

In relation to the loans to be included to the Fund portfolio:

- a) The repayment of principal and interest shall be secured by a mortgage on behalf of the originator,
- b) The property securing the mortgage loan shall be within the geographical boundaries of the Turkish Republic and shall have the Habitation Certificate,
- c) The property securing the mortgage loan shall have been insured against the fire and earthquake for the entire term of the loan contract as to have included indemnity which cover at least the amount of nominal value of the mortgage loan, and give issuer the right of pledging this indemnity,
- d) All due repayments shall have been made as of the time the loan is included into the fund portfolio.
- e) If the loan has been granted before the Housing Finance Law is enacted; it shall be considered in the scope of housing finance in accordance with Interim Provision 11 of the Law,
- f) Loans granted after Housing Finance Law is enacted shall meet the conditions stated in Housing Finance Law,

Clauses (d) and (e) of the second paragraph of this article are not applied for the receivables acquired from Housing Development Administration.

The market value of the property securing the mortgage loan shall have been determined in accordance with the "By-Law on Principles Regarding Pertaining to Companies Offering Valuation Services According to Capital Markets Legislation and the Listing Rules of these Companies to be Used by the Board", Serial No: VIII, No: 35.

Financial obligations that arise from the transactions done prior to the transfer of the loan to the fund portfolio shall not be met by the fund portfolio. In relation to these obligations all disputes shall be on behalf of the originator who granted that loan to the consumer. The originator's responsibility stated in the third paragraph of Article 4 of "Consumer Protection Law" continues even the loans granted in accordance with Article 10/B of that law are included in the fund portfolio.

Expenses To be Paid From The Fund Assets

Article 22- Expenses of the Fund may be paid from the proceeds of Fund assets prior to distributions to Investors to the extent described in the Fund Statute and the Fund prospectus, and may include:

- a) registration and announcement fees,
- b) fees for the Fund board and for providers of legal, accounting, custody, settlement and other management services,
- c) servicing fees that should be paid to the servicer for the servicing of residential mortgage loans,
- d) fees paid to independent auditing companies,
- e) the costs of derivative contracts,
- f) fees, commissions, premiums and other payments made by the Fund to providers of credit enhancement,
- g) underwriting and brokerage fees and commissions,
- h) accruals to reserve accounts,
- i) legal fees for the issuance,
- j) fees paid for the tax expenses of the Fund,
- k) other expenses that are approved by the Board.

All the expenses and fees shall be paid in return for an invoice and not exceed market value.

Credit Enhancement

Article 23- In cases of risk of failure or disruption of the cash flows arising from the residential mortgage loans where the obligations of the Fund have not been met, in order to protect the rights of İDMK holders;

- a) Fund board shall enter into a contract with the Founder or a third party in the form of insurance, warranty, back letter or another guarantee method,
- b) different classes of İDMK which have different rights shall be issued,
- c) portion of the residential mortgage loan that exceeds total obligations of the fund shall be transferred to reserve accounts created in accordance with the ratio or amount specified at the service contract.
- d) Other methods approved by the Board may be chosen.

Decision of credit enhancement transaction is in the discretion of the Fund Board. These transactions shall be disclosed to the public in prospectus.

Derivative Contracts

Article 24- Derivative contracts hedging the fund portfolio against interest or currency risk may be entered in the portfolio in order to meet obligations stemming from IDMK. It is a must course for the derivative contracts which the Fund is a party that the contract shall be traded in exchanges or the counterparty, is an authorized bank, loan institution, insurance firm, or central registry institution recognized by the regulatory body in his own country and the rating degree of that counterparty shall be at minimum investment level.

The rights of the Fund entering in to a derivative contract can not exceed the total nominal principal value of all of the assets under risk exposure and the obligations arising from the derivative contract can not exceed the nominal principal value of the issued IDMK under risk exposure.

The Removal or Replacing of Residential Mortgage Loans from the Fund

Article 25- The originator shall repurchase residential mortgage loans from the Fund, where either it is under an obligation to do so by the terms of the Fund Statute or prospectus, in the event of notice at the time of transfer that these loans has breached any condition, representation or warranty in respect of the characteristics of the mortgage loans stated in the Law, this By-law, the Fund Statute or the prospectus. Loans substituting the removed ones shall also meet the conditions stated in the Law, this By-law, fund statute and prospectus.

In cases of foreclosure of any residential mortgage loan, Fund Board may decide for the transfer of that loan to the institution providing guarantee for the loan within the context of Article 23. However, the entire outstanding principal balance of the loan and any accrued but unpaid interest has to be paid to the Fund at the time of removal.

The residential mortgage loans may be removed or replaced in restructuring cases provisioned in Article 29.

Except for the conditions explained in this article, residential mortgage loans can not be removed or replaced in any other way. All of the changes to be made in the scope of this article shall require the decision of the Fund Board.

Reports to the Investors

Article 26- The Fund board shall submit a report to the Board in accordance with the principles of the Board in relation to residential mortgage loans on a three-month basis, at least including the amount of principal payments since the date of prior report, the cumulative principal amount paid and remaining principal balance within 10 business days following the last business day of that three-month period. These reports shall also be readily available at the head offices of the Fund, at the places where the IDMK have been sold and in electronic format so that investors can examine them.

The audited financial statements in accordance with Board regulations are reported to the investors and the Board in accordance with related regulations of the Board.

SECTION SIX

Register of Fund Assets and the Safe Keeping of the Information and Documentation of Fund Assets

Fund Asset Register

Article 27- Journal, general ledger and other books that may be required by Ministry of Finance shall be kept by the Fund in accordance with Commercial Law, Tax Law and the Law

Each residential mortgage loan that is added to the portfolio shall have a file number. It is mandatory that the file number of the loan be disclosed in the fund's accounting records. The file regarding the loan shall at least include:

- a) identification data of the residential mortgage loan, including the name of the debtor, currency, principal amount, origination date, maturity date; original interest rate, interest computation method, maximum interest rate and amount and index information if there is, payment plan, insurance information
- b) identification data of the property securing the mortgage loan, including its location, the intention of use, the title registry information pertaining to the registered mortgage; appraisal value and insurance information.

The accounting records shall also include;

- a) regarding cash in the portfolio, the amount and the account number in which it is held,
- b) regarding securities in the portfolio, ISIN code, maturity, principal amount, currency, interest rate, payment plan and information on the accounts at the custodian,
- c) regarding derivative contracts in the portfolio, the name of counterparty, type of contract, contract maturity, and nominal amount,
- d) other information required by the Board.

Safekeeping of Information and Documents Regarding Fund Assets

Article 28- The methods and techniques followed by the Fund board, information collected, investigation results and other written documents shall be kept at least for 5 years period from the day of their origination until the redemption of the İDMK. The documents subject to judicial conflict are required to be kept until the conflict is resolved and shall be submitted to the authorized institutions upon request.

All original documents pertaining to the fund assets shall be backed up, segregated and held in a safe and secure facility.

SECTION SEVEN The Reorganization and Valuation of the Fund

Reorganization of the Fund

Article 29- For the reorganization of the Fund, the Fund board may decide to,

- a) transfer in its entirety as an entity to another founder;
- b) to merge with another Fund;
- c) to liquidate upon decrease in the outstanding principal balance of the residential mortgage loan to 10% or less of the principal balance of the loan on the date of issuance of the İDMK.

The consent of the Board shall be obtained in such kind of decision. Based on information and documents submitted by the Fund board, if it is demonstrated that the investors' interests will not be diluted or impaired, the Board may approve the reorganization events.

Valuation of the Fund Assets

Article 30- In the event of a Fund reorganization based on the principles in Article 29,

- a) Residential mortgage loans not traded on an organized market, İTMK and İDMK that can be taken into the fund portfolio according to the principles of this By-law shall be valued with a price determined by either intermediary institutions having a licence of intermediation for public offering and investment advisory or independent audit companies.
- b) The market value of assets traded on the Exchange or on other organized markets is determined by the fair value of the assets in these markets.
- c) Although traded on the Exchange, assets not subject to sale and purchase at the date of valuation shall be valued at market value on the last transaction date.
- d) Other assets not traded on an organized market shall be valued with a price determined according to the written principles determined by the Fund board.

The provisions of this Article are applicable for the transfer of the assets into the fund portfolio.

SECTION EIGHT Other Clauses

Board Supervision

Article 31- All accounts and activities of the Fund and the custodian in relation to the Fund shall be under the supervision of the Board.

Changes in the Fund Board Members, Auditor and Fund Operations Manager

Article 32- In cases where the Fund's board member, internal auditor, independent auditor or fund operations manager chooses to leave from his job, this must be notified to the Board within 5 business days. The responsibilities of this person or institutions shall continue until new appointments have been made.

Besides, in cases where the Fund's board member, internal auditor, independent auditor or fund operations manager loses the criteria based on this By-law, then new appointments shall be made to these posts immediately and the Board shall be informed.

Difficulties in the Repayment of the Fund

Article 33- The Board may request that the members of the Fund board be changed in cases where the fund board do not carry out their responsibilities as required by this By-law.

In cases where repayment difficulties continue, the Board may decide for the fund to be transferred to another founder. In cases where the transfer to another founder is impossible, then the Board may decide that the management and representation of the Fund may be executed by the Investors Protection Fund or by another fund board to be appointed. In such cases, where the founder has provided guarantee, the founder shall still be obliged to pay the portion of the İDMK which can not be met by the fund assets in a timely and precise manner.

The Board is authorised to decide for the payment of, and decide about the procedure and principles of making a payment to the Fund's new board to be appointed or to the Investors Protection Fund from the fund assets on their services in the scope of this article.

The Cancellation of the Operational Licence of the Founder and Custodian

Article 34- The cancellation of the founder's or custodian's licence to operate or in cases where they lose their rights as founder or custodian, the Board may decide for the Fund to be transferred to another founder or the fund assets to another eligible custodian.

In cases where the transfer of the Fund is not possible, the Board may decide that the management and representation be executed by the Investor Protection Fund or by another fund board to be appointed. In such cases, where the founder has provided guarantee, the founder shall still be obliged to pay the portion of the İDMK which can not be met by the funds assets in a timely and precise manner.

The Board is authorised to decide for the payment of, and decide about the procedure and principles of making a payment to the Fund's new board to be appointed or to the Investors Protection Fund from the fund assets on their services in the scope of this article.

Changes in the Fund Statute that are made due to the changes in the founder must be declared in at least two of the five national newspapers in Turkey for two days.

The Termination of the Fund

Article 35- The Fund may be terminated for the following reasons:

- a) If the Fund has finite term stated in the Fund Statute, when the term has ended,

- b) If the fund has infinite term, by the application of the Fund Board to the Board with the documents showing that all the obligations to the IDMK holders have been met,

Following the termination of the IDMK, the cash flow obtained from the assets in the portfolio in excess of the payments due to the IDMK holders may be allocated by the Fund Board in its discretion. The decision of the Fund Board regarding this subject should be written in the prospectus. IDMK shall not be issued after the decision to terminate has been taken.

The Merging of Funds

Article 36- With the approval of the fund boards that are subject to merging, the Board may decide on the merger of the funds upon the founder's request. The principles to be applied during the merger shall be defined by the Board.

Appraisal of the Real Estate Securing the Loans Granted Before This By-law is Enacted

Interim Provision 1- If the value of the real estate securing the loans granted before this By-law is enacted has been appraised by means of an appraisal report prepared by an independent licensed appraiser and in accordance with the Board's relevant regulations and standards, it is assumed that the obligation stated in the fourth paragraph of Article 21 has been met. However, in cases where the appraiser is a staff member of the institution granting the loan, then he/she must be conducting the appraisal in an independent manner from other working staff authorised for the credit decision.

Validity

Article 37- This By-law shall become valid upon the date of publication.

Enforcement

Article 38- The clauses in this By-law shall be enforced by the Board.