

## **REGULATION ON PRINCIPLES REGARDING ESTABLISHMENT AND ACTIVITIES OF PENSION FUNDS**

**(Published in the Official Gazette edition 28586 on 13/03/2013)**

### **List of Amendments:**

1. Regulation Amending the Regulation on Principles Regarding the Establishment and Activities of Pension Funds published in the Official Gazette edition 29921 on 17.12.2016
2. Regulation Amending the Regulation on Principles Regarding the Establishment and Activities of Pension Funds published in the Official Gazette edition 30775 on 15.02.2019
3. Regulation Amending the Regulation on Principles Regarding the Establishment and Activities of Pension Funds published in the Official Gazette edition 31058 on 04.03.2020.
4. Regulation Amending the Regulation on Principles Regarding the Establishment and Activities of Pension Funds published in the Official Gazette edition 31343 on 23.12.2020.

### **Purpose**

**ARTICLE 1 – (1)** The purpose of this Regulation is to set down the principles regarding foundation and activities of pension funds.

### **Scope**

**ARTICLE 2 – (1)** This Regulation covers the types, establishment and organization structure of pension funds, principles of activities thereof, principles and procedures as to collection and investment of contributions in these funds, fund properties, custody of assets included in the fund portfolio, management of portfolio, principles of merger, transfer and transformation of funds, internal and external audit of funds, and principles and procedures in relation to public disclosure.

### **Grounds**

**ARTICLE 3 – (1)** This Regulation has been issued in reliance upon Article 26 of the Private Pension Saving and Investment System Law no. 4632 dated 28/3/2001.

### **Definitions**

**ARTICLE 4 – (1)** For the purposes and in the context of this Regulation:

- (a) **“Bank”** refers to deposit banks and participation banks;
- (b) **“Exchange”** refers to systems and marketplaces and foreign stock exchanges and other organized markets other than exchanges as further defined in subparagraph (ç) of first paragraph of Article 3 of the Capital Markets Law no. 6362 dated 6/12/2012);
- (c) **“Pension Mutual Fund”** or **“Fund”** refers to a property created by the Company for the purpose of investment, according to the risk diversification and fiduciary ownership principles, of the contributions collected by the Company within the frame of pension contract and posted to private pension accounts in the name of participants;

- (c) **“Prospectus”** refers to a public disclosure document containing all information required in order to enable the participants to make a conscious assessment with regard to properties of the fund the shares of which will be issued, as well as the rights and risks associated thereto;
- (d) **“Law”** refers to and stands for the Private Pension Saving and Investment System Law no. 4632 dated 28/3/2001;
- (e) **“PDP”** refers to and stands for the Public Disclosure Platform;
- (f) **“Participant”** refers to a natural person having the capacity to act, in the name and account of whom a private pension account is opened in the Company according to and under the pension contract;
- (g) **“Board”** refers to and stands for the Capital Markets Board; and
- (ğ) **“Undersecretariat”** refers to and stands for the Undersecretariat of Treasury;
- (h) **“Net asset value”** refers to total value calculated by adding cash and fund receivables to and subtracting fund payables from the portfolio value;
- (ı) **“Portfolio”** refers to all of the assets included in the fund, comprised of money and capital market instruments, precious metals and other investment means determined by the Board;
- (i) **“Portfolio value”** refers to the value found as a result of assessment of assets included in the fund portfolio within the frame of principles set forth in this Regulation;
- (j) **“Portfolio manager”** refers to the portfolio management company holding a portfolio management authorization certificate received from the Board and deemed fit and eligible by the Board;
- (k) **“Custodian”** refers to a custodian, deemed fit and eligible by the Board, and where the assets included in the fund portfolio are kept in custody;
- (l) **“System Regulation”** refers to the Regulation on Private Pension System, published in the Official Gazette edition 28462 on 9/11/2012;
- (m) **“Company”** refers to a private pension company established in accordance with the Law;
- (n) **“Takasbank”** refers to and stands for ISE Settlement and Custody Bank Inc.;
- (o) **“CBRT”** refers to and stands for the Central Bank of the Turkish Republic;
- (ö) **“TTRG”** refers to and stands for the Turkish Trade Registry Gazette.

### **Pension Fund**

**ARTICLE 5 – (1)** The fund is established permanently and does not have a separate legal entity. The fund may not be founded and used for purposes other than the purposes specifically stated in the Law.

(2) Pension fund is a capital market organization.

(3) Fund portfolio shall be composed of the following investment instruments and transactions:

- a) Time deposit and participation accounts;
- b) Debt instruments, repo and reverse repo transactions and partnership shares;
- c) Precious metals, and assets based on precious metals and real properties;
- ç) Derivative instrument transactions and warrants;
- d) (Amended: OG 17.12.2016 – 29921)** Takasbank money market transactions and domestic organized money market transactions;
- e) Investment fund participation shares and units;
- f) Cash collaterals and premiums for derivative instrument transactions executed in exchanges;
- g) Lease certificates;
- ğ) Other investment instruments determined by the Board.

### **Fund Types and Names**

**ARTICLE 6 – (1)** Funds may be founded, providing that their risk and yield structure and portfolio management strategy are clearly, accurately and completely specified in the prospectus and are deemed fit and eligible by the Board.

**(2)** Types of funds compatible with portfolio management strategies to be specified in the prospectus shall be determined by the Board in due consultation with the Undersecretariat.

**(3)** A fund the name which contains a phrase creating the impression that the fund is investing in a particular group of assets, or particular industry or industries, jurisdictions or geographical regions is required to hold fund assets at least 80% of which is comprised of:

- a) the subject group of assets or assets belonging to the subject industry or industries referred to in the name of the fund;
- b) assets which belong to the jurisdictions or geographical regions referred to in the fund name, and which can reflect the market structure and risks of the subject jurisdictions or geographical regions.

**(4)** Funds may further be founded in the form of a group pension fund the units of which are allocated to specific participants, persons or groups referred to in the pension contract.

**(5)** Group pension funds may be founded in the form of occupational funds or on the basis of certain professional groups or on the basis of industries, and providing that it is deemed fit by the Board, through allocation of fund units to certain persons or groups.

**(6)** In order for the objectives intended to be achieved as a result of application of portfolio management strategies of funds to be objectively defined, and for the purpose of measurement of performance of the fund in achievement of these objectives, a benchmarking criterion to be determined in accordance with the fund investment strategy must be specified in the prospectus and be published in PDP.

(7) In their commercial and legal transactions, funds are required to use the name of the company and the name of the fund to be determined in such manner to indicate the fund type selected in accordance with the fund's investment objectives pursuant to and under this Regulation, and the fund managers representing the fund are required to sign all documents and certificates relating to their activities under this name.

(8) Provided that it is specified in the prospectus of the fund and is deemed fit by the Board, a different name which ensures that the fund's risk and yield structure is accurately, clearly and fully understood may be used in such manner not to mislead investors in advertising and marketing activities.

(9) Where the fund is not managed in accordance with the portfolio management strategies, or the fund title or the fund name used in advertising and marketing activities misleads the participants, the Board may request the change of, or may ex officio change, the fund's portfolio management strategies, fund title, fund name or the benchmarking criterion used therein.

(10) Fund titles or names may not contain an explicit or implicit phrase which may lead to an understanding that the fund or the shares issued by the fund are covered by an official public assurance.

### **Fund Foundation Application**

**ARTICLE 7 – (1)** Funds shall be founded by the Company with prior permission of the Board. The Company is under obligation to apply to the Board for establishment of fund with a fund foundation application form issued in accordance with the standards specified by the Board, and documents referred to in the form, and fund internal bylaws. The Board shall initiate the examination process only upon submission to the Board of all of the documents required for application, or otherwise, applications shall not be taken into consideration. Additional documents and information that may be requested with regard to the application are required to be completed within the period of time specified by the Board. The Board may request submission of applications via electronic media.

(2) Fund foundation applications may be deemed fit and acceptable by the Board only if and when the Company has not lost its eligibility for foundation, and the custodian and the portfolio manager have been chosen and determined, and fund internal bylaws have been prepared in compliance with the Board's regulations, and all other conditions stipulated in the Law, this Regulation and other applicable laws and regulations have been satisfied.

### **Fund Internal Bylaws**

**ARTICLE 8 – (1)** Fund internal bylaws is an adhesion contract signed between the participant and the Company, custodian and portfolio manager, which contains the general conditions of processing with regard to custody of fund portfolio according to fiduciary ownership principles and management of fund portfolio according to provisions of attorney agreement. Principles and procedures regarding fund internal bylaws are determined and regulated by the Board in due consultation with the Undersecretariat.

### **Fund Foundation Permission, and Registration of Fund Internal Bylaws**

**ARTICLE 9 - (1)** Upon acceptance of an application by the Board, fund internal bylaws shall be registered in the trade registry of the city where head offices of the Company are located, and shall be announced in the Turkish Trade Registry Gazette and in PDP, within six business days following the date of receipt by the Company of the fund foundation permission issued by the Board. The copy of the relevant edition of TTRG shall be sent to the Board within six business days following the date of announcement. The foundation process is deemed completed upon registration of the fund internal bylaws as above.

### **Amendment of Fund Internal Bylaws**

**ARTICLE 10 – (1)** If the Company makes a request for amendment of the internal bylaws by also referring to the reasons thereof, a fund internal bylaws amendments request form issued in accordance with the principles and procedures to be determined by the Board must be filled in, and the information and documents referred to in the form must be submitted to the Board. Upon an application filed to the Board, whether the legal requirements are fulfilled and satisfied or not shall be examined within the frame of provisions of the Law, this Regulation and other applicable laws and regulations, and the fund internal bylaws, and amendments deemed fit and acceptable as above shall be registered to the trade registry, and announced in the Turkish Trade Registry Gazette and in PDP, within six business days following the date of receipt by the Company of the relevant letter of permission. The copy of TTRG shall be sent to the Board within six business days following the date of announcement.

**(2)** Announcements relating to matters which may affect the investment decision of participants and which are required to be notified in advance shall also be published in PDP separately, and the effective date of such new matters shall be stated in announcements in advance, not being less than ten business days.

**(3)** If it is concluded that certain acts which are contrary to the Law, this Regulation and other applicable laws and regulations are performed, and adequate statements are not published for public disclosure purposes, then, the proposed amendments in internal bylaws shall not be permitted by referring to the reasons thereof.

### **Minimum Initial Fund Amount, Allocation of Advances, and Funds That May Be Included in Pension Plans**

**ARTICLE 11 – (1)** Pursuant to and under the Law, each Company is required to found at least three separate funds having a different portfolio management strategy, other than group pension mutual funds.

**(2)** Initial amount of each of these three funds required to be established may not be less than one-twentieth of the paid capital of the Company. However, the initial fund amount for each new fund of the Company to be founded in addition to these three separate funds shall be determined by the Company itself. Separately for each of these three funds required to be founded as above, immediately following foundation of the funds, an advance not being less than one-twentieth of the paid capital of the Company is required to be allocated. If it is wished

to allocate an advance to each fund to be founded in addition to the said minimum three funds, the amount of such advance shall be determined freely by the Company.

(3) In due consultation with the Undersecretariat, the Company may include funds founded by other companies, in addition to funds founded by itself, to the pension plans to be offered to participants.

### **Fund Committee**

**ARTICLE 12 – (1)** For the purpose of following-up and reporting of transactions relating to the fund it has founded, the Company shall appoint a fund committee, comprised of at least three members, by a decision of board of directors of the Company. Any person from outside the Company may also be appointed as a member of the fund committee.

(2) Fund committee may be appointed separately for each fund, or a single fund committee may be established for several funds.

(3) Members of the fund committee are required to satisfy the following conditions:

a) Majority of members must hold graduate degrees from universities offering four-years of education, and must have a minimum past experience of five years in capital markets, banking, private pension or insurance fields;

b) They must satisfy all requirements, with the exception of financial power, specified in first paragraph of Article 44 of the Law no. 6362.

(4) Members of board of directors of the Company, if they satisfy the conditions and bear the qualifications specified for fund committee members in this Regulation, may also be appointed as a member of fund committee.

### **Duties of Fund Committee**

**ARTICLE 13 – (1)** The fund committee is under obligation to perform the following duties and functions:

a) To conduct fund activities and operations regularly, effectively and efficiently in accordance with the Company's general management strategies and policies and within the frame of the principles set forth in the relevant applicable laws and fund internal bylaws and prospectus;

b) To keep the fund's accounting, documentation and recording system regularly;

c) To prepare contracts to be entered into in the name of the fund in strict compliance with the applicable laws and regulations;

ç) To value the fund portfolio in accordance with the applicable laws and to calculate the unit share value accurately;

d) To prepare and issue financial statements and reports regarding the fund;

e) To monitor fund performance;

- f)** To keep participants informed about amendments required to be made to fund internal bylaws and prospectus as a requirement of applicable laws or upon demand of the Company, within the periods of time stipulated in relevant regulations;
- g)** To prepare public disclosure documents in accordance with applicable laws and regulations;
- g̃)** To prepare and issue reports relating to the fund's activities as further specified in Article 32 hereof;
- h)** To take decisions as to emergencies specified under Article 27 hereof;
- i)** To create an internal control system;
- i)** To perform other duties as determined by a decision of the board of directors of the Company.

**ARTICLE 14 – (1)** Internal control system is comprised of principles and procedures applied in order to ensure that the fund's activities are performed effectively and efficiently, and the information on financial and administrative issues is reliable and accessible in a timely manner, and fund activities are carried out in accordance with applicable legislation, pension contract, fund internal bylaws and prospectus, and the probable frauds, errors and corruptions are prevented and detected, and the accounting records are kept accurately and completely, and the financial data and information are prepared accurately, reliably and timely.

**(2)** All procedures and principles relating to the Company's fund internal control system shall be documented in writing, and be made the subject matter of a decision of the fund committee.

**(3)** Internal control principles and procedures shall be created and formulated in such manner to assure at least:

- a)** that the fund's activities are conducted in accordance with applicable legislation, the objectives and fields of business of the Company, the fund internal bylaws and prospectus;
- b)** that transactions performed in the name of the fund are carried out in reliance upon general and special powers, and in accordance with contracts, and that all documents required for fund transactions are issued;
- c)** that the fund's accounting, documentation and recording system is operated and run effectively;
- ç)** that risks are identified and required precautions are taken in order to minimize risks arising out of frauds and errors;
- d)** that whether or not transactions performed by the fund personnel in their own name may lead to a conflict of interests with the fund is determined;
- e)** that whether or not fund expenditures are documented and are in line with current market rates;

f) that whether or not valuation of fund portfolio, the determination of fund unit share value, and the fund portfolio ratios are compliant with the applicable laws and regulations, the fund internal bylaws and prospectus is checked.

(4) Whether or not the fund's activities are conducted in accordance with the internal control principles and procedures shall be audited by the fund auditors. To this end, the Company shall appoint at least one fund auditor having the qualifications listed in third paragraph of Article 12 hereof. The Company auditor may also perform the internal control functions, providing that they fulfil necessary qualifications.

(5) Reports containing the findings and results of audit shall be submitted to the Company's board of directors and fund committee within no later than three months following the end of each calendar year, and said committees shall document having been informed of such reports in a decision. These reports are required to be kept in the Company for at least five years.

(6) If the fund auditor detects any incident which weakens the financial situation of the fund or leads to extraordinary results, he shall submit his audit report to the Company's board of directors as soon as possible, and send a copy of the report to the Board in the same day.

### **Risk Management System**

**ARTICLE 15 – (1)** Funds intending to be involved in derivative instrument transactions are under obligation to establish a risk management system and to document the relevant procedures in writing.

(2) Risk management system is required to cover the identification of basic risks that may be encountered by the fund, the review of risk definitions regularly, their updating in line with material developments, and the development of a risk measurement mechanism enabling the consistent assessment of risk exposures.

(3) The unit for risk management may be established within the organization of the Company, or risk management services may be outsourced. However, in any case, the unit for risk management services is required to be independent from the unit responsible for management of fund portfolio. Staff of the unit for risk management are liable to hold a Capital Market Activities Advanced Level License and a Derivative Instruments License.

(4) Reports issued by the auditor as to adequacy of risk management system shall be submitted to the Company's board of directors and fund committee within no later than three months following the end of each calendar year, and said committees shall document having been informed of such reports in a decision. These reports are required to be kept in the Company for at least five years.

### **Application for Registration of Fund Shares**

**ARTICLE 16 – (1)** For the first three funds founded by itself, the Company is under obligation to file an application to the Board together with a registration application form, a prospectus and other documents listed in the form within six months following the date of receipt by the Company of the letter of permission for foundation of the fund. If an application is not filed to the Board within this period of time, the fund internal bylaws shall be removed by the Company



from the trade registry, and the relevant documents shall be sent to the Board within six business days following the date of removal.

**(2)** Following registration by the Board of the initial three funds required to be founded pursuant to the Law, the Company shall file a joint application for foundation and registration of other subsequent funds. Applications for foundation and registration of these funds shall be assessed and concluded collectively. Applications for registration of fund units shall be deemed eligible for assessment only if and when:

**a)** fund internal bylaws are registered in the trade registry of the city where the head offices of the Company are located and are announced in the Turkish Trade Registry Gazette and in PDP;

**b)** adequate spaces, technical equipment and organization are provided, fund service unit and fund committee are organized, an internal audit system covering internal control and risk management is duly established, appropriate duties and responsibilities of the staff corresponding thereto are determined, and all information and documents required in connection therewith are prepared;

**c)** accounting, documentation and recording systems required for the fund and its participants, as well as a technical infrastructure needed for regular work flow and communications are established;

**ç)** a portfolio management agreement is signed with at least one portfolio manager, and a custody services agreement is signed with the custodian;

**d)** the Company must not have lost its eligibility for foundation as specified in the Law;

**e)** the prospectus is prepared with details as stipulated by the applicable legislation pertaining to the fund, and in such manner to clearly put forth the information related to the fund, and in accordance with the principles determined by the Board.

**(3)** The Board initiates an examination on application upon submission of all of the required documents. Additional information and documents that may be requested in connection with the application are required to be completed by the end of the period determined by the Board. The Board may request applications to be made via electronic media.

**(4)** The Board shall examine and review applications within the frame of public disclosure principles by taking into consideration whether or not the prospectus contains the principles determined by this Regulation, relevant applicable legislation, and the Board.

**(5)** If an application is found acceptable, the number of shares shown in the fund internal bylaws shall be registered by the Board, and the prospectus shall be approved by the Board. The Board-approved prospectus is required to be registered in the trade registry, and announced in TTRG and PDP, within fifteen business days following the date of receipt thereof by the Company.

(6) As a result of its assessment, the Board may refrain from registration of fund units being the subject matter of application, by referring to the reasons thereof. Registration by the Board may not be construed as an official guarantee, and may not be used for advertisement purposes.

(7) Changes in the information declared in the prospectus, and new developments and issues are required to be reported by the Company to the Board.

(8) Changes and new developments and issues may not be disclosed to participants and may not be implemented by effecting an amendment in the prospectus, without prior consent of the Board. Following receipt of an approval from the Board, the amendments in the prospectus shall be registered in the trade registry, and announced in TTRG and PDP, within six business days following the date of receipt of the approval by the Company. Copy of the relevant edition of TTRG shall be sent to the Board within six business days following the date of announcement.

(9) Announcements relating to matters which may affect investment decision of participants and which are required to be notified in advance shall also be published in PDP separately, and the effective date of such new matters shall be stated in the announcements in advance, not being less than ten business days.

(10) If deemed fit by the Board, different notification and announcement principles may be determined and applied by taking into consideration the number of fund participations and the mass of participants.

### **Increase of Number of Units, and Registration of Fund Units Representing the Increase**

**ARTICLE 17 – (1)** If it is intended to increase the number of units specified in the fund internal bylaws, the Company is under obligation to file an application to the Board together with a registration application form for increased shares prepared in accordance with the principles determined by the Board, and with the documents listed in attachment thereof, demanding approval of the text of amendments proposed in the relevant article of the fund internal bylaws referring to the new number of shares, and of the prospectus prepared so as to refer to the new number of shares, and registration of the increased shares by the Board.

(2) Upon approval of the application by the Board, the texts of amendments in fund internal bylaws and prospectus shall be approved by the Board, and the increased number of shares shall be registered by the Board. Following registration, internal bylaws amendments text and the prospectus shall be registered in the trade registry of the city where head offices of the Company are located, and shall be announced in the Turkish Trade Registry Gazette and in PDP, within six business days following the date of receipt of the letter of permission by the Company. The copy of the relevant edition of TTRG shall be sent to the Board within six business days following the date of announcement.

(3) Applications shall be examined and concluded under principles set down in Article 16.

### **Principles as to Fund Properties**

**ARTICLE 18 – (1)** Fund properties may not be used for any purpose other than performance of obligations of the Company arising out of the Law, pension contract, fund internal bylaws

and other applicable legislation. Fund properties may not be pledged, and may not be shown as a guarantee except for transactions relating to the portfolio itself, and may not be attached by application of third parties, and may not be included in a bankruptcy estate.

### **Expenditures That Can Be Paid Out of Fund Properties**

**ARTICLE 19 – (1)** No expenditures may be made out of fund properties with the exception of fund management expenses to be paid to the pension company with regard to management of fund portfolio, the following fees and charges:

- a) Board registration fee;
- b) Registration and announcement expenses required to be made pursuant to the laws following foundation of the fund;
- c) Transfer costs of portfolio assets or documents and certificates representing them, or transfer insurance fees and premiums;
- ç) Fees and charges paid in consideration of the service of custody of portfolio assets;
- d) Fees and charges paid in liquidation and transfer of assets;
- e) Interests paid over credit facilities borrowed;
- f) Commissions paid over purchases for and sales from the fund portfolio;
- g) Taxes and duties payable by the fund;
- ğ) Audit fees payable to independent audit firms;
- h) Other expenditures to be deemed fit by the Board.

(2) Expenditures are required to be documented. Expenditures above -current market rates may not be made out of the fund properties.

(3) Total expense deduction to be made out of the fund shall be determined in the fund internal bylaws up to the maximum rates specified in the System Regulation. Whether or not the yearly rate corresponding to the daily deduction rate determined in the fund internal bylaws is exceeded shall be checked by the Company at the end of each calendar year. This control shall be effected according to the yearly deduction rate referred to in the fund internal bylaws and the daily average fund net asset value calculated for that year. If the control effected at the end of each period by the Company reveals that the rates specified in the fund internal bylaws are exceeded, the amount in excess will be refunded by the Company to the fund within five business days following the end of the relevant period.

(4) If fund units are offered to public for the first time or the fund is liquidated, the controls mentioned in the third paragraph hereof shall be effected by taking into consideration the number of days when the fund units were offered for sale.

(5) Maximum fund total expense deduction rate specified in the fund internal bylaws, and actual fund total expense deduction rate realized as of the end of the calendar year, and if any,

amount of refund shall be announced and published in PDP within six business days following the end of the relevant period.

(6) Amount and rate of share of the portfolio manager in total expenses of the relevant fund, and distribution of fund total expense deductions arranged in the format set forth by the Board shall be announced and published in PDP within six business days following the end of the calendar year.

### **Fund Portfolio Management**

**ARTICLE 20 – (1)** Fund portfolio shall be managed by portfolio managers. Portfolio managers are under obligation to manage the fund portfolio in accordance with the provisions of the Law, the Law no. 6362, fund internal bylaws, pension contract, prospectus, portfolio management agreement and other related legislation. Principles regarding portfolio management services to be received shall be determined within the frame of the portfolio management agreement to be signed between the company and the portfolio managers in connection therewith. Portfolio management agreement shall be prepared in accordance with the pertinent regulations of the Board. A copy of this agreement shall be sent to the Board by no later than fifteen business days prior to the effective date thereof. Portfolio management agreements are required to be in compliance with the minimum rules to be determined by the Board.

(2) An agreement may be signed with more than one portfolio manager for management of fund portfolio. Portfolio manager may also enter into contract with another portfolio manager. In this case, it is required to receive a prior consent of the company, and the liability of portfolio manager with regard to portfolio management continues and remains in effect.

(3) If the party entering into contract with the portfolio manager is operating in a foreign country, a copy of the certificate evidencing that the portfolio manager is authorized by the relevant authority in its home country for portfolio management activities and operations, and a copy of the agreement signed with it are required to be sent to the Board by no later than fifteen business days prior to the effective date thereof.

(4) If and when portfolio managers fail to show the required diligence and prudence in fund management, and act in contradiction with principles of the Board pertaining to portfolio management, and their financial structure is detected to have weakened, and the authorization of the contractual counterparty of portfolio manager to conduct activities in the relevant foreign country is cancelled, the company may terminate portfolio management agreement, and enter into a portfolio management agreement with other portfolio managers deemed fit by the Board. In the presence of the conditions set forth in this paragraph, the Board may also demand replacement of portfolio managers.

(5) **(Amended: OG 15.05.2019 – 30775)** The Board is authorized to determine procedures and principles in relation to the assessment of fund performance and the implementation of incentives or measures with regard to portfolio managers as a result of such assessment in consultation with the Ministry of Treasury and Finance.

## **Principles Regarding Fund Portfolio Management**

**ARTICLE 21 – (1)** Portfolio manager is under obligation to comply with the following principles in fund management:

- a)** In the course of management of fund portfolio, portfolio manager is under obligation to take the risk diversification, liquidity and yield factors into consideration, to act in compliance with the fund's portfolio management strategy and investment restrictions, and to comply with the principles set forth in fund internal bylaws, prospectus, portfolio management agreement and related legislation.
- b)** Portfolio manager is under obligation to separately protect the interests of each fund it manages. Portfolio manager may not discriminate between funds under its management or its other customers, and may not take actions in the interests of any one of its customers and funds, and to the detriment of others.
- c)** In its investment decisions regarding fund portfolio, portfolio manager is under obligation to rely upon objective information and documents, and to comply with investment principles determined by the agreement. Both such information and documents, and researches, studies and reports underlying the portfolio management strategies are required to be kept for a minimum period of ten years.
- ç)** Portfolio manager is obliged to trade the assets listed and traded in the exchange through the exchange, and to ensure for purchase and sale transactions for the fund portfolio that the transacting intermediary institution trades in the exchange by using the fund code representing the fund.
- d)** Portfolio manager is liable to separately monitor transactions effected with the fund in the name of other customers.
- e)** Assets may not be purchased for the fund portfolio at a price in excess of current market rates, and assets may not be sold out of the fund portfolio at a price below the said value.
- f)** Portfolio manager may by no means transact in fund portfolio in its own interests or in interests of third parties. Portfolio manager is under obligation to show required diligence and prudence in its transactions to be effected in the name of the fund.
- g)** A written or verbal representation or warranty that the fund portfolio will provide a certain predetermined yield may not be provided.
- ğ)** In its transactions in the fund portfolio, the portfolio manager is required to carry out transactions under the best conditions in terms of timing and pricing, by taking into account the size of transaction, price of assets bought, current market conditions, commission rates, and past experience, financial situation and market reputation of intermediary institution employed therein.
- h)** Company, fund committee members, portfolio manager, custodian, and other persons who may acquire information about management of funds due to their profession or in the course of performance of their duties may not disclose such information to third parties, and may not

directly or indirectly use such information in their own interests or in the interests of third parties or in order to cause harm to third parties. This obligation survives the resignation or retirement of these persons from their jobs.

### **Principles on Portfolio Restrictions**

**ARTICLE 22 – (1)** The following portfolio restrictions are required to be complied with in fund management:

**a)** More than 10% of fund portfolio may not be invested in money and capital market instruments of an issuer. Furthermore, total amount of money and capital market instruments of the same issuer in which more than 5% of fund portfolio is invested may not exceed 40% of fund portfolio. For capital market instruments issued by asset leasing companies, the 10% restriction mentioned in the first sentence of this subparagraph shall be applied as 25%, and the restriction mentioned in the second sentence hereof shall be inapplicable. On the other hand, restrictions set forth in this subparagraph shall not be applied for capital market instruments issued by CBRT or the Undersecretariat or asset leasing companies established and founded within the frame of provisions of the Law on Arrangement of Public Finance and Debt Management no. 4749 dated 28/3/2002.

**b)** As a principle assets traded in the exchange should be included in the fund portfolio. Private sector debt instruments not traded in the exchange may be included in the fund portfolio up to 10% of fund portfolio value. Funds investing in private sector debt instruments not traded in the exchange should, at the investment stage, enter into an agreement with the company or an intermediary institution in order to ensure that the private sector debt instruments included in their portfolio are liquidated if and when required. Furthermore, money and capital market instruments may be purchased also out of initial public offerings, providing that they are traded in the exchange.

**c)** Fund may not alone own and hold 5% or more of capital shares or voting rights in any corporation, and funds founded by a company may not collectively own and hold more than 20% of capital shares or voting rights in any corporation.

**ç)** Maximum 20% of fund portfolio may be invested in capital market instruments issued by venture capital investment trusts and in units of venture capital investment funds. Restrictions mentioned in subparagraph (c) shall not be taken into account for investments made in venture capital investment trusts. Amount of investment made in a single venture capital investment fund may not exceed 5% of fund portfolio.

**d)** Money and capital market instruments of the company and the portfolio manager may not be included in fund portfolio.

**e)** Total amount of money and capital market instruments issued by corporations more than 20% of capital shares of which is owned and held individually or collectively by:

- 1) Shareholders holding more than 10% of capital shares of,
- 2) President and members of board of directors of,

**3) General manager and deputy general managers of**

the company and portfolio manager, or by direct and indirect subsidiaries of company and portfolio manager may not exceed 30% of fund portfolio.

**f)** Maximum 30% of fund portfolio may be invested in money and capital market instruments of a group of companies. The term “group of companies” refers to a group comprised of a parent company and its affiliated companies, which are legally independent from each other, but are nevertheless affiliated to each other in terms of capital, management and audit, and where the organization and financing issues are coordinated from a single center under the roof of a parent corporation, whether they are active and operating in the same industry in terms of fields of business or not.

**g) (Amended: OG 17.12.2016 – 29921)** Maximum 10% of fund portfolio may be invested in the Takasbank Money Market and domestic organized money market transactions

**ğ) (Amended: OG 04.03.2020 – 31058)** Maximum 20% of fund portfolio may be invested in units of investment funds and foreign investment funds registered by the Board and maximum 10% may be invested in exchange traded funds traded in foreign exchanges. Mentioned restrictions shall not be applicable to investments in units of exchange traded funds established in Turkey. However, amount of investments made in the units of a single investment fund, exchange traded fund traded in foreign exchanges and foreign investment fund shall not exceed 4% of portfolio value, whereas amount of investment in the units of a single exchange traded fund established in Turkey shall not exceed 20% of portfolio value. The requirement of Board approval of prospectus shall not be applicable to exchange traded funds traded in foreign exchanges. Entry, exit or early exit commissions may not be paid to investment funds the units of which are included in the fund portfolio. Investment fund/exchange traded fund units included in fund portfolios shall not be taken into account in performing checks of restrictions in relation to issuers under subparagraph (a) of this paragraph.

**h)** Maximum 25% of fund portfolio may be invested in deposit / participation accounts to be opened in banks. However, the amount that may be held in a single bank may not exceed 6% of fund portfolio. The provisions of third paragraph of Article 6 are, however, reserved.

**ı)** Funds may not be represented in the management of corporations the shares of which they purchase.

**i)** Total amount of investments made in covered and corporate warrants may not exceed 15% of fund portfolio. Furthermore, covered and corporate warrants issued in reliance upon the same asset may not exceed 10% of fund portfolio, and total sum of covered and corporate warrants issued by a single issuer may not exceed 5% of fund portfolio. In calculation of open position of the fund, warrants shall be netted against the reverse positions taken in contracts relying upon the same asset in derivative instrument transactions executed in the exchange.

**j)** Only those foreign money and capital market instruments expressing indebtedness which have already been rated may be included in fund portfolio. In purchasing foreign debt instruments or of money and capital market instruments based on these instruments for the fund portfolio, within the frame of rating criteria of the rating agency, the relevant debt instrument

is required to have been rated in such manner to warrant that it provides an adequate protection and is investment grade, in terms of such factors as nature and description of debt structure, its sensitivity towards changes in market, and risk of non-payment of risk. Documents and certificates determining the rating of the relevant instrument shall be kept in the fund.

**k) (Additional paragraph: OG 23.12.2020 – 31343)** Limitations specified in sub-paragraphs (a) and (f) shall not be applicable to capital market instruments issued by mortgage finance companies, as well as mortgage based securities issued by housing finance funds, and asset based securities issued by asset finance funds against receivables from consumer loans held in their portfolios, where a mortgage finance company is founder. However, investments in each asset under this sub-paragraph shall not exceed 35% of fund portfolio value.

**l) (Additional paragraph: OG 23.12.2020 – 31343)** At the time of acquiring asset or mortgage based securities in to the fund portfolio, a credit rating must have been achieved at the first three levels within the credit rating corresponding to investment grade assigned by credit rating agencies authorized to assign ratings under the relevant regulations of the Board. In principle, the relevant credit rating must not fall below investment grade in the process following investment. In cases where the credit rating of related instruments falls below investment grade, relevant transactions must be conducted by the company and/or portfolio manager, in order to remove such instruments from the fund portfolio with due consideration of the interests of participants.

**(2)** In the event that the value of assets in the portfolio falls below the minimum limits or exceeds the maximum limits set down in fund internal bylaws, prospectus and this Regulation due to price movements and exercise of pre-emptive rights, then the rate should be brought back to the limits set down in this Regulation, fund internal bylaws and prospectus within no later than thirty business days. If their disposal within the period of time stated in the preceding sentence is impossible or will cause damages, then this period of time may be extended by the Board.

**(3)** If the rate of assets in the portfolio falls below the minimum limits or exceeds the maximum limits set down in fund internal bylaws, prospectus and this Regulation due to clearing receivables or clearing payables of funds, then the rate is required to be brought back to the limits set down in this Regulation, fund internal bylaws and prospectus by no later than the end of clearing period.

**(4)** In relation to index funds, restrictions set forth in subparagraphs (a), (c), (d), (e) and (f) of the first paragraph shall be inapplicable if the relevant securities are included in the base index. However, in any case, the amount invested in money and capital market instruments of an issuer may not exceed 20% of fund portfolio, with the exception of government domestic and foreign debt instruments.

### **Other Transactions Regarding Funds**

**ARTICLE 23 – (1)** Funds may not hold cash funds in an amount in excess of the amount needed for daily operations. With a view to meeting the cash requirements and needs arising upon return of fund units, repo transactions may be effected in the exchange or in over-the-



counter markets of up to 10% of current market rates of money and capital market instruments that may be the subject matter of a repo transaction included in fund portfolios, and credit facilities may be borrowed in the name and account of the fund up to 10% of fund assets. In this case, it is required to make disclosures in PDP about the amount of credit facility borrowed, rate of interest, date of borrowing, and date of repayment. Loan interests may not be paid in excess of the current market rates.

(2) Reverse repo contracts may be included in fund portfolio from the exchange or over-the-counter markets. Funds other than money market funds may invest in reverse repo transactions only up to maximum 10% of fund portfolio. Counterparty of reverse repo contracts entered into in over-the-counter markets is required to bear the qualifications determined by the Board. Assets of reverse repo purchased from the counterparty within the frame of reverse repo contract entered into in over-the-counter markets are required to be kept in an account opened in Takasbank in the name of fund.

(3) If and when repo and reverse repo transactions are entered into in over-the-counter markets, a disclosure is required to be made in PDP about the asset covered by the contract, maturity of contract, rate of interest, and counterparty thereof in no later than the business day immediately after the date of contract. In these transactions, the determination of rate of interest by taking into consideration the rates of interest applied in contracts traded in the exchange and having a similar maturity structure is under the responsibility of the fund committee. Information and documents pertaining to the said transactions will further be kept separately in the head offices of the company for a period of five years following the date of contract.

(4) External debt instruments traded in the exchange may be included in or excluded from the fund portfolio through transactions effected in the over-the-counter markets.

(5) Within the frame of a contract to be signed pursuant to the pertinent regulations of the Board, the fund may at any time lend money and capital market instruments up to maximum 50% of fund portfolio, or borrow money and capital market instruments up to maximum 10% of fund portfolio, and engage in short selling transactions limited by the rate of borrowing thereof. Borrowing transactions shall be effected for a maximum period of ninety business days. Lending from fund portfolio may be effected, subject to the condition of freezing in Takasbank in the name of fund of a guarantee that may be comprised of cash funds or government domestic debt instruments against at least 100% of the lent money and capital market instruments. If the amount of guarantee falls below 80% of market value of the lent money and capital market instruments, the portfolio manager shall issue a margin call. Lending and borrowing contracts entered into by the fund are required to contain a clause stating that the contract may be terminated unilaterally in favor of the fund.

(6) Within the frame of a contract to be signed pursuant to the pertinent regulations of the Board, the fund may lend precious metals in an amount up to maximum 50% of the current market rates for precious metals included in its portfolio in exchanges established in Turkey. Furthermore, the fund may include in its portfolio at the same rate the certificates issued to represent the lending receivables against the lending transactions executed in the market, and may exclude certificates included in its portfolio by selling them out in the market. Precious

metals lending transactions and precious metals lending certificate trading transactions shall be executed within the frame of the trading principles and the guarantee system in the said market.

(7) Derivative instruments may be included in fund portfolio for hedging and/or investment purposes in accordance with the fund's investment strategy. Amount of open positions exposed due to derivative instruments included in the portfolio may not exceed the fund's net asset value.

### **Special Provisions Regarding Fund of Funds Pension Funds**

**ARTICLE 24 - (1)** Fund of funds pension fund refers to a pension fund at least 80% of fund portfolio of which is comprised of units of investment funds and exchange traded funds.

(2) The following provisions are required to be complied with for a fund of funds pension fund:

- a) Value of units of a single investment fund may not exceed 20% of fund portfolio.
- b) Investments may not be made in funds of funds.
- c) Value of investment fund units or exchange traded investment fund units included in fund portfolio may not exceed 20% of total number of units of the fund issuing these shares.
- ç) Only units of funds registered by the Board are essentially required to be included in fund portfolio. Units of exchange traded funds traded in foreign exchanges may be included in fund portfolio, regardless of being registered by the Board or not.

(3) In fund of funds pension funds, total sum of management fees paid for investment funds to be included in the portfolio, and of annual total expense rate of the fund of funds pension fund may not exceed the maximum annual fund total expense rate specified for fund of funds pension funds in Annex-2 of the Systems Regulation plus 1% thereof.

(4) The provisions of Articles 22 and 23 are applicable on other matters relating to portfolio restrictions and transactions.

### **Special Provisions with Respect to Funds Where Contributions of Participants Included in the Private Pension System through Their Employers under Additional Article 2 and Transitional Article 2 of the Law May Be Invested**

**Article 24/A – (Added: OG 17.12.2016 – 29921)** (1) In cases where interest-free investment instruments are requested by or on behalf of participants included in the private pension system through their employers, the fund portfolio where contributions will be transferred for investment for a period to be determined under regulations of the Undersecretariat including the two-month withdrawal period, may be comprised entirely of participation accounts. However, the amount that may be invested in a single bank for such fund shall not exceed 35% of the fund portfolio.

(2) Portfolios of funds where contributions are transferred for investment by or on behalf of participants not covered by the first paragraph for a period to be determined under regulations of the Undersecretariat including the two-month withdrawal period, may be comprised entirely

of time deposit/participation accounts. However, the amount that may be invested in a single bank for such fund shall not exceed 10% of the fund portfolio.

(3) With respect to standard pension funds where contributions will be transferred by or on behalf of participants requesting their contributions to be invested in interest-free investment instruments, maximum 40% of the fund portfolio may be invested in participation accounts. However, the amount that may be invested in a single bank shall not exceed 15% of the fund portfolio.

(4) With respect to standard pension funds where contributions will be transferred by or on behalf of participants not covered by the third paragraph, maximum 40% of the fund portfolio may be invested in time deposit/participation accounts. However, the amount that may be invested in a single bank shall not exceed 6% of the fund portfolio.

(5) Without prejudice to regulations specific to such funds, provisions of Article 22 and 23 shall be applicable with respect to portfolio restrictions and transactions.

### **Principles of Valuation**

**ARTICLE 25 – (1)** Assets included in fund portfolio shall be valued according to the following principles:

- a) Assets included in the portfolio shall be recorded over their purchasing prices.
  - b) Starting from the date of purchase, out of the portfolio assets:
    - 1) The assets traded in the exchange shall be valued over the most recent trading session weighted average price occurring in the exchange at the date of appraisal. Closing prices shall be used in the valuation of assets traded in markets that have a closing session.
    - 2) Shares which are traded in the exchange, but are not subject to any trading in the exchange at the valuation date shall be valued over exchange prices valid as of the date of last trading thereof, while debt instruments and repo and reverse repo transactions shall be valued over the internal rate of return valid as of the date of last trading thereof (i.e. rate of discount balancing daily cash inflows against cash outflows).
  - c) Investment fund units shall be valued over their most recently disclosed prices as of the date of appraisal.
  - ç) Time deposits in the portfolio shall be valued by adding interest accrued by compound interest rate to the principal.
  - d) Assets in foreign currencies shall be valued over the foreign exchange buying rate determined for the relevant foreign currency by CBRT, while liabilities in foreign currencies shall be valued over the foreign exchange selling rate determined for the relevant foreign currency by CBRT.
- (2) Out of the assets included in portfolio of index funds, assets covered by the base index shall be valued within the frame of the principles used in calculation of the index, while other assets shall be valued within the frame of the principles set forth in the first paragraph.

(3) Principles regarding valuation of money and capital market instruments and transactions and foreign debt instruments, other than those specified in this Article, shall be determined and documented in writing by the fund committee as specified in Article 12 in such manner to reflect the market price in the most accurate manner.

#### **Calculation of Value of Fund Units, and Principles of Transactions:**

**ARTICLE 26 – (1)** Fund units shall be transferred to the participant's private pension account, provided that the value they represented is paid fully in cash. Unit value of fund units is calculated by dividing the net asset value by the number of units in circulation.

(2) In the case of fractions in calculation of the number of shares, the number of shares shall be calculated by considering its portion up to three digits.

(3) Principles regarding the purchase of units and the return of units to the fund shall be determined in the prospectus, and the unit value calculated according to the specified principles shall be announced to participants in the first business day immediately thereafter.

(4) Unit price to be applied in execution of fund unit purchasing and return transactions shall be the unit price to be found in the first calculation following the date of transfer of the contribution payment to the participant's account in the case of purchase of units, or the unit price to be found in the first calculation following the date of instruction in the case of return of shares. The Board may bring an exception to this principle, depending on the types of funds.

(5) In the course of return of fund units to the fund, the company is under obligation to take actions required for performance of the transaction as soon as possible by taking into account periods required for the liquidation of units of relevant funds without allowing the savings of participant to remain idle.

(6) Under the roof of the same fund, different groups of units may be created by separating fund operating expenses. If groups of units are created, the fund operating expense differences are required to be refunded to participants holding units with low-rate fund operating expenses. Fund prospectuses are required to cover the procedures and principles relating to evaluation of fund operating expense differences refunded to the participant accounts.

(7) The Board is authorized to determine the principles and standards relating to public disclosures by the funds creating groups of units.

(8) The Board may, in due consultation with the Undersecretariat and CBRT, permit the trading of units of funds in foreign currencies the daily trading exchange rates of which are announced and published by CBRT.

#### **Emergencies**

**ARTICLE 27 – (1)** Upon occurrence of emergencies such as war, natural disasters, economic crisis, collapse of communication systems, closure of the market, marketplace and platform to which the portfolio assets are related, failures and breakdowns in computer systems, and emergence of a material information that may affect the financial situation of the company, the fund committee may take decisions on determination of valuation principles. In this case, the

valuation principles, together with the justification thereof, are required to be inserted in the resolution book, and to be notified to the Board and the custodian.

(2) Upon occurrence of any one of the emergencies mentioned in the first paragraph, the unit values may not be calculated, and the trading of fund units may be suspended or stopped or the trading demands may only be met partially within the frame of principles determined by the fund committee until termination of such events, providing that the event is notified to the custodian, the Board and the Undersecretariat by the fastest communication means and is announced in PDP by a decision of the fund committee.

### **Custodian, and Custody of Assets in Fund Portfolio**

**ARTICLE 28 – (1)** Money and capital market instruments, precious metals and other assets for which Takasbank provides custody services shall be kept in custody in Takasbank in the name of the fund. For keeping of other assets in custody, custody services may be outsourced to another custodian, providing that Takasbank is duly informed about the assets kept in custody outside and their values and prices, or Takasbank is granted access to such information, and the relevant custodian is named in the fund internal bylaws.

### **Duties of Custodian**

**ARTICLE 29 – (1)** It is required to ensure that an agreement is signed between the custodian and the company for the purpose of custody of fund assets and of record-keeping relating to participants. Pursuant to this agreement, custodian shall be entrusted with the following tasks:

- a) Custody of fund assets;
- b) Providing and controlling the environment required for settlement of asset trading transactions in the name of the fund;
- c) Keeping fund units on the basis of participants, and enabling participants to monitor on the basis of funds the amount of contributions to be directed to investment in fund accounts and the number of units corresponding thereto;
- ç) Checking whether the fund portfolio is managed within the frame of the principles to be determined by the Board or not;
- d) Checking whether the portfolio value and the unit value are calculated within the frame of valuation principles set forth in this Regulation or not;
- e) Checking whether the number of shares is calculated accurately in the transfer to the fund of the participants' contributions as advised by the Company and as will be directed to investments in fund accounts or not;
- f) Control of payment and transfer transactions to be made from the fund account;
- g) Intermediation in use of the rights on securities included in the fund portfolio in line with instructions of the portfolio management company;
- ğ) Enabling the Company and the portfolio management company to monitor and trace fund-related information, and providing them with the required reports, via electronic media;

**h)** Providing via electronic media all kinds of information that may be requested by the Board and the Undersecretariat with respect to fund transactions and assets.

**(2)** The custodian shall check whether the fund portfolio is in compliance with the principles set down in subparagraphs (ç) and (d) of first paragraph hereof, and if any nonconformity is detected, it shall keep the company informed thereof in order to assure that the required measures are implemented in connection therewith. If the company fails to implement required measures, the aforementioned finding shall be advised by the custodian to the Board through the fastest means of communication.

**(3)** The Board is authorized to determine the principles of implementation relating to the duties of the custodian.

### **Liabilities of Company in Valuation of Fund Assets, Compliance with Portfolio Limits, and Calculation of Unit Value**

**ARTICLE 30 – (1)** The company is under obligation to keep the custodian informed about the information relied upon in calculation of fund portfolio value and net asset value, and about the payments made out of the accounts kept outside the custodian.

**(2)** If the unit share is miscalculated, the company will be liable to indemnify the resulting damages and losses.

### **Operation of Custody Accounts**

**ARTICLE 31 – (1)** At the stage of opening of fund accounts, all information and documents that may be requested by the custodian about the participant's identity information, date of entry in the private pension system, number of units corresponding to the amount of contributions to be deposited in the fund account, and type or types of funds selected by the participant shall be notified by the company to the custodian.

**(2)** The company and the portfolio management company may not make any expenditure out of fund accounts, except for the cases mentioned in Article 19.

**(3)** The transfer, replacement and departure requests of participants shall be executed and fulfilled upon an instruction of the company, within the frame of notification principles to be determined by the custodian.

### **Principles Regarding Periodical Reports**

**ARTICLE 32 – (1)** Funds issue daily, semi-annual and annual reports.

**(2)** Daily report is the report comprised of fund portfolio and net asset value tables showing the daily calculation of unit values, and shall be transmitted to the custodian as of the end of each day.

**(3)** Semi-annual report is the report summarizing the events and developments of the first six month period and covering the activity report prepared by the fund committee, as well as the fund portfolio value and net asset value tables issued as of the last business day of the relevant period.

(4) Annual report is the report summarizing the events and developments of the relevant year and covering the activity report issued by the fund committee, and yearly fund balance sheets and income statements issued in comparison with the previous year and audited by an independent audit firm, and its independent audit report, as well as the fund portfolio value and net asset value tables issued as of the date of balance sheet.

(5) Activity reports to be issued by the fund committee will at least contain information about general situation of the market and economy where the fund carried on its activities during the relevant period, and fund performance data and information, and if any, changes made in the fund investment policies, or in public disclosure documents such as prospectus and fund internal bylaws, or in other issues which may affect the decision making process of participants, during the period.

(6) Semi-annual reports shall be announced in PDP within six weeks following the end of the relevant period, while annual reports shall be announced in PDP within three months following the end of the relevant period. At the same time said reports shall be made ready and available for inspection by participants at the head offices of the company. In addition, these reports are required to contain information about securities lending transactions and derivative instruments transactions.

(7) Daily, semi-annual and annual reports shall be prepared in accordance with the principles set forth by the Board and shall be kept in the company for a minimum period of ten years.

### **Information Obligation**

**ARTICLE 33 – (1)** The company and the portfolio manager are under obligation to provide the custodian with such information as names, addresses and participation rates of subsidiaries of persons listed in subparagraph (e) of first paragraph of Article 22, and same information about their own subsidiaries, in January every year, and with information about changes therein, within six business days after the date of occurrence of such changes.

(2) If and when the fund committee members and the auditor resign from their offices for any reason whatsoever, it shall be reported to Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş. (Capital Markets Licensing Registry and Training Agency Inc.) within no later than six business days thereafter. Said notification will be comprised of a decision of the board of directors relating to appointment of the successor to the relevant job position, and the documents and certificates verifying the matters mentioned in third paragraph of Article 12 with respect to that person. If it is detected that appointment is made in violation of Article 12, it will be reported by Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş. to the Board by the fastest means of communication.

(3) The Board may request the delivery of said notifications or reports to another firm or institution deemed fit by the Board.

### **Documents for Promotion of Fund**

**ARTICLE 34 – (1)** Before the participant participates in funds covered by the pension plan, an introductory form which summarizes the information in the prospectus and may help the

participant in taking investment decisions is required to be furnished to the participant. The updated version of the prospectus is required to be made ready and available in the company's head offices, regional directorates, branches, representation offices and website for examination by the participants.

(2) The prospectus and the introductory form are required to be written legibly and should be understandable by participants and must have been approved by the Board.

### **Information and Documents to Be Submitted to Participants**

**ARTICLE 35 – (1)** The company is under obligation to make:

- a) its fund internal bylaws approved by the Board;
- b) its prospectus and the introductory form;
- c) its semi-annual and annual reports,

in updated form, ready and available in its head offices, regional directorates, branches, representation offices and website for examination by participants, and to furnish and submit the same to the participant upon request.

(2) It is the responsibility of the Company to publish the information and documents required to be announced in PDP fully and completely and to keep them current.

### **Audit by the Board**

**ARTICLE 36 – (1)** Activities of the company's funds, portfolio managers and custodian covered by the Law and this Regulation shall be inspected by the Board within the frame of Article 88 of the Law no. 6362.

### **Accounting, Documentation and Recording Systems, and Independent External Audit**

**ARTICLE 37 – (1)** With regard to accounting, documentation and recording systems and independent external audit of funds, the regulations of the Board in connection therewith shall be complied with. The fund's accounting, documentation and recording systems are required to be created and established outside the portfolio manager.

(2) Accounts and transactions of funds are subject to independent external audit on annual basis. In the periods of independent external audit, a report containing the following information, together with the opinions of independent audit firm, shall be prepared and sent to the company and the Board, together with independent audit report.

- a) Whether the fund assets are kept in custody in accordance with legislation or not;
- b) Internal control system of the fund;
- c) Whether the unit value is calculated in accordance with legislation or not;
- ç) Whether the information made public with respect to the fund's investment performance is in accordance with legislation or not.



### **Merger and Transformation of Funds**

**ARTICLE 38 – (1)** Funds belonging to the same company may be merged by the Board upon request of the company or ex officio. A fund may be merged only with another fund of the same company.

(2) Regulations of the Board pertaining to investment funds are applicable in merger and transformation of funds.

### **Transfer of Fund**

**ARTICLE 39 – (1)** The Board may transfer fund properties to another company with prior consent of the Undersecretariat if and when:

- a) the company sends a notice of termination one year in advance;
- b) the company loses its eligibility for foundation of a fund;
- c) the company is included in the scope of Article 14 of the Law due to weakening of its financial structure.

### **Registration Fee**

**ARTICLE 40 – (1)** As of the last business day of each quarterly period on the basis of a calendar year, a registration fee to be calculated at a rate of three per one hundred thousands of net asset value of the fund shall be deposited in the Board's special account within the following ten business days, and a copy of each of the relevant advice notes and calculation statement shall be submitted to the Board. **(Additional sentence: OG 23.12.2020 – 31343)** The rate specified in the first sentence shall be implemented as zero per one hundred thousands, with respect to index funds established to replicate the BIST Industrials Index calculated by Borsa Istanbul A.Ş., as well as funds that invest in capital market instruments issued by issuers included in the mentioned index, and that bear the phrase industrial sector in their titles.

(2) If the fund offers its units to public during the relevant calculation period, registration fee shall be calculated by considering the ratio of the number of days when the fund shares were offered for sale to the total number of days included in the relevant quarterly period.

(3) A separate fee shall not be charged in the case of merger and transformation of funds.

### **Documents Regulated by the Board**

**ARTICLE 41 – (1)** The Board is authorized to determine the format and contents of the prospectus, application and notification forms, fund introductory forms, and daily, semi-annual and annual reports referred to in this Regulation, and the procedures and principles relating to transmission and delivery of these documents to the Board.

### **Special Provisions on Direction of State Contribution to Investments**

**ARTICLE 42 – (1)** Applications for foundation and registration of funds where state contributions will be directed to investment shall be collectively evaluated and concluded.

(2) An advance is not required to be allocated to a fund where state contributions will be directed to investments.

(3) A registration fee shall not be charged for a fund where state contributions will be directed to investments.

(4) Activities of a fund where state contributions will be directed to investments, and its portfolio managers and custodian, under the Law and this Regulation, shall be audited by the Board under the provisions of Article 88 of the Law no. 6362.

### **Repealed Regulation**

**ARTICLE 43 – (1)** The Regulation on Principles Regarding Foundation and Activities of Pension Funds, published in the Official Gazette edition 24681 on 28/2/2002, is hereby repealed.

### **Transitory Provisions**

**TRANSITIONAL ARTICLE 1 – (1)** Notifications of funds shall be started to be sent to PDP as of 30.04.2013, and until this application is started, all notices and announcements relating to funds shall be continued to be published in the nationwide print of at least two daily nationwide newspapers being circulated throughout Turkey.

(2) Total expense deduction rates of funds are required to be determined by taking into account the upper limits of fund total expense deductions shown in the table given in Annex-2 to the Systems Regulation, and the fund total expense deduction and fund operating expense deduction rates to be determined as above are required to be published in PDP and in the founder's official website, and the amendments to be made in connection therewith are also required to be included in the first application for amendments in internal bylaws / prospectus.

### **Effective Date**

**ARTICLE 44 – (1)** This Regulation becomes effective as of the date of publication.

### **Enforcement**

**ARTICLE 45 – (1)** The provisions of this Regulation shall be enforced and executed by the Capital Markets Board.