

**COMMUNIQUÉ ON PRINCIPLES
REGARDING MORTGAGE FINANCE COMPANIES
(III-60.1)**

(Published in the Official Gazette edition 29063 on 17/7/2014)

List of Amendments:

1. Communiqué (III-60.1.a) Amending the Communiqué (III-60.1) on Principles Regarding Mortgage Finance Companies published in the Official Gazette edition 31225 on 26.08.2020

FIRST CHAPTER

Purpose, Scope, Grounds and Definitions

Purpose and Scope

ARTICLE 1 – (1) The purpose of this Communiqué is to set down the principles regarding mortgage finance companies and their activities and operations.

(2) The pertinent provisions of other laws authorizing the mortgage finance companies are, however, reserved.

Grounds

ARTICLE 2 – (1) This Communiqué is issued in reliance upon Article 60 of the Capital Markets Law no. 6362 dated 6/12/2012.

Definitions and Abbreviations

ARTICLE 3 – (1) For the purposes and in the context of this Communiqué:

- a) **“Bank”** refers to banks as defined in Article 3 of the Banking Law no. 5411 dated 19/10/2005;
- b) **“BRSA”** refers to the Banking Regulation and Supervision Agency;
- c) **“MBS”** refers to mortgage-based securities;
- ç) **“Mortgage Finance Company”** or **“MFC”** refers to a capital market institution established in the form of a joint-stock company exclusively for the purpose of engagement in the activities mentioned in this Communiqué;
- d) **“Mortgaged capital market instruments”** refers to capital market instruments as defined in subparagraph (i) of first paragraph of Article 3 of the Law;
- e) **“Mortgage-backed Securities”** refers to mortgage-backed securities;

- f) **“Law”** refers to the Law no. 6362;
- g) **“Housing finance”** refers to the activity as defined in first paragraph of Article 57 of the Law; and
- ğ) **“Housing Finance Fund”** or **“HFF”** refers to a property without legal entity established under fund internal bylaws by using the money collected against mortgage-based securities in the account of the holders of mortgage-based securities in accordance with the fiduciary ownership principles;
- h) **“Housing Finance Companies”** refers to banks which make credit facilities available or deal with financial leasing directly to consumers as a part of housing finance, and financial leasing companies and financial companies deemed fit by BRSA for engagement in house finance activities;
- ı) **“Board”** refers to and stands for the Capital Markets Board;
- i) **“Due Diligence Principle”** refers to the importance to be placed on details and the care and efforts to be shown by a careful and prudent person under the same terms and conditions; and
- j) **“Shareholder having significant influence”** refers to a person holding shares indirectly representing 10% or more of capital shares or voting rights of a mortgage finance company, or holding privileged shares giving the right to elect or nominate for the directors of a number corresponding to simple majority of full number of members of board of directors in the general assembly meeting, even if below the aforementioned rate;
- k) **“TCC”** refers to and stands for the Turkish Commercial Code no. 6102 dated 13/1/2011;
- l) **“Assets”** refers to mortgage-based securities, mortgage-backed securities, credits and receivables that can be the subject matter of issue of asset based securities and asset-backed securities, mortgaged capital market instruments, asset based securities, asset backed securities and other assets deemed fit by the Board;
- m) **“Asset finance”** refers to the activity as defined in fourth paragraph of Article 57 of the Law;
- n) **“Asset finance fund”** or **“AFF”** refers to a property founded in the form of an unincorporated organization by a fund internal bylaws by using the moneys collected against asset based securities in the account of the holders of asset based securities in accordance with the fiduciary ownership principles;
- o) **“Asset leasing company”** or **“ALC”** refers to a capital market institution established in the form of a joint-stock company exclusively for engagement in issue of leasing certificates;

- ö) “ABS” refers to asset based securities;
- p) “Asset backed securities” refers to asset backed securities.

SECOND CHAPTER

Principles on Establishment and Operating Licenses

Conditions for Establishment

ARTICLE 4 – (1) An application for establishment permission may be eligible for evaluation by the Board only if and when the mortgage finance company:

- a) is subject to registered capital system pursuant to the pertinent provisions of TCC;
- b) has a minimum initial capital of TL 10,000,000;
- c) all of its shares are registered;
- ç) its shares are issued against cash, and are paid fully in cash and free from any kind of collusion at the time of establishment;
- d) its articles of association is in compliance with the Law, this Communiqué, and other relevant legislation;
- e) its founding shareholders, directors and general manager meet the conditions set forth in this Communiqué;
- f) its shareholding structure is transparent and open.

(2) Companies having a different field of business shall not be permitted to be converted into a mortgage finance company.

(3) The amount mentioned in subparagraph (b) of first paragraph may be revised and re-determined by the Board every year.

Qualifications Sought in Founders

ARTICLE 5 – (1) As for the founders of a mortgage finance company:

- a) Its founding shareholders must be a house finance company, a mortgage finance company, a broadly authorized intermediary institution, an issuer of asset backed securities, an asset leasing company, the Presidency of Mass Housing Administration, any of the institutions mentioned in the fourth section of the Law, or other institutions deemed fit by the Board;
- b) Its founding shareholders and its legal entity shareholders having a significant influence:

- 1) must meet the conditions sought for founding shareholders in the Banking Law;
 - 2) must not have any overdue outstanding tax debts;
 - 3) their activities and operations must not have been decided to be limited or suspended permanently or temporarily for one month or a longer period during the last one year pursuant to the laws applicable to them and within the frame of the capital markets laws and regulations;
 - 4) a Housing Finance Fund or an Asset Finance Fund established by them or to which they serve as a service provider must not have become insolvent in repayment of its debts at any time during its operations;
 - 5) an administrator must not have been appointed as a result of full or partial default in performance of obligations arising out of mortgage backed securities or asset backed securities issued by them;
- c) Its natural person shareholders having a significant influence:
- 1) must meet the conditions set forth in sub-clauses (1) and (2) of subparagraph (b);
 - 2) must not be one of the persons having responsibility in the event requiring this sanction in any one of the institutions one of the operating licenses of which is cancelled by the Board;
 - 3) a liquidation order must not have been issued about them or about the institutions or companies they are a shareholder of, pursuant to the repealed Governmental Decree in Force of Law on Transactions of Bankers in Insolvency, no. 35, dated 14/1/1982, and its annexes;
 - 4) a housing finance fund or an asset finance fund where they serve as a member of the fund board must not have become insolvent in repayment of its debts at any time during their term of office;
 - 5) must not have been subject to a trading ban pursuant to subparagraph (a) of first paragraph of Article 101 of the Law;
 - 6) must not have been convicted due to crimes set down in the Law on Prevention of Financing of Terrorism, no. 6415, dated 7/2/2013.
- (2) The conditions set forth in subparagraphs (b) and (c) of first paragraph are not sought for the shareholders having a public legal entity, public administrations, public-capital companies, institutions mentioned in the fourth section of the Law, and international organizations deemed fit by the Board.

(3) If and when the founding shareholders and natural person or legal entity shareholders having a significant influence are foreign nationals, or are resident abroad, equivalents of the documents referred to in the first paragraph shall be requested, and the Board shall consult the relevant official authority in the home country of the foreign shareholder with respect to the foreign shareholder.

(4) If and when house finance companies directly or indirectly hold capital shares in a mortgage finance company, prior consent shall be taken from BRSA.

Applications for Establishment, and Establishment Permissions

ARTICLE 6 – (1) An application for permission for establishment for a mortgage finance company shall be filed by founder or any one of founders to the Board, together with:

a) A establishment application form and draft articles of association prepared in accordance with the standards determined by the Board;

b) Notary-certified copies of decisions taken by the authorized bodies of founding shareholders for partnership in the mortgage finance company to be established;

c) Documents verifying and proving that founding shareholders and shareholders having significant influence meet the conditions stipulated in Article 5;

ç) Other information and documents to be requested by the Board.

(2) The Board may, in applications for establishment permission, require the legal entity shareholders of mortgage finance company to have been audited by a special independent audit firm. This condition may also be sought in applications for changes in shareholding structure.

(3) The provisions of this Article are applicable by analogy also to information and documents to be furnished by foreign nationals or by persons resident abroad. The Board may further request translation of the submittals by a sworn translator.

(4) Applications for a establishment permission shall be concluded by the Board within three months following submission of all of the required documents to the Board, and decisions taken as above shall be notified to the relevant persons within 10 business days.

(5) In the case of deficiency in information and documents submitted in the application, or if additional information and documents are needed, the applicant shall be informed thereof in writing or in electronic medium within 10 business days following the date of application, and shall be requested to complete the deficiencies within 20 business days thereafter. In this case, the periods of time specified in the fourth paragraph start to count as of the date of submission of all of the said deficient or additional information and documents to the Board. In the case of the existence of reasonable causes and upon request of the applicant, the Board may grant an additional period of up to 20 business days to the applicant.

(6) If the application is deemed fit as a result of an evaluation made by the Board, an application shall be filed to the Ministry of Customs and Trade for completion of the establishment procedures. In the establishment process, it is required to have the articles of association registered in the trade registry within no later than three months following the date of receipt of a permission from the Board in connection therewith, or otherwise, the permission granted for establishment as above is cancelled.

Use of Trade Name and Company Name

ARTICLE 7 – (1) Mortgage finance companies are required to use the phrase “mortgage finance” in their trade names. If a mortgage finance company wishes to use a company name as well, it is required to get prior consent of the Board and to have this name registered and announced as well.

(2) Mortgage finance companies are required to use their trade names together with their business names both in all kinds of its advertisements and promotions to be published in visual and print media and press, and in all of its correspondences.

Operating Licenses

ARTICLE 8 – (1) Mortgage finance companies are required to apply to the Board for an operating license within maximum three months following the date of receipt of a permission for establishment from the Board.

(2) Applications for operating license are eligible for evaluation by the Board only if and when:

- a) the conditions of establishment are not lost;
- b) the required management and organization structure has been created under Article 10;
- c) the program for issue of mortgaged capital market instruments to be implemented pursuant to this Communiqué has been prepared;
- ç) managers and staff meeting the conditions sought in this Communiqué have been appointed.

(3) The provisions of fifth and sixth paragraphs of Article 6 are applicable with respect to the periods for examination and conclusion of applications for operating license.

(4) As for mortgage finance companies which fail to make an application for operating license within the period of time set forth in first paragraph, or which fail to meet the conditions set forth in the second paragraph as a result of evaluation of application by the Board, the permission for establishment previously granted as above becomes null and void. In this case, within no later than one month following the date of receipt of a notice relating thereto, the mortgage finance companies are under obligation to amend the provisions of their articles of association pertaining to trade name, objectives and fields of business in such manner not to

cover the activities and operations set forth in this Communiqué. Mortgage finance companies which fail to make these amendments are deemed to have been dissolved pursuant to the provisions of subparagraphs (b) and (c) of first paragraph of Article 529 of TCC.

(5) After receipt of an operating license, the conditions mentioned in the second paragraph are required to be satisfied during the term of activity, and if any one of these conditions is lost, it is required to be notified to the Board within three business days thereafter.

Amendments to Articles of Association, and Transfer of Shares

ARTICLE 9 – (1) Amendments to articles of association of mortgage finance companies are subject to a prior consent of the Board. Amendments to articles of association which are not approved by the Board or are made without a prior consent of the Board cannot be discussed and decided in the general assembly meeting and cannot be registered in the trade registry.

(2) Changes occurring in direct or indirect shareholding structure of mortgage finance companies as a result of change of shareholders or shareholders having a significant influence of them are also subject to a prior consent of the Board.

(3) Shareholders intending to acquire shares in mortgage finance companies are required to meet the conditions in Article 5.

(4) For the purposes of this Article, capital shares held:

- a) by a legal entity, except for public legal entities, or its subsidiaries where those listed above directly or indirectly hold at least 25% or more of capital shares thereof;
- b) by persons deemed by the Board to be acting in concert due to an employment relation, or a contractual relationship, or other reasons,

shall be deemed to be held by one single person. The provisions of the second paragraph shall also be applicable in transfers of shares between these persons.

(5) Transfers executed in contradiction with the provisions of this Article shall not be registered in the share register, and entries made in the share register in contradiction with the provisions of this Article shall be null and void.

THIRD CHAPTER

Provisions on Management and Organization

Management and Organization Structure

ARTICLE 10 – (1) It is required to establish an effective management and organization structure in mortgage finance companies. As for the management and organization structure, at least:

- a) accounting, recording, information and documentation systems compliant with the pertinent regulations of the Board, and an adequate organization for regular work flow and correspondences and communications must have been established;
- b) technical hardware and equipment, also covering the required spaces and data processing infrastructure, must have been provided;
- c) appropriate internal control, risk management and auditing systems must have been established;
- ç) an adequate number of personnel must have been employed;
- d) job definitions, working procedures and principles, and responsibilities, duties and powers of the personnel must have been determined;
- e) risk management, internal control and inspection policies and procedures, and such qualifications as education background, job experience, knowledge and skill levels and other qualifications sought in the personnel as stipulated in first paragraph of Article 11 must have been determined and outlined in writing, and decided by the board of directors, and notified to the relevant personnel.

(2) **(Added: OG 26.08.2020 – 31225)** Provisions of the first paragraph hereof shall not be applicable to mortgage finance companies where public legal entities, public administrations and public-capital companies are shareholders.

Conditions Regarding Managers and Personnel

ARTICLE 11 – (1) Personnel of a mortgage finance company is comprised of general manager, deputy general managers, internal control officers, risk management personnel, inspectors and other personnel, except for service personnel. Managers of a mortgage finance company are comprised of directors, general manager, deputy general managers and relevant unit managers and heads.

(2) Directors and personnel of a mortgage finance company are required to meet all conditions listed in subparagraph (c) of first paragraph of Article 5, except for financial power condition.

(3) As for mortgage finance companies:

- a) members of board of directors, comprising of at least five members:
 - 1) must have been graduated from four-years' higher education institutions;
 - 2) majority of them must have a minimum past professional experience of 10 years in such fields as banking, finance, capital markets, law, accounting, economics, risk management and information technologies closely related to the fields of business of mortgage finance companies;

- 3) at least one of them must be an independent director bearing the qualifications listed in regulations of the Board pertaining to corporate governance;
 - 4) at least one of them must hold a Capital Market Activities Advanced Level License and a Derivative Instruments License pursuant to regulations of the Board pertaining to licensing;
- b) general manager and deputy general managers:
- 1) must have graduated from four-years' higher education institutions in such fields as law, economics, finance, banking, business administration, public administration and similar other fields, and if they are graduated from university in engineering fields, they must hold a postgraduate degree in the listed fields;
 - 2) must have a minimum past job experience of 10 years in such fields as banking, finance, capital markets, law, accounting, economics, risk management and information technologies;
 - 3) must hold a Capital Market Activities Advanced Level License.
- c) Inspectors and internal control officers must hold a Capital Market Activities Advanced Level License, and risk management personnel must hold a Capital Market Activities Advanced Level License and a Derivative Instruments License.
- (4) General manager must be employed on full-time basis and exclusively for this job. If and when general manager resigns from office for any reason whatsoever, within 15 business days following the date of resignation, the person to be appointed as the new general manager must be named to the Board, together with documents verifying that he/she meets the conditions set forth in the second paragraph and in subparagraph (b) of the third paragraph. The relevant person may be appointed if the Board does not express a negative opinion within 15 business days following the date of notification. The general manager position may not be deputized for more than three months in a year.
- (5) **(Added: OG 26.08.2020 – 31225)** Provisions of paragraph one to four shall not be applicable to mortgage finance companies where public legal entities, public administrations and public-capital companies are shareholders.

Due Diligence Principle

ARTICLE 12 – (1) Managers and personnel of mortgage finance companies are required to show the required due diligence in their operations and decisions.

Independence Principle

ARTICLE 13 – (1) Managers and personnel of mortgage finance companies are required to act independently in their activities. Independence refers to a set of behaviors and insights enabling one to carry on professional activities honestly and neutrally. Managers and personnel must act honestly and neutrally in their activities, and must not be involved in any special situation which may eliminate their independence.

(2) Managers and personnel of mortgage finance companies are required to stand clear of probable conflicts of interest that may occur during their activities, and not to allow any interventions that may affect their honesty and neutrality, and to refrain from acts and transactions that may affect their honesty and neutrality.

Confidentiality

ARTICLE 14 – (1) Managers and personnel of mortgage finance companies may not disclose any secrets which come to their knowledge about persons to whom services are provided in the course of their activities, and may not use these secrets in their own interests or in interests of third parties.

(2) However, disclosure to relevant persons or entities of any announcements published for public disclosure purposes as per the laws, or any information about all kinds of juridical or administrative investigations or prosecutions, providing that it is authorized by the pertinent laws, or any information about the acts of crime shall not be considered as disclosure of secrets.

Internal Control System

ARTICLE 15 – (1) Internal control system is comprised of principles and procedures applied in order to ensure the efficiency of activities of mortgage finance companies and the accuracy, reliability and timeliness of information about accounting, financial and administrative issues relating thereto, and the performance of activities of mortgage finance companies in strict compliance with the Law, this Communiqué, relevant legislation, and articles of association thereof, and the prevention and detection of errors, frauds and infraction of rules, and the protection of assets and the keeping of obligations under control, and the preparation of infrastructure required for definition, assessment and management of all kinds of risks exposed to.

(2) As a part of internal control system:

a) a functional separation of duties must be established and responsibilities must be shared in the mortgage finance company;

b) accounting, financial reporting and information systems must be established so as to operate effectively;

c) internal control activities must, at the minimum, be conducted in such manner to cover also the control of performance of activities of the mortgage finance company, and financial reporting, and compliance with the Law, this Communiqué, relevant legislation, articles of association, and regulations pertaining to internal operations of the mortgage finance company;

ç) work flow diagrams showing the business steps of the mortgage finance company, and controls on work flows must be created.

(3) In a mortgage finance company, internal control activities shall be regulated and conducted as an integral part of the daily activities and operations.

(4) Activities under the internal control system shall be conducted by at least one internal control officer appointed exclusively for this job by the board of directors of the mortgage finance company.

(5) Internal control officer shall be entrusted at least with the tasks of:

a) supervising and checking the implementation of policies and procedures regarding internal control system;

b) conducting control or inspection based on general or special observations and monitoring through various control documents and means, and reporting determinations and findings, and submitting reports to the board of directors and the general manager in quarterly periods at most;

c) requesting additional information from required units and officers with respect to issues observed, examined and checked as a part of internal control activities, consulting such units and officers, and making warnings to other units and departments of the mortgage finance company.

(6) Board of directors of the mortgage finance company shall appoint one of its members to whom no executive units and departments are reporting as the director in charge of internal control. The director in charge of internal control shall be responsible:

a) for taking actions in order to ensure that the internal control system operates in strict compliance with the regulations, professional rules and written procedures, for making sure that the probable risks are detected and managed, and for keeping the board of directors informed thereabout;

b) for determining acceptable risk levels within under the regulations of the Board and the policies of the mortgage finance company, preparing the internal control policies and procedures and submitting them to the board of directors for approval purposes;

c) for appropriateness and fitness of internal control targets, traceability of control results, and objective and independent conduct and reliability of control activities.

Risk Management System

ARTICLE 16 – (1) Risk management system must cover the definition of basic risks to which the mortgage finance company may be exposed depending on the nature and size of its activities, the regular review of risk definitions, their updating parallel to material and significant developments, and the development of an effective risk measurement mechanism for consistent evaluation and assessment of risk exposures.

(2) Within the frame of risk management system:

a) adequate policies, implementing procedures and limits enabling the management of different dimensions of risks arising out of activities and the adaptation to the changing conditions are required to be determined and formulated;

b) risk management activities must at least be organized so as to cover the measurement, observation, control and reporting of risks.

(3) Activities covered by the risk management system shall be conducted by at least one risk management personnel exclusively appointed for this job by the board of directors of the mortgage finance company.

(4) Risk management personnel shall be entrusted at least with the tasks of:

a) determining risk management strategies, risk management policies and procedures and risk measurement models corresponding thereto, ensuring that such strategies, policies, procedures and models are implemented, reviewing them regularly, and making the required changes therein;

b) producing periodical reports out of risk measurement models used by the mortgage finance company, and analyzing these reports;

c) ensuring that digitizable risks remain within the determined limits, and observing the use of these limits;

ç) regularly applying stress tests and scenario analyses in such manner to assess and observe the effects of unexpected market conditions on basic fields of business;

d) reporting the risk measurement and risk monitoring results, and submitting these reports to the board of directors and the general manager over at most quarterly periods.

Inspection System

ARTICLE 17 – (1) Inspection system shall be established in such manner to audit the performance of activities of the mortgage finance company in accordance with the Law, this Communiqué, relevant legislation, the articles of association and the strategies, policies, principles and targets relating to internal operations of the mortgage finance company, and to audit the efficiency and adequacy of internal control and risk management systems.

(2) Within the frame of inspection system:

- a) an inspection plan is required to be prepared and implemented, inspection results are required to be reported, and the measures taken therein are required to be monitored;
- b) the efficiency and adequacy of internal control and risk management systems are required to be assessed;
- c) the accuracy and reliability of accounting records and financial reports are required to be examined;
- ç) the operating principles of the internal control implementing procedures is required to be tested.

(3) Activities covered by the inspection system shall be carried on by at least one inspector exclusively appointed for this job by the board of directors of the mortgage finance company with a view to assuring that the audit services stipulated in the Law, this Communiqué and relevant legislation are performed at the required level and without any interruption, depending on the size of the mortgage finance company and the variety, intensity, scope and risk level of its activities.

(4) The inspector shall be entrusted at least with the tasks of:

- a) examining and auditing all activities of the mortgage finance company, and monitoring and guiding the audit policies, programs, processes and practices;
- b) conducting inspection activities within the frame of inspection plans and in compliance with the policies and implementing procedures regarding audit activities;
- c) detecting the deficiencies, errors and frauds, preventing their recurrence , and expressing opinions and suggestions on effective and efficient use of resources;
- ç) assessing the accuracy and reliability of information and reports submitted to the Board and top management;
- d) reporting findings, and submitting reports to the board of directors and the general manager over at most quarterly periods.

FOURTH CHAPTER

Principles of Activities

Scope of Activities

ARTICLE 18 – (1) In order to achieve its business objectives the mortgage finance company may;

- a) takeover or transfer assets, manage the assets taken over , and accept assets as security;
- b) issue mortgaged capital market instruments against assets taken over or accepted as security as above;
- c) be a founder of a housing finance fund, an asset finance fund, or an asset leasing company;
- ç) may issue mortgage based securities and asset based securities without establishing a fund within the frame of provisions of the third paragraph;
- d) provide guarantees under the principles determined by the Board for performance of its obligations arising out of issue of capital market instruments or delivery of assets;
- e) conduct service provider or cash manager activities pursuant to the regulations of the Board pertaining to mortgage-backed securities, asset-backed securities, mortgage- based securities and asset-based securities;
- f) conduct transactions for the purpose of risk management required in the course of its activities;
- g) perform other activities permitted by the Board.

(2) Mortgage finance companies shall issue mortgaged capital market instruments and share certificates under the regulations of the Board pertaining to such issues.

(3) A mortgage finance company may issue mortgage-based securities or asset-based securities without establishing a fund, only if and when it is operating solely for issuance of mortgage-based securities or asset-based securities, and its articles of association contains a clause in relation therewith.

Fund Procurement through Transfer or Acceptance of Assets as Security

ARTICLE 19 – (1) Transactions relating to takeover or transfer of assets or acceptance of them as security shall be conducted against cash payment or issue of mortgaged capital market instruments by a contract, the minimum elements of which shall be determined by the Board, in reliance upon a decision of board of directors of the mortgage finance company.

(2) All rights and obligations pertaining to ownership of assets taken over by the mortgage finance company shall be transferred to the mortgage finance company. However, assets accepted by the mortgage finance company as security shall continue to remain in the ownership of the security provider.

(3) Assets shall be transferred to housing finance funds, asset finance funds or asset leasing companies established by the mortgage finance company only through the mortgage finance company. Provided, however, that the transfer is approved by the board of directors of the mortgage finance company, and all contracts and registrations relating to the transfer are signed jointly by the duly authorized officers of the mortgage finance company on one hand and the

relevant housing finance fund, asset finance fund or asset leasing company on the other hand, it is possible to transfer the assets directly to house finance funds, asset finance funds or asset leasing companies.

(4) Upon termination of contract, or if it is understood that the transferred assets have not been transferred with proper qualifications under the contract, or if the assets are no longer acceptable as security, transferor or security provider is under obligation to satisfy the requests of the mortgage finance company for return and replacement of assets. The contract to be signed between the mortgage finance company and the transferor or security provider must contain a clause pertaining thereto.

Management of Assets Taken Over or Accepted as Security

ARTICLE 20 – (1) The mortgage finance company may manage assets taken over or accepted as security in the capacity of a service provider or a cash manager, or may outsource these services to any of the institutions listed in subparagraph (a) of first paragraph of Article 5 under a written contract, the minimum elements of which shall be determined by the Board, in reliance upon a decision of its board of directors, provided that its articles of association allows it to do so.

(2) All moneys collected with respect to these assets by the service provider assigned as above shall be urgently transferred to a separate account opened in the name of the mortgage finance company.

(3) The contract signed for outsourcing purposes shall be approved by the board of directors of the mortgage finance company, and shall terminate at the end of one year without any further notice of termination. The contract may be renewed for the same term upon a written mutual agreement of the parties thereto. However, if the service provider contracted by the mortgage finance company fails to perform its contractual obligations, or its activities and operations are permanently or temporarily limited or suspended pursuant to applicable legislation, or any one or more of its operating licenses and authorization certificates are cancelled, the contract shall be terminated by the mortgage finance company before the end of said term. In addition, the contract may at any time be terminated by a decision of the board of directors of the mortgage finance company by sending a 30-days' prior written notice of termination.

(4) Following termination of the contract, all books, documents and records kept about assets in writing or in electronic media, and all cash and accounts regarding assets shall be transferred without any setoff or deduction to the mortgage finance company or to other institutions, classified as a founder and predetermined by the board of directors of the mortgage finance company pursuant to the first paragraph.

(5) If and when it is decided to outsource services for the purpose of management of assets, it is required to sign a second contract with another institution or firm, which may substitute the service provider of the mortgage finance company upon occurrence of the reasons set forth in the third paragraph.

Prohibited Activities and Operations

ARTICLE 21 – (1) Mortgage finance companies:

- a) may not engage in any activity other than the activities listed in Article 18 and business and transactions relating thereto with the exception of activities permitted by applicable legislation;
- b) may not collect deposits or participation funds as defined in the Banking Law, and may not engage in operations and transactions leading to the collection of deposits or participation funds;
- c) may not acquire real property in excess of those required for conduct of their capital market activities;
- ç) may not carry out any commercial, industrial or agricultural activities;
- d) may not conduct money lending transactions.

FIFTH CHAPTER Miscellaneous and Final Provisions

Book and Record Keeping, Financial Reporting and Independent Audit Obligations

ARTICLE 22 – (1) A mortgage finance company is under obligation to keep the required books and records pursuant to TCC and the Tax Procedures Code no. 213 dated 4/1/1961, and to keep these books and documents in accordance with Article 82 of TCC, and to comply with the regulations of the Board in its accounting records and transactions regarding its activities.

(2) In relation to financial reporting and independent audit, mortgage finance companies are subject to the regulations of the Board pertaining to financial reporting and independent audit.

(3) Mortgage finance companies are under obligation to incorporate in their board of directors' activity reports all information with respect to assets taken over or accepted as security, in addition to information stated in the regulations of the Board pertaining to financial reporting, with contents the minimum elements of which are determined by the Board.

(4) All reports issued pursuant to and under this Communiqué are required to be kept in the mortgage finance company for a minimum period of five years.

Cancellation of Operating License or Temporary Suspension of Activities

ARTICLE 23 – (1) Upon occurrence of any one of the following events, the Board may, by considering the nature and significance of the event, cancel the operating license or temporarily suspend the activities of the mortgage finance company:

- a) Detection of any breach of legislation, standards imposed by the Board, the articles of association or the prospectus, pursuant to first paragraph of Article 96 of the Law;
 - b) Detection of weakening in financial standing, or of failure in performance of obligations, pursuant to first paragraph of Article 97 of the Law;
 - c) If it is determined that the mortgage finance company has lost the conditions and qualifications sought for in the Law and in this Communiqué for establishment and operating licenses and for shareholders, managers and personnel, and if the mortgage finance company fails to re-comply with these conditions within three months following the date of receipt of a notice from the Board requesting the mortgage finance company to comply with the legislative provisions;
 - ç) If the mortgage finance company clearly waives its authorization to perform activities, or fails to conduct any activity covered by the relevant license for a period of 12 months following the date of receipt of the operating license;
 - d) If it is detected that the operating license has been received by making false or misleading statements or through other unlawful means.
- (2) The mortgage finance company whose activities are decided to be temporarily suspended under this Communiqué shall be granted an appropriate period, up to two years, by the Board. This period shall start as of the date of decision of the Board. The period granted with regard to temporary suspension of activities may be extended by the Board upon request of the mortgage finance company or ex officio, up to a total period of two years. If the mortgage finance company fails to restart its activities by the end of this period, its operating license shall be cancelled.
- (3) If the activities of a mortgage finance company are temporarily suspended twice during two years, this measure shall not be applied for a third time, and its operating licenses shall be cancelled.
- (4) The operating license shall also be cancelled by the Board if the Board determines that the mortgage finance company has not conducted any activities for a period of 12 months, or the mortgage finance company declares that it will not carry on its activities for a period of six months or more. However, these periods may be extended by the Board if the mortgage finance company asserts a just reason.
- (5) Upon permanent cancellation of operating license and within no later than one month following the date of notification of cancellation, the mortgage finance company is under obligation to amend the provisions of its articles of association pertaining to its trade name, objectives and fields of business in such manner not to cover the activities set forth in this Communiqué. If the mortgage finance company fails to make these amendments, it will be deemed dissolved pursuant to the provisions of subparagraphs (b) and (c) of first paragraph of Article 529 of TCC.

Notification Obligation

ARTICLE 24 – (1) The mortgage finance company is under obligation to provide the Board with:

- a)** a copy of editions of the Turkish Trade Registry Gazette where its articles of association upon establishment, and all amendments made to its articles of association after establishment are published, within three business days following the date of publication;
- b)** any changes that occur in the conditions relating to its managers and personnel as described in Article 11, within three business days following the date of occurrence thereof;
- c)** the dismissal of its managers and personnel, recruitment of new personnel to replace them or in addition to existing personnel, change of job definitions and places of assignment, and all kinds of similar other changes, within three business days following the date of occurrence of such changes, together with the documents evidencing that they meet the conditions set forth in Article 11 and personal identifying information;
- ç)** the contracts relating to transfer of assets, or management of assets, and acceptance of assets as security, within three business days following the date of signature;
- d)** the results of lawsuits brought forward by or against the mortgage finance company, within three business days following the date of finding out;
- e)** the decisions of the board of directors regarding appointment of executive directors in the mortgage finance company and determination of their powers and responsibilities, and the changes therein, within three business days following the date of the relevant decision of the board of directors;
- f)** communication information, website address, tax identity number and trade registry number and changes therein, within three business days following the date of change;
- g)** information about independent audit firm selected pursuant to regulations of the Board pertaining to independent audit, and changes therein, within three business days following the date of selection or change as the case may be;
- ğ)** its registered office address and its fields of activity, and changes therein, together with the documents of proof thereof, within three business days following the date of change;
- h)** its current signature circulars and in the case of change, its updated signature circulars, within three business days following the date of the relevant decision of the board of directors.

(2) All kinds of information and documents that may be requested by the Board with regard to supervision and audit of mortgage finance companies must be submitted within the period of

time and in accordance with the principles to be determined by the Board, and all of the information deemed necessary by the Board are required to be disclosed to public.

Principles on Advertisements and Announcements

ARTICLE 25 – (1) All kinds of advertisements to be published in any printed, audio and visual media and via electronic medium with regard to activities of the mortgage finance company are required to comply with the following principles.

(2) In statements and numeric data used in the advertisements and announcements:

- a) expressions or phrases that may mislead and deceive, or abuse the lack of knowledge and experience of, the receivers of service must not be used;
- b) texts, images and drawings must not be exaggerated, and graphs and figures that may visually mislead the customers by differentiating the scales must not be used;
- c) non-objective data and information must not be provided;
- ç) information determined by the Board or required to be disclosed as per other regulations of the Board must not be concealed.

(3) In advertisements and announcements, expressions or statements which may be proven by numeric data or similar other official data with regard to financial situation of the mortgage finance company may be used only by making reference to the sources on which these judgments may be made. For such information, only relevant publications of public entities and administrations, and the sources of professional organizations in financial fields may be referenced.

(4) The mortgage finance company is under obligation to keep for a period of five years a copy of all advertisements and announcements published by printed, audio and visual media, and documents relating thereto, with respect to its activities under this Communiqué.

Effective Date:

ARTICLE 26 – (1) This Communiqué becomes effective as of the date of its publication.

Enforcement:

ARTICLE 27 – (1) The provisions of this Communiqué are enforced and executed by the Board.