REPUBLIC OF TURKEY
Capital Markets Board of Turkey

Number **:** 32992422-220.02-1333 8897 26/08/2013
Subject **:** Derivative Instruments Risk Notification Form

THE ASSOCIATION OF CAPITAL MARKET INTERMEDIARY INSTITUTIONS OF TURKEY
Büyükdere Caddesi No: 173 1. Levent Plaza A Blok Kat: 4
80620 1. Levent/ISTANBUL

Upon the application of Borsa İstanbul A.Ş (BİAŞ) dated 25.07.2013, the scope of the derivative instruments risk notification form was extended to cover all the transactions performed at TURKDEX (Turkish Derivatives Exchange) and BİAŞ Futures and Options Market (VİOP) in our Board meeting dated 21.11.2012 and number 40. In the aforesaid meeting it was also declared that they've received the questions arising from the risk notification forms, containing the expression of "related to the transactions carried out at Turkish Derivatives Exchange" and which are signed by the current customers of TURKDEX that haven't performed any transaction at VİOP, whether such forms are required to be signed again in a form which will also include VİOP. Said issue concerning the validity of the risk notification forms for VİOP transactions has been submitted to the assessment and approval of our Board.

Thus, in our Board meeting dated 23.08.2013 and number 29, it was decided that the Derivative Instruments Risk Notification Form, which will be signed by the customer after the said date, shall be changed as it is submitted in the **Appendix** and one of the copies shall be submitted to BİAŞ, TURKDEX and to our Association so as to inform the members who are willing to perform transactions at the Stock Exchange; moreover, provided that there is no changes on the basis of the transactions, on condition that making necessary announcements to BİAŞ and the members related to the validity of risk notification forms, which were signed by TURKDEX customers, for the transaction to be carried out within VİOP, it was decided that the relevant information shall be supplied to your Association before the change announced by the General Letter of your Association number 686.

I kindly submit for your information.

Mustafa GÜMÜŞ
Intermediary Activities Deputy Head
(Signature)

Appendix: Derivative Instruments Risk Notification Form.

DERIVATIVE INSTRUMENTS RISK NOTIFICATION FORM
(Applicable to the transactions at Borsa İstanbul A.Ş Futures and Options Market)

<u>Important Explanation:</u>

While you can earn profit from the trading transactions that you will carry out in Borsa İstanbul A.Ş. Futures and Options Market, you also have a risk of loss. For this reason, you have to understand the risks that you may encounter in the market and you have to make a decision by considering your financial condition and limits before deciding to make transactions on Borsa İstanbul A.Ş. Futures and Options Market.

For this purpose, as specified in the 57th article of the Series: V No: 46 Communiqué on Principles Regarding Intermediary Activities and Intermediary Institutions regarding "Intermediation in Derivative Instruments Trading", you have to understand the below-mentioned issues included in the <u>"Derivative Instruments Risk Notification Form".</u>

<u>Warning:</u>

Before making transactions, please check whether the institution you are planning to work with has a "Purchase and Sale of Derivative Instruments License". You can find the banks and capital market intermediary institutions that are authorized to carry out intermediation in derivative instruments trading from the web sites www.spk.gov.tr or www.tspakb.org.tr.

<u>Definitions:</u>

Stock Exchange	:	Describes Borsa İstanbul Anonim A.Ş (Borsa İstanbul Inc.)
Intermediary Institution	:	Describes the intermediary institution or the Bank that is a member of the stock exchange and that has a "Purchase and Sale of Derivative Instruments License" from the Capital Market Board and which will sign "framework contract regarding intermediation for the purchase and sale of derivative instruments" with the customer who will sign this risk notification form.
Market	:	Describes the markets in which Borsa İstanbul A.Ş Futures and Options Market contracts are traded,
Futures Contract	:	Describes a contractual agreement to buy or sell an economic or financial instrument of a certain quality, a capital market instrument, a commodity, precious metal or foreign currency at a predetermined price during a specified period of time,
Option Contract	:	Describes a contractual agreement that entitles the buyer of an option to buy or sell an economic or financial instrument of a certain quantity and quality, a capital market instrument, a commodity, precious metal and foreign currency at a specified price during a specified maturity or until a specified expiry date,

Long Position (In Future Contracts) : Describes the obligation to buy the asset that is subject to the contract upon expiration of the contract at such price and in such quantity specified in the contract, or to achieve a cash settlement.

Long Position (In Option Contracts) :
1) Describes the right to buy the asset that is subject to the contract upon and until expiration at such price and in such quantity specified in the contract, or to achieve cash settlement, where call options are concerned,
2) Describes the right to sell the asset that is subject to the contract upon and until expiration at such price and in such quantity specified in the contract, or to achieve cash settlement, where put options are concerned.

Short Position (In Future Contracts) : Describes the obligation to sell the asset that is subject to the contract upon and until expiration at such price and in such quantity specified in the contract, or to achieve cash settlement,

Short Position (In Option Contracts) :
1) Describes the right to buy the asset that is subject to the contract upon and until expiration at such price and in such quantity specified in the contract, or to achieve cash settlement, where call options are concerned,

2) Describes the right to sell the asset that is subject to the contract upon and until expiration at such price and in such quantity specified in the contract, or to achieve cash settlement, where put options are concerned,

Reverse Transaction - Position Closing : Describes the liquidation of the position by getting a short position against a long position, or a long position against a short position, provided that a contract having the same characteristics until the last transaction date on the market in which the contract is traded.

Option Premium : Describes the premium that the buyer of the option contract is obliged to pay to the seller of the option contract in consideration of the rights included in the contract.

Strike Price : Describes the price in option contracts that could be exercised during the maturity period of the buying or selling right of the asset subject to the contract.

Settlement Price : Describes the price calculated in accordance with the Stock Exchange rules on the basis of the contract type to be used in updating the accounts by the end of day.

Position Limits : Describes the maximum position that could be owned as sub-total on the basis of each contract, account and/or member of the Stock Exchange totally in all delivery terms or on the basis of the same contract type.

Initial Margin :	Describes the obligatory amount to be deposited during the position is open.
Maintenance Margin :	Describes the lower limit which the guarantee amounts that are updated against daily price movements in the market have to protect.

RISK NOTIFICATION (GENERAL EXPLANATIONS FOR THE INVESTORS REGARDING THE TRANSACTIONS IN FUTURES AND OPTION CONTRACTS)

In addition to the issues specified in the "the Purchase and Sale of Derivative Instruments Framework Contract" that will be signed with the intermediary institution that you will be trading concerning the intermediation for trading futures and option contract, it is very important for you to understand the following issues.

1. All kinds of relevant legislation and all similar administrative regulation provisions issued by the Capital Markets Board, the Stock Exchange and the Clearing House shall be implemented for the account that you will open with the intermediary institution and for all the transactions that you will carry out in Borsa İstanbul A.Ş Futures and Options Market over such account shall be subject to the.

2. Derivative instruments are subject to risks at various rates. You may lose all the security/guarantee that you have deposited to the intermediary institution as a result of the price movements in the market and your losses may also exceed your total security/guarantee.

3. An initial margin (guarantee) shall be deposited in such minimum amount determined by the Stock Exchange for each future contract that you will be carrying out transactions in the market from your account that you will cause to be opened with the intermediary institution in which you will deposit your guarantee to be able to take a position in Borsa İstanbul A.Ş Futures and Options Market.

4. Guarantee completion calls made by the intermediary institution should be fulfilled within the prescribed time and as required. Otherwise, you will have the consent to the closing of your positions over the market value as an obligation of diligence without further notice even if such results in loss.

5. In case of existence of certain conditions included in the legislation, Exchange Management Board is authorized to determine the expiration dates of the futures and option contracts or to change the determined expiration dates and to liquidate the positions.

6. If you buy an option contract and do not use the option, it is possible to limit your risk with the option premium, the commission payable and other transaction fees.

7. If you sell an option, you assume an unlimited potential loss of risk that may exceed the premium payment you have earned from selling the option even in an unfavorable market movement. When you are asked to fulfill the option, you do not have any control authority over it. Therefore, only experienced people with high capital should attempt to sell options.

8. There are many kinds of options and before you put yourself under any commitment, you should exchange ideas with your intermediary institution regarding your investment needs and the risks of being a party to such kind of contracts.

9. Where the market is tight, liquidity is quite low and maximum price movements occur, if market making prevails in the system, you should take into account the possibility of non-realization of the order transmitted to the market through the intermediary institution including “conditional orders” and “strategy orders” which enables to limit the risk under market conditions where market makers give quotation in the broadest band.

10. To get “spread” position in the futures contract is less risky under normal conditions. However, getting spread position under extraordinary market conditions may not be always less risky compared to taking directly a long or short position in futures market.

11. It must be taken into account that carrying out transactions with low guarantee/margin in the market may produce favorable or unfavorable results due to leverage effect and the possibility that the leverage effect may make you earn high revenues as well as may be resulted in losses.

12. If the position limit determined by the Stock Exchange on an account and company basis is reached, orders that you will give may not be fulfilled in the market except closing out the position.

13. When the price movements in the market develop unfavorably for the position you have taken, your account may be defined as “risky” account by the Stock Exchange. In this case, no passive order entries in the Stock Exchange might be permitted.

14. It must be always taken into account that the information and recommendations given by the intermediary institution to you regarding your transactions in the derivative markets may be inadequate and should be verified.

15. It must be always taken into account that the technical and fundamental analysis to be made by the authorized personnel of the intermediary institution on the trading of futures and option contracts may differ from person to person and there is the possibility of their estimations not fulfilling themselves on certain basis.

16. It must be taken into account that there is also currency risk for guarantees issued in foreign currency in addition to the above mentioned risks, and there may be loss in value on Turkish Lira bases due to rate fluctuations and governments may restrict foreign capital and foreign currency movements and may place additional and/or new taxes, trading transactions may not be carried out in due time and that there is the risk of non-delivery of the physical asset in contracts where delivery is anticipated.

17. Before starting your transactions, you should receive confirmation from your intermediary institutions regarding all the commissions and other transaction fees that you will be liable for. If the fees have not been stated in monetary basis (except a certain percentage of the contract price), you should request a written explanation from them including understandable examples regarding how the fees will reflect on you. In cases that the commission will be received as a certain percentage, you should reach an agreement that it will be received as a certain percentage of the value of the contract not the money you have deposited.

This derivative instruments risk notification form aims to inform investor about the current risks in general and may not include all the risks that may arise from the trading of futures and option contracts. Therefore, you should make a comprehensive research before you direct your savings to these types of investments.