

PRIMARY DEALERSHIP CONTRACT 2007-2008

Parties of the Contract

Clause.1)

This contract is between the Undersecretariat of Treasury (hereafter named shortly as Undersecretariat), resident at İnönü Bulvarı No:36 06510 Emek / Ankara, and, resident at(hereafter named shortly as Primary Dealer).

Scope of the Contract

Clause.2

The contract comprises only Primary Dealership activities on Government Domestic Borrowing Securities.

Definitions

Clause.3

- a) **Undersecretariat:** The Undersecretariat of Treasury
- b) **GDBS:** Government Domestic Borrowing Security issued by the Undersecretariat of Treasury.
- c) **Primary Market:** The market where Government Securities are initially issued by the Undersecretariat.
- d) **Secondary Market:** The market where previously issued Government Securities are sold and purchased.
- e) **Primary Dealer:** The bank that has signed this agreement and undertook responsibilities in primary and secondary market.
- f) **Turkish Primary Dealer:** The title which can be used by Primary Dealer
- g) **Auction:** Government Domestic Borrowing Security Auctions
- h) **Auction Limit:** The minimum and maximum net volume to be issued at an auction including non-competitive bids.

i) TAP: The issuance method by which Government Securities are tendered at pre-determined prices via Central Bank.

j) Option Bids (Post-auction bids): The bids given after the auctions to purchase the auctioned securities from the average price of the auction or the price determined at the auction.

k) Non-Competitive Bid: The bid submitted on auction day till 10:30 to purchase the auctioned security from the average price of the auction or the price determined at the auction.

l) Zero-coupon Security (Discounted Security): The kind of security, interest of which is paid at maturity together with the principal.

m) Coupon Security: The kind of security, interest of which is paid at coupon periods while the principal is paid at maturity.

n) Switching: The switching of existing securities with the security which is going to be issued.

o) Benchmark Issue: The securities determined by the Undersecretariat of Treasury for the quotation obligation of primary dealers in the secondary market.

p) Primary Dealership Consultation Board: The consultative Board which will be held at least once in a month and composed of representatives from each Primary Dealer, the Undersecretariat of Treasury and other related Public Institutions.

The Privileges of the Primary Dealer Clause.4

- a) The Primary Dealer has the right to use the title of “Turkish Primary Dealer”.
- b) The Primary Dealer is exempt from the collateral requirement for participation in auctions. However, in case the Primary Dealer fails to meet its liabilities after an auction, it will be subject to the same penalties applied to other auction participants.
- c) The Primary Dealer has the right to submit non-competitive bids before the auctions. The total amount to be issued via accepting non-competitive bids can not be more than 30% of the upper limit of the auction. (The amount issued to non-bank public institutions at average price or the price determined in the auction is not included in this limit). The volume of the non-competitive bid of any single Primary Dealer can not be more than the total limit of issuance through the non-competitive bid system. When there is no upper limit specified for the auction, the Undersecretariat can accept non-competitive bids at any volume, without declaring a ratio.

- d) The Primary Dealer has the right to submit option bids after an auction till 14.00 P.M. on the issue date. The amount to be issued via accepting option bids will be calculated in two different ways according to the auction method used. In the uniform price auction system, the amount to be issued to each Primary Dealer via accepting option bids will be 20% of the net amount purchased by the Primary Dealer in the auction, excluding non-competitive sales. In the multiple price auction system, the amount to be issued at average price to each Primary Dealer via accepting option bids will be 40% of total the net bids given above the average price in the auction, excluding non-competitive sales and the amounts issued at average price.
- e) The Primary Dealer has the right to switch the securities, maturities of which are less than the security issued in the auction, up to the amount 5% of winning bids in the non competitive sales and auction. The Primary Dealer can switch the owned securities whose prices are determined by the Undersecretariat, in exchange of average price or the price determined in auction of the issued security. The price of the securities accepted for switching are announced before the auctions. Additional %5 switching opportunity can be given to the Primary Dealer by the Undersecretariat in the designated auctions and it will be announced before the auction. Bids for switching (including with additional switching opportunity) can be given for both YTL and FX securities till 16.00 PM on the auction date, starting from the announcement of the auction results.
- f) The Undersecretariat conducts cash operations in the money market with Primary Dealers.
- g) The Primary Dealer has the exclusive right to participate in “TAP” sales.
- h) The Primary Dealer has the exclusive right to serve as an intermediary in “public offerings”.
- i) The Primary Dealer has the exclusive right to participate in Buy-back and Switching auctions.
- j) The Primary Dealers has the right to participate in the Primary Dealership Consultation Board with two representatives.
- k) The Primary Dealer can borrow and lend securities at the Securities Lending Market established at the Central Bank. Other banks will only have the right to lend securities in this market.
- l) The securities yields of which are indexed to revenue of a public asset are not subject to this contract.

The Liabilities of the Primary Dealer

Clause.5

- a) The Primary Dealer shall purchase at least 3% in each month and at least 5% in each three month period, on net basis, of the securities issued or programmed to be issued by the Undersecretariat. The calculation of the obligation will be based on the lower amount, out of the programmed borrowing amounts announced in the borrowing strategy and realized borrowing amount. The purchases through non-competitive bids will be taken into account, while the purchases through option bids and 3 month reference auctions will not be taken into account during the calculation of obligations. The 3 month periods are determined as follows: 03/09/2007-30/11/2007, 01/12/2007-29/02/2008, 01/03/2008-31/05/2008 and 01/06/2008-31/08/2008. The Primary Dealer can deduct the over purchased amount in one month from the obligation of the following month, within the same period. The obligation of the Primary Dealer will be calculated by using the coefficients given below to weight the purchased amounts according to borrowing maturities:

Borrowing Maturity	Coefficient
0-3 Year	1
3-5 Year	1,3
5 +	1,5

- b) The Primary Dealer's role is to enhance liquidity of GDBSs in the secondary market. To achieve this, the Primary Dealer shall, on every trading day quote bid and offer prices continuously for benchmark securities specified in the Clause 8 at the Istanbul Stock Exchange (ISE) Bonds and Bills Market. The quotations will meet the following criteria:
- I. The quotations will be given on every trading day of ISE, between 9.45-12:00 and 13.15 -16:00
 - II. The minimum size of quotations will be 5 million YTL in nominal terms.
 - III. Bids and offers will be quoted in terms of prices for Coupon-securities and the maximum spread between bid and offer quotations will be 0,5 YTL. For zero-coupon securities, the quotations will be given in terms of simple-annual interest yield, meeting the maximum spread requirements depicted in the following table:

Interest Rate Interval For Bid Quotations	Maximum Spread Between Bid and Offer Rates (basis point)
- %9,99	13
%10,00 - %19,99	25
%20,00 -	50

- IV. If the quotation sizes descend below 5 million YTL as a result of a transaction or the quotations are called back for any reason, the Primary Dealer will renew the quotations in two minutes.
- V. The quotations will be submitted with the “PY” (PD) code.
- VI. In the calculation of the violations of quotation liabilities, the average of the violations of all Primary Dealers in terms of number and duration are calculated. The Primary Dealer violates the liability if both of the violations of Primary Dealer are above the average of the violations of all Primary Dealers.
- c) The Primary Dealer shall prepare research, reports, surveys, financial data and other related information demanded by the Undersecretariat about general economy and financial markets, with the time specified. These reports will be kept secret by the Undersecretariat on the demand of the Primary Dealer.

Clause.6

Primary Dealer is responsible for submitting detailed reason of technical problems faced during quotation process in the ISE Bonds and Bills Market for benchmark securities. The reason shall be submitted in 5 (five) working days to the ISE Bonds and Bills Market and to the Undersecretariat.

The Liabilities of the Undersecretariat

Clause.7

- a) The privileges stated in Clause.4 will be valid only for Primary Dealers. (With the exception of the right of non-bank public institutions to submit non-competitive bids in auctions.)
- b) In an auction, the volume of security issued to a single participant will not be more than 25% of the upper limit of the auction. (The purchases of the Primary Dealer through non-competitive and option bids are not included in this limit.) This clause will not be applied unless upper limit is declared for an auction.

- c) If the total non-competitive bids in an auction exceed %30 of the upper limit announced for the auction, the 30% of the upper limit will be distributed to the bidders on pro-rata basis. The covered volume of non competitive bids will be announced till 11.00 A.M. on the auction day. If there is no upper limit specified for the auction, the Undersecretariat can accept non-competitive bids at any volume. This amount will be allocated on pro-rata basis.
- d) The Undersecretariat shall continue to announce the cash management and borrowing programs.
- e) The Undersecretariat shall consult the Primary Dealers on issues of borrowing policy and new borrowing instruments.

Benchmark Issues

Clause.8

The Undersecretariat designates 6 benchmark securities, for which the Primary Dealer has to quote prices, by taking into account the total issue size, the maturity and the trading volume in the secondary markets. Price quotations have to be given for 4 benchmark securities determined by the Primary Dealer for at least 3 month period. By informing the Undersecretariat 1 week before, Primary Dealer can change the set of benchmark securities for the following 3 month period. The securities lose their benchmark qualifications when 182 days remain to their maturity.

General Issues Regarding the Primary Dealership System

Clause.9

- a) In case of any sudden and important developments in the market, the Primary Dealer Consultation Board will be called for extraordinary meeting.
- b) The Undersecretariat keeps the right to lift the quotation liability of the Primary Dealer for a temporary period and to increase the maximum spreads designated in Clause.5 of this contract.

Auditing

Clause.10

The Undersecretariat has the right to get the Primary Dealer audited to ensure the execution of the liabilities undertaken by this contract. The expenses of the audit will be covered by the Primary Dealer. The Standards of the audit are determined by the Undersecretariat.

Suspension and Annulment of Contract

Clause. 11

Official notifications will be sent to the Primary Dealer if it fails to fulfill its obligations, without any valid reason, in accordance with the Clause 5 in this contract. In the fifth breach of obligations, the contract is suspended for a month. The Primary Dealer has to meet all the liabilities in suspension period. In the case of any violation of liabilities during the suspension period, the contract is annulled.

The contract can be suspended only for once. The Primary Dealer, whose contract continues after suspension, is warned by official notification if it fails to fulfill obligations. At the first repeat of breach, the contract is annulled, immediately.

The banks taken over by the Banking Regulation and Supervision Agency and managed under the administration of Saving Deposits Insurance Fund during the contract period, lose Primary Dealer status.

The Primary Dealer can renounce Primary Dealership, by applying to the Undersecretariat at least 15 days in advance.

In the case of suspension or cease of the contract, the situation is announced by the Undersecretariat.

The Primary Dealer can not use its official title of “Turkish Primary Dealer”, in case of suspension, annulment and expiration of the contract, and as well as the rights stated in this contract.

Merger and Acquisition

Clause.12

The Validity of “Primary Dealer” title is reassessed by the Undersecretariat when the Primary Dealer is acquired by; sold to or merged with another bank or when it changes its legal entity in accordance with a legal process during the contract period.

Duration and Termination of Contract

Clause.13

The contract expires on 31.08.2008. The Undersecretariat keeps the right to enter into new Primary Dealership contract or not for following period.

Contact Information
Clause.14

The Primary Dealer submits the name(s), title(s) and correspondence information of the authorized representative(s) to the Undersecretariat by the effective date of this contract. If the information of the representative(s) changes, the new information is submitted by written form to the Undersecretariat in five working day.

Settlement of Disputes
Clause.15

Both parties accept Ankara Courts as the legal venue.

This contract has been drawn up in two identical copies.

Ankara / / 2007

Republic of Turkey
Prime Ministry
The Undersecretariat of Treasury

Primary Dealer