

**COMMUNIQUÉ ON PRINCIPLES REGARDING
ASSET FINANCE FUNDS AND ASSET BACKED SECURITIES**

(Serial: III, No: 35)

SECTION ONE

Purpose, Scope, Source and Definitions

Purpose and Scope

Article 1- (1) The purpose of this Communiqué is to regulate the establishment and activities of asset finance funds, the principles related to registration and issue of asset backed securities and the related public disclosure principles.

Source

Article 2- (1) This Communiqué is issued under the authority provided by Articles 38/C, 39 and the first paragraph of Article 22 of the Capital Market Law dated 28/7/1991, no.2499.

Definitions

Article 3- (1) Abbreviated terms in this Communiqué have the following respective meaning:

- a) Bank : Banks defined in the Article 3 of Banking Law, dated 19/10/2005 no.5411.
- b) BRSA : Banking Regulation and Supervision Agency.
- c) Leasing and Consumer Finance Institutions : Leasing and consumer finance institutions that are regulated in “Communiqué On the Principles Regarding Establishment and Activities of Leasing, Factoring and Consumer Finance Institutions” and that have obtained authorization from BRSA to operate.
- ç) Fund : Asset Finance Fund as defined in Article 38/C of the Law.
- d) ISIN Code : International Securities Identification Number assigned to securities
- e) Commercial Mortgage Loan : Loans and receivables secured by a mortgage on real property other than land and residential properties registered as dwelling in the land registry.
- f) Mortgage Finance Corporation : Mortgage Finance Corporations as defined in Article 39/A of Law
- g) Law : Capital Market Law, no.2499
- ğ) Originator : Joint stock corporations which originated or took over the assets included in the Fund portfolio and the Housing Development Administration of Turkey.
- h) Founder : Banks, leasing and consumer finance institutions, mortgage finance corporations, intermediary institutions that meet the qualifications stated in this Communiqué.
- ı) Board : Capital Markets Board.
- i) Qualified investors : Local and foreign mutual funds, pension funds, investment trusts, intermediary institutions, banks, insurance companies, portfolio management companies, mortgage finance corporations, pension and relief funds, foundations, funds established according to Temporary Article 20 of Social Securities Law, no. 506, benevolent societies and other investors to be accepted as similar to these organizations by the Board and real and legal entities that have total asset amount

equal to at least 1 million TRY in terms of cash in Turkish and/or foreign currencies and in terms of capital market instruments, by the date of public offering of ABS.

i) TTRG : Turkish Trade Registry Gazette

k) Consumer loans : Provided that they are not used for commercial purposes, loans taken by real or legal persons from banks or consumer finance institutions for purposes of acquiring goods or services.

l) Asset : Receivables, loans, rights and other assets mentioned in the first paragraph of Article 20 as eligible to be included in the Fund portfolio.

m) ABS : Asset Backed Securities.

SECTION TWO

General Clauses

Asset Finance Fund

Article 4- (1) Fund is a separate property which is formed with the proceeds of ABS issued, in accordance with the principle of fiduciary ownership. Fund must be established within the borders of the Republic of Turkey. Fund does not have a legal entity. Fund assets are separate from those of the Founder, servicer and other originators. Multiple funds created by the same Founder shall be numbered consecutively in the order of their establishment.

(2) A bank account in the name of the Fund, separate from Founder's accounts, shall be opened to collect all the cash inflows and to make all payments and expenses.

(3) Fund is established for a finite or infinite term. Fund shall be managed as either pass-through or pay through mechanisms. Pass through management is done by transferring the scheduled or unscheduled cash inflows from the assets in the fund portfolio, after making necessary deductions, to ABS holders. In case of pay-through management, keeping the scheduled or unscheduled cash inflows from the assets in the fund portfolio and delaying the payment to ABS holders according to the principles stated in the Fund statute and prospectus is possible. ABS shall be redeemed after all the payments have been made.

(4) Fund can not be established or operated for purposes other than these stated in this Communiqué.

(5) The terms "Asset Finance Fund" and "Asset Backed Securities" and any other equivalent terms shall not be used for the funds and securities, respectively, which are not issued under the provisions of this Communiqué.

Qualifications of Founders

Article 5- (1) Regarding the founders who want to establish funds;

a) They shall satisfy the criteria applicable to them within the framework of the capital market legislation and their special legislation. Also their operations must not have been ceased permanently, suspended for one month or more in the last one year on the basis of regulatory or legal infractions within the framework of the capital market legislation and their special legislation.

b) The authorized individuals of the founders must not be bankrupt and convicted due to infamous crimes such as smuggling other than for production purposes, embezzlement, speculation, extortion, bribery, theft, swindling, breach of trust, forgery, rigging an auction, tax evasion, laundering proceeds of crime and terrorist financing or convicted for not compliance with the capital market legislation and their special legislation.

(2) Furthermore, intermediary institutions shall satisfy the criteria below in addition to Board's regulations related to intermediary institutions:

- a) Must have obtained the permission of the Board in order to undergo the operations in the capital markets according to Article 30 subparagraphs (a), (b), (c), (d), (e) and (f) of the Law,
- b) Shall have a minimum equity at least 10 times the amount of the minimum equity required for all licenses,
- c) Capital adequacy base shall be %30 more than the required amount.

SECTION THREE

Provisions Related to the Organization of the Fund

Fund Board and Fund Operations Manager

Article 6- (1) Founder shall appoint a Fund board for each Fund comprising of 3 members. It is compulsory for at least one member of the Fund Board to be independent. For purposes of this Communiqué, independence means lack of employment, partnership, or commercial relation directly or indirectly within the past two years and lack of blood or marital relationship up to a third degree with the founder, owners and subsidiaries of the founder, and with anyone that owns more than 10% of the founder's owners or subsidiaries.

(2) Fund board members;

a) Shall be university graduates with at least five years of experience in banking or capital markets fields and must have dignified characteristics required to become a board member and at least one of them shall get "Capital Market Activities Advanced Level License" and "Derivative Instruments License" in accordance with the Board licensing regulations.

b) Themselves or the companies which they possess an unlimited liable share shall not be bankrupt or shall not be declared as having engaged in bankruptcy arrangements.

c) Shall possess the required characteristics defined in subparagraph (d) of the first paragraph of Article 9 of the Communiqué on Intermediation and Principles based on Intermediary Activities published in the Official Gazette dated 7/9/2000 No. 24163.

(3) The Fund board shall be responsible for the following:

a) Preparation and the registration of the Fund statute and the prospectus.

b) Constitution and valuation of the Fund portfolio; custody and bookkeeping of the Fund assets in accordance with the provisions of this Communiqué, setting up the organization for documentation and safekeeping of the information and documents.

c) Monitoring the supervision, representation, administration of the Fund in accordance with the methods and principles stated in this Communiqué, fund statute and prospectus by preserving the rights and benefits of ABS holders.

ç) Opening accounts under the name of the Fund at banks and ensuring that payments to investors and payment of other fees and expenses of the Fund are made truly and in accordance with this Communiqué.

d) Preparing periodic reports to investors in compliance with the provisions of this Communiqué.

e) Ensuring that the servicer performs its servicing duties properly and changing the servicer if it does not fulfill its obligations stated in the servicing agreement.

f) Other responsibilities as may be stated in the Fund statute, the prospectus, the Law, this Communiqué, or in any other regulation of the Board.

(4) All decisions of Fund board shall be approved and registered in “Fund Board Decision Book”. The Fund board may appoint a fund operations manager for each Fund, to provide operational management of the fund's activities as stated above in accordance with the provisions of this Communiqué or may pursue those duties himself. Banks, intermediary institutions and portfolio management companies, which carry the qualifications stated in the first paragraph of Article 5 may be appointed as fund operations manager. Natural persons appointed as Fund operations manager must possess the characteristics as defined in both the clause (b) of the first paragraph of Article 5 and second paragraph of this article.

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

Internal Control System and Fund Internal Auditor

Article 7- (1) Internal control system is the principles and methods that are applied in order to ensure the effectiveness and efficiency of the fund operations; attainability and reliability of the information regarding financial and administrative issues; execution of the fund operations in accordance with the related legislations, related contracts, prospectus and internal statute of the fund; determination and prevention of improper actions, mistakes and frauds; completeness and trueness of the accounting records and timely preparation of financial information in a truly and trustworthy manner. All policies and procedures regarding the internal control system of the fund shall be secured by a Fund Board decision in written form.

(2) Internal control system shall be established in a manner to ensure at least the following:

a) The requirements of the Law, this Communiqué, the Fund statute and the offering prospectus are met on the issuance date of the ABS and periodically throughout the life of the Fund.

b) Servicer executes its duties according to the provisions in the servicing contract and this Communiqué.

c) Payments to the investors and other parties from Fund accounts are executed according to the provisions of this Communiqué.

ç) The management of Fund assets, their addition to and removal from the Fund portfolio are executed according to the provisions of this Communiqué.

d) Fund assets shall be segregated and kept safe from the Founder's assets and the accounting, documentation and registration system shall be established according to this Communiqué.

e) Other responsibilities required by the Fund statute, prospectus or the Board are pursued.

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

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

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

(6) If the Fund internal auditor, while carrying out his responsibilities, discovers any violations or discrepancies or determines that the Fund is in financial distress in terms of making payments, he shall report this to the Fund Board immediately and shall forward a copy of the report to the Board on the same day.

(7) The Fund Board and the Fund operation manager are obliged to provide the Fund internal auditor with all of Fund books, accounts and documentation, including the documentation of the assets in the Fund portfolio, external audit reports and reports of servicers.

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

Servicer

Article 8- (1) Servicer is the Founder or any other institution that possesses the qualifications of a Founder, responsible for the day to day management of the assets in the Fund portfolio.

(2) Servicer must have the necessary experience, human resource and management and information technology systems for management of the assets in the Fund portfolio.

(3) Responsibilities of the servicer shall be determined according to a servicing agreement made with Fund Board and shall at least include the following:

a) Timely collection of the receivables originating from the assets in the Fund portfolio and their remittance to the Fund's account.

b) Execution of the administrative activities like insurance and tax related to the assets in the Fund portfolio.

c) Monitoring the repayment credibility of borrowers and making necessary notifications to borrowers in cases of delinquencies and defaults.

ç) Reporting to the Fund board information about all of the cash flows from receivables including the time of payment and outstanding balances, on a monthly basis.

d) Other tasks determined by the Board.

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

(5) Cash collected by the servicer that is due to be transferred to the fund within the context of the agreement made with the Fund board, belongs to the fund portfolio and shall be transferred to the Fund's bank account, which is segregated from the servicer's own accounts.

(6) In case the servicer fails to fulfill the liabilities defined in the servicing agreement or the servicer's license to operate is cancelled; the servicing agreement shall be terminated by the Fund board and a previously designated servicer shall be appointed. Also, the Board shall be notified.

(7) Upon termination of the servicing agreement, the servicer shall deliver to the Fund board or to the new servicer all of the Fund's books, accounts and documentation related to the assets in the Fund portfolio whether they are kept in electronic or written form, and all cash and accounts pertaining to the assets in the Fund portfolio without making any kind of deduction. All of these issues shall also be defined in the agreements.

Independent Audit of the Fund and the Servicer

Article 9- (1) The financial statements of the Fund and the activities of the Servicer in accordance with the servicing agreement stated in 3rd paragraph of Article 8 shall be audited annually by an independent audit company that is authorized by the Board to conduct independent audits in accordance with the Board's regulations.

(2) The independent audit company shall also prepare a semi-annual report, stating that the assets of the Fund remain existent. This report shall be sent to the Board within 6 weeks following the end of the related six-month period.

Principles Regarding Custody Service

Article 10- (1) Assets in the fund portfolio other than receivables and loans shall be kept under custody according to a custody agreement by companies authorized to give custody services.

(2) The minimum contents of the custody agreement shall be determined by Takasbank if the assets are to be kept under the custody of Takasbank, and by the Board if the assets are to be kept under custody of another institution defined by the Board.

(3) A copy of the custody agreement shall be sent to the Board within in 6 business days after the agreement date.

Confidentiality

Article 11- Any confidential information pertaining to related and third parties that is learned by the Fund board, fund auditors, fund operations manager or the servicer while executing their duties stated in this Communiqué can not be used for their own interests or disclosed to any party other than those authorized by this Communiqué or by special regulations.

SECTION FOUR

Provisions Related to Establishment of the Fund and Registration of ABS with the Board

Application Procedure

Article 12- (1) The founder shall apply to the Board with an application form, the fund statute, and all other documents stated in the application form, in order to get permission for establishment of the Fund and registration of ABS. In case that the application is made by an institution subject to BRSA, the Board shall obtain BRSA's opinion on whether there is any matter preventing Fund's establishment. The applications for the establishment of the fund and the registration of the ABS shall be evaluated together. The Board may request the applications to be made in electronic form. In order for the application to be approved:

a) Fund board, servicer, internal auditors and independent auditors must have been appointed; internal control system must have been established; custody, accounting, registration and documentation systems must have been developed.

b) Sufficient location, technical facilities, organizational structure and human resources must have been designated for management of assets in the Fund portfolio and ABS.

c) Conformity with the regulations of the Board regarding fund establishment and fund management sustained.

(2) Application files shall include all the documents required by this Communiqué. Incomplete application files will not be taken into consideration by the Board.

Fund Statute

Article 13- (1) Fund Statute is an accessionary contract between the ABS holders, the Founder and the Fund board and consists of the conditions regarding the safekeeping of the fund assets in accordance with the principle of fiduciary ownership and management of these assets in accordance with the provisions of the proxy agreement.

(2) The Fund Statute shall be prepared in accordance with the regulations of the Board. Minimum information to be included in the Fund Statute and the standards of the Statute shall be determined by the Board.

(3) Various classes of ABS issues and rights pertaining to ABS holders must be defined in the Fund Statute.

Fund Establishment Permission and Registration of the Fund Statute

Article 14- (1) Upon approval of an application, the Fund Statute and the approval letter shall be registered in the commercial register office where the Founder is established and shall be published in the TTRG within 6 business days following the permission date. The related TTRG shall be sent to the Board within 6 business days following publication. The establishment process shall be deemed to be complete upon the registration of the Fund Statute.

(2) The ABS registration document shall be given by the Board after the relevant documents regarding the registry is submitted to the Board.

(3) If the issuance of ABS is cancelled after registration of the fund statute, the fund board decision shall be sent to the Board immediately and Fund statute shall be removed from the commercial registry. Documents related to cancellation of the commercial registry shall be sent to the Board within 6 business days.

Amendment of Fund Statute

Article 15- (1) In case of a need for an amendment in the Fund Statute, the documents defined in the application form which is prepared according to the principles determined by the Board shall be submitted to the Board. Upon the application, The Board shall examine whether the legal requirements are met with respect to the Law, this Communiqué and other relevant regulations and the approved amendments shall be registered to commercial register office and shall be published in the TTRG within six days following the permission date.

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

(3) The Board may deny approval of the amendments in the statute, if such an amendment results in violation of provisions of the Law, this Communiqué or other relevant regulations or if the necessary disclosures have not been made.

Asset Backed Securities

Article 16- (1) ABS are debt securities secured by the assets in the fund portfolio.

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

(3) The Fund board may decide to make an ABS issue comprising of various classes with different rights like:

- a) Maturity of assets,
- b) Payment schedule of assets' principal or interest, interest type,
- c) Priorities for the payment of assets' principal or interest,
- ç) Rights pertaining to liquidation procedures,
- d) Credit risk,
- e) Other criteria approved by the Board.

(4) ABS may be issued in different prices and maturities.

(5) In case of pass-through management, schedule of payments to ABS holders are determined according to the payment schedule of the assets in the Fund portfolio and this information is disclosed in the Fund statute and prospectus. In case of pay-through management, Fund Board determines the schedule of payments to ABS holders and this information is disclosed in the Fund statute and prospectus. As a principle, payments to ABS holders shall be paid essentially from the cash inflows from the assets in the fund portfolio. Whole or partial guarantee may be provided by the Founder and/or the third parties for the payments which can not be met from the cash inflows in accordance with Article 23.

(6) Following the redemption of ABS, Fund board may allocate the excess cash flows obtained from the assets in the Fund portfolio in excess of the payments to ABS holders in its own discretion. The decision of the Fund Board regarding this subject shall be outlined in the Fund Statute and the Fund prospectus.

Sale and Registration of ABS that is not offered to public

Article 17- (1) Fund Board shall apply to the Board in accordance with the principles stated in Article 12 in order to register with the Board the ABS which will be sold by private placement and/or to qualified investors and/or abroad. No prospectus or circular shall be prepared for such kind of ABS sales.

(2) The Board evaluates ABS applications by taking into account whether the information required by the Board is submitted in a complete manner and registers ABS. A registration document is prepared for ABS registered by the Board. Issue and sale of ABS shall not be started before the registration document is obtained.

(3) Applications for ABS issues can be made either separately for each issue or together for all the ABS issues to be made in the coming 5 years. If the latter is chosen, the issue shall be made in 5 years as of the date of ABS registration. During this period, ABS can be sold in series. Fund board shall submit information regarding Fund portfolio and all other documents required by the Board at least 10 business days before the issue of each series. After necessary examinations are made, Board approves the ABS issue. Sale of ABS shall not be started without Board's approval.

(4) Within six business days following the end of sale period, information required by the Board about sales results must be submitted by the Fund Board in an accurate and complete manner.

(5) Registration with the Board shall not imply that the ABS to be issued and Fund are guaranteed by the Board or State and this shall not be used for advertising purposes. In the announcements and disclosures, any direct or indirect expression implying that registration with the Board can be interpreted as an official guarantee of the Board or State can not be used.

(6) If ABS registered with the Board according to the provisions of this Article is to be reissued in a manner within the scope of public offering as defined in Article 3 of the Law, prospectus and circular shall be prepared according to Article 18.

Sale and Registration of ABS that is sold through public offering

Article 18- (1) The Board evaluates the applications regarding ABS public offerings within the framework of public disclosure by taking into account whether prospectus and circular include all information considered necessary by the Board and registers ABS which will be sold through public offering. The registration document is prepared related to registered ABS. Issue and sale of ABS shall not be initiated before the registration document is obtained.

(2) In the event it is decided that the explanations are not sufficient and do not reflect the truth fairly such that an exploitation of the public may occur, the Board may deny registration of ABS by stating the reason for such a denial.

(3) Applications for ABS issues can be made either separately for each issue or together for all ABS issues to be made in within a 5–year term. If the latter is chosen, the issue shall be completed within a 5-year period after the date of ABS registration. During this period, ABS may be sold in series. Issuers shall submit the circular, information regarding fund portfolio and all documents required by the Board at least 10 business days before the issuance of each series. After necessary examinations are made, Board approves the circular. Sale of ABS shall not be initiated unless the Board’s approval has been obtained.

(4) Registration with the Board shall not be used for advertising purposes and shall not imply that the Board or the State guarantees the Fund or the ABS to be issued. In the announcements and disclosures, any direct or indirect expression implying that registration with the Board can be interpreted as an official guarantee of the Board or State shall not be used.

(5) The prospectus and circular related to the ABS which shall be offered to the public, shall be patterned in a detailed manner entailing all the necessary information foreseen in the regulations and required by the Board, and shall be in line with all the minimum required standards determined by the Board, and shall include all the necessary additional information if required by the Board and shall be based on necessary underlying documentation when deemed as necessary.

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

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

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

(9) The prospectus approved by the Board shall be registered at the commercial register office where the Founder is registered within one week after the date of registration form, and shall be published in the TTRG.

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

(11) The Board, in accordance with the Article 22/b of the Law, may temporarily suspend the sale procedures of ABS being issued or publicly offered by intervening to their sale.

(12) Any amendments or new issues regarding the information in the prospectus and circular, which occur before the sale process and may result in a loss for the investors if not declared, shall be declared to the Board in written form by the Fund board, on the date of occurrence and before the sale commences on all occasions. Any amendments or new issues regarding the information in the prospectus and circular which occur during the sale process and may result in a loss for the investors if not declared, shall be declared to the Board on the date of occurrence in written form along with suspending the sale or ensuring that the intermediary institutions offering the sale suspend the sale process.

(13) Changes and new issues shall not be declared to the public or shall not be put into enforcement by amending the prospectus and circular without the Board’s approval. After the Board’s approval, the changes in the prospectus shall be registered at the commercial register office and be declared, and the changes in the circular shall be published in the newspapers where this circular has been published previously.

(14) The sale period of the ABS which will be publicly offered shall be defined in the circular. ABS which are not sold in the sale period shall be cancelled.

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

(16) The texts of advertisements and announcements related to public offering of ABS to be published shall be submitted to the Board at least 2 business days before the publication date. No information other than those in the prospectus and circular shall be included in the advertisements, announcements and any kind of releases. The Board may require changes to be made in the texts if it deems as necessary and in this case texts shall not be published without making these necessary changes.

(17) If announcements are to be published in newspapers at the date of the announcement of the circular; advertisements, announcements and the circular shall be published in the same newspapers. After the announcement of the circular, announcements and advertisements may be continued by means of any way on condition that the dates of newspapers which the circular was published are clearly disclosed. Locations where the prospectus and circular can be obtained shall be disclosed in the texts of advertisements and announcements published after the registration of ABS.

(18) A form including information on the risk level of ABS that may affect investment decisions of the investors shall be submitted to the investors. If the investor decides to purchase ABS, a written statement stating that that form has been submitted to the investor shall be obtained.

(19) ABS to be publicly offered shall be rated by at least one rating agency enlisted by the Board and the rating degree shall be disclosed in the prospectus and circular and other related documents.

Registration Fee

Article 19- (1) Within the context of the third paragraph of clause (b) of Article 28 of the Law, the registration fee shall be calculated on the fund's net asset value determined in line with Board's principles at the last working day of each calendar quarter and paid to the Special Account within 10 business days following end of the each period. The copies of the calculation table and the payment receipts shall be submitted to the Board.

(2) Within the relevant calculation period, if the Fund offers ABS to the public or is liquidated, the registration fee shall be calculated by taking into consideration the ratio of the number of offering days to the number of days in the related three-month period.

SECTION FIVE

Provisions Relating to the Fund Portfolio

General Principles

Article 20- (1) Provided that it is stated in the Fund Statute, Fund assets may comprise;

a) Receivables arising from consumer loans other than residential mortgage loans, commercial mortgage loans, vehicle loans, project finance loans and business loans given by banks and finance companies,

b) Receivables arising from lease agreements made by the authorized institutions,

c) Receivables arising from sale of real estate properties belonging to the Housing Development Administration of Turkey,

ç) Any cash equivalent short term investments aimed at investing the proceeds of the assets in the fund portfolio,

d) Assets in the reserve accounts as defined in Article 23 of this Communiqué,

e) Other assets approved by the Board.

(2) Within the scope of this Communiqué, cash equivalent short term investments refer to reverse repo agreements and deposits with a maturity period of less than three months, liquid funds, money market operations in ISE Settlement and Custody Bank Inc, and other money and capital market instruments approved and publicly announced by the Board.

(3) Fund assets shall not be used for any purposes other than settlement of the obligations envisaged by the Law, this Communiqué, Fund Statute, and other related legislations.

(4) Until the ABS are redeemed, assets of a fund shall not be used for any other purposes, shall not be pledged, shall not be used as collateral, shall not be distrained, shall not be subject to precautionary measure decisions of courts, and shall not be included into the bankruptcy process, even for the purpose of the collection of the public receivables.

(5) It is mandatory to comply with the following principles when managing the fund:

a) Within at most one month following the issue date of the ABS, fund portfolio shall be designed such that the total value of Fund assets shall not exceed the total value of the Fund obligations to ABS holders.

b) Originator may only purchase the junior tranches of ABS for credit enhancement purposes.

c) Whenever a commercial mortgage loan is included in the fund portfolio, then the property securing that loan shall be registered to the title register under the name of the founder, on behalf of the Fund. The fact that the commercial mortgage loan has been transferred to the fund shall be declared in the title registry of the property securing that loan.

ç) Whenever a vehicle loan is included in the fund portfolio, then the vehicle securing the loan shall be registered to the vehicle register under the name of the founder, on behalf of the fund. The fact that the vehicle loan has been transferred to the fund shall be declared in the registry of that vehicle.

d) Fund may become indebted for cash management purposes.

The Transfer of Assets

Article 21- (1) Assets referred in Article 20 are acquired by signing a contract to include them in the portfolio. The contract should state that all of the rights pertaining to the ownership of the assets are transferred to the Fund by acquisition. All due payments of the assets must have been made on time as of the time the asset is transferred into the fund portfolio.

(2) Regarding to the commercial mortgage loans to be included to the Fund portfolio:

a) Principal and interest repayments shall be secured by a mortgage on behalf of the originator,

b) The property securing the commercial mortgage loan shall be within the geographical boundaries of the Turkish Republic and shall have the Habitation Certificate,

c) The property securing the commercial mortgage loan shall have been insured against the fire and earthquake for the entire term of the loan contract as to have included indemnity which cover at least the amount of nominal value of the commercial mortgage loan, and provide the issuer with the right to pledge that indemnity,

ç) The market value of the property securing the commercial mortgage loan shall have been determined in accordance with the “Communiqué on Principles Regarding Appraisal Companies and Their Listings by the Board”, Serial No: VIII, No: 35.

(3) Vehicle loans can be included in the Fund portfolio, provided that there has to be an automobile insurance which entitles the Fund to include the compensation in the Fund portfolio which is paid according to the insurance policy during the existence of the loan agreement.

(4) Financial obligations that arise from the transactions made prior to the transfer of the assets shall not be met by the fund portfolio. All disputes regarding these obligations shall be on behalf of the originator.

Expenses to be Paid From Fund Assets

Article 22- (1) Expenses mentioned below may be paid to the extent described in the Fund Statute and the Fund prospectus.

- a) Compulsory registration and announcement fees,
- b) Fees to be paid in exchange for the services of members of the Fund board and providers of legal, accounting, custody, settlement and other management services,
- c) Servicing fees to be paid to the servicer for the managing of assets,
- ç) Fees paid to audit firms,
- d) Fees paid to rating agencies,
- e) Fees, commissions and other payments paid credit enhancement providers,
- f) Underwriting and brokerage fees and commissions,
- g) Accruals to reserve accounts,
- ğ) Legal fees for the issuance,
- h) Tax charges of the Fund,
- i) Expenses associated with cash management loans
- i) Other expenses that are approved by the Board.

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

Credit Enhancement

Article 23- (1) In cases of risk of failure to meet the obligations with the proceeds of the assets in the fund portfolio, in order to protect the rights of ABS holders;

- a) Fund board may enter into a contract with the Founder or a third party in the form of insurance, warranty, back letter or another guarantee method,
- b) Different classes of ABS with different rights may be issued,
- c) Portion of the assets that exceeds total obligations of the fund may be transferred to reserve accounts created in accordance with the ratio or amount specified at the service contract.
- ç) Other methods approved by the Board may be implemented.

(2) Decisions regarding credit enhancement transactions are at the discretion of the Fund Board. These transactions shall be disclosed to the public in prospectus.

Removal or Replacement of Assets

Article 24- (1) The originator shall repurchase assets from the Fund, in the event that these assets do not have the required characteristics mentioned in the Fund Statute or the prospectus. This matter shall be stated in the contract defined in the Article 21, fund statute and the prospectus. Assets substituting the removed ones shall also meet the conditions stated in the Law, this Communiqué, fund statute, and prospectus.

(2) In cases of foreclosure of any asset, Fund Board may decide to transfer that asset to the guarantor for the loan within the context of Article 23. However, the entire outstanding principal balance of the asset and any accrued but unpaid interest has to be paid to the Fund at the time of removal. Cash or transfer of the asset mentioned in fund statute can make this payment.

(3) Assets may be removed or replaced in restructuring cases provisioned in Article 28.

(4) Except for the situations given in this Article, assets shall not be removed or replaced from the Fund Portfolio in any other way. All of the changes to be made in the scope of this Article are subject to the decision of the Fund Board.

Reports to Investors

Article 25- (1) The Fund board shall submit the Board a report in line with Board's principles on a quarterly basis within 10 business days following the last working day of each calendar quarter. This report shall at least include the amount of principal payments realized, the cumulative principal amount paid and remaining principal balance and if there is no principal the amount of realized payments since the date of prior report.

If the ABS's are traded on any exchanges, this report shall also be submitted to the exchange. Additionally, these reports shall be readily available at the head offices of the Fund, at the places where the ABS have been sold and in electronic format so that investors can examine them.

(2) The audited financial statements and audit reports in accordance with Board regulations are reported to the investors and the Board in accordance with related regulations of the Board.

SECTION SIX

Recording Fund Assets and Safe Keeping of Information and Documentation of Fund Assets

Recording Fund Assets

Article 26- (1) Journal, general ledger and other mandatory records that may be required by Ministry of Finance stemming from Tax Procedure Law shall be kept by the Fund in accordance with Commercial Law, Tax Law and the Law.

(2) Each asset that is added to the portfolio and defined in clauses (a), (b) and (c), of the first paragraph of Article 20 shall have a file number. It is mandatory that the file number of the asset be stated in the fund's accounting records. The file regarding the asset shall at least include:

a) Information on receivables defined in clauses (a) and (c) of the first paragraph of Article 20, (the name of the debtor, currency, principal amount, origination date, maturity date; original interest rate, interest computation method, maximum interest rate, interest amount and index information if available, payment plan, insurance information),

b) Information on receivables originating from lease contracts defined in clause (b) of the first paragraph of Article 20 (name of the lessee and lessor, leased amount, payment plan),

c) Information on the collateral for the asset if available (nature of the collateral, pledge and register information, appraisal value and insurance information).

(3) The accounting records shall also include, information on;

a) Regarding cash in the portfolio, the amount and the account number in which it is held,

b) Regarding securities in the portfolio, ISIN code, number, principal amount, currency, maturity, interest rate, interest computation method, payment plan and information on the accounts at the custodian,

and other information required by the Board.

Safekeeping of Information and Documents Regarding Fund Assets

Article 27- (1) The methods and techniques followed by the Fund board, information collected, investigation results and other written documents shall be kept at least for 5 years period from the day of their origination until the redemption of the ABS. The documents subject to judicial conflict are required to be kept until the conflict is resolved and shall be submitted to the authorized institutions upon request.

(2) Electronic copies of all original documents pertaining to the fund assets shall be backed up and preserved within the Fund.

SECTION SEVEN

Reorganization and Valuation of the Fund

Reorganization of the Fund

Article 28- (1) For the reorganization of the Fund, the Fund board may decide to,

- a) Transfer in its entirety as an entity to another founder;
- b) Merge with another Fund;

c) Liquidate the Fund by selling Fund's assets to the Founder or other third parties, with the condition that all liabilities towards investors shall be met, if there is a %10 or more decrease in the principal balance of the assets excluding the ones defined in paragraphs (ç), (d) and (e) in Article 20,

(2) The consent of the Board shall be obtained for the decisions taken by the Fund board in scope of this article. Based on the information and documents submitted by the Fund board, the Board may approve the reorganization decision if is convinced that that the investors' rights and interests will not be prejudiced.

Valuation of Fund Assets

Article 29- (1) In the event of a Fund reorganization based on the principles in Article 28,

a) Assets defined in clauses (a), (b) and (c) of the first paragraph of Article 20 shall be valued by prices determined by either intermediary institutions having a licence of intermediation for public offering and investment advisory or independent audit companies,

b) Assets traded on an exchange or on other organized markets shall be valued at the fair value of the assets in those markets on the valuation date.

c) Assets traded on an exchange, but not subject to any sale or purchase transaction at the date of valuation shall be valued at the market value on the last transaction date.

ç) Other assets not traded on organized markets shall be valued with a price determined according to the written principles defined by the Fund board.

(2) The provisions of this Article shall also be applicable to the transfer of assets into the Fund portfolio.

SECTION EIGHT

Other Clauses

Board Supervision

Article 30- (1) All accounts and activities of the Fund and the custodian in relation to the Fund is subject to the supervision of the Board.

Changes in the Fund Board Members, Servicer, Independent Audit Company, Internal Auditor and Fund Operations Manager

Article 31- (1) In cases where the Fund's board member, internal auditor, servicer, independent auditor or fund operations manager resign, that development shall be notified to the Board within 3 business days and the investors shall be informed about this development according to the provisions set in Article 25 of this Communiqué. The responsibilities of this person or institutions shall continue until new appointments are made.

(2) In cases where the Fund's board member, internal auditor, servicer, independent auditor or fund operations manager loses the criteria stated in this Communiqué, new appointments shall be made to these posts immediately and on the same day the Board shall be notified and the investors shall be informed according to the provisions set in Article 25 of this Communiqué.

Difficulties in the Repayment of the Fund

Article 32- (1) The Board may request that the members of the Fund board be changed in cases where the Fund gets into repayment difficulties as a result of the Fund board not carrying out its responsibilities defined in this Communiqué properly.

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

(3) The Board, is authorised to decide to make a payment from the fund assets to the Fund board to be appointed or to the Investors Protection Fund for their services, and to determine the procedures and principles for calculating the payments.

The Cancellation of the Operational Licence of the Founder and Custodian

Article 33- (1) The cancellation of the founder's or custodian's license to operate or in cases where they lose their qualifications as a founder or a custodian, the Board may decide that the Fund be transferred to another founder or the fund assets be deposited by another eligible custodian.

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

(3) The Board, is authorised to decide to make a payment from the fund assets to the Fund board to be appointed or to the Investors Protection Fund for their services and to determine the procedures and principles for calculating the payments.

(4) Changes in the Fund Statute made as a result of the changes in the founder shall be published in at least two of the five national newspapers with the highest circulation rate in Turkey for two days.

Termination of the Fund

Article 34- (1) The Fund may be terminated under the following conditions:

- a) When the finite term stated in the Fund Statute, where available, ends,

b) If the fund has infinite term, with the Fund Board's application for termination to the Board along with the documents indicating that all the obligations to the ABS holders have been met.

(2) Following the termination of the ABS, the principles of the allocation of cash flows obtained from the assets in the portfolio in excess of the payments due to the ABS holders may be determined by the Fund Board at its discretion. The decision of the Fund Board regarding this subject shall be written in the prospectus. ABS shall not be issued after the decision to terminate has been taken.

Merging of Funds

Article 35- (1) With the condition of having the approval of the Fund boards of the Funds subject to merging, the Board may approve the merger of the funds upon the founder's request. The principles to be applied during the merger shall be determined by the Board.

Overruled provisions

Article 36- The Board's Communiqué Serial: III, No: 14 on Principles Regarding Registration Of Asset Backed Securities with the Board and the Establishment and Principles of Operation of General Financial Companies, published in the supplementary edition of Official Gazette dated 31 July 1992 No: 21301 is overruled.

Appraisal of the Real Estate Securing the Loans Granted Before Enactment of This Communiqué

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

Validity

Article 37- (1) This Communiqué shall become valid upon the date of publication.

Enforcement

Article 38- (1) The provisions in this Communiqué shall be enforced by the Board.