



Dematerialization of Turkish Government Debt Instruments



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19 January 2012

Government Debt Instruments – Quick Facts

- Central Bank of Turkey (CBoT) is the central securities depository
- Government Bonds:
 - Immobilized but not dematerialized
 - Registration is not applicable
 - Held at local banks level, without investor segregation
- Local banks have two accounts with the CBoT:
 - Proprietary account
 - Omnibus account for client holdings
- Further segregation at investor level is only available at local banks' own records

What Is Ahead?

- Capital Markets Board decision for migration of investor's government debt holdings to a segregated investor account at the Central Registry Agency (CRA) from omnibus client account at the CBoT
- Scheduled for dematerialisation as of 30 June 2012
- CRA is the responsible market infrastructure for the project
- CRA will dematerialize investors' government debt holdings and will register at segregated investor level



Proof of legal ownership for investors at infrastructure level.

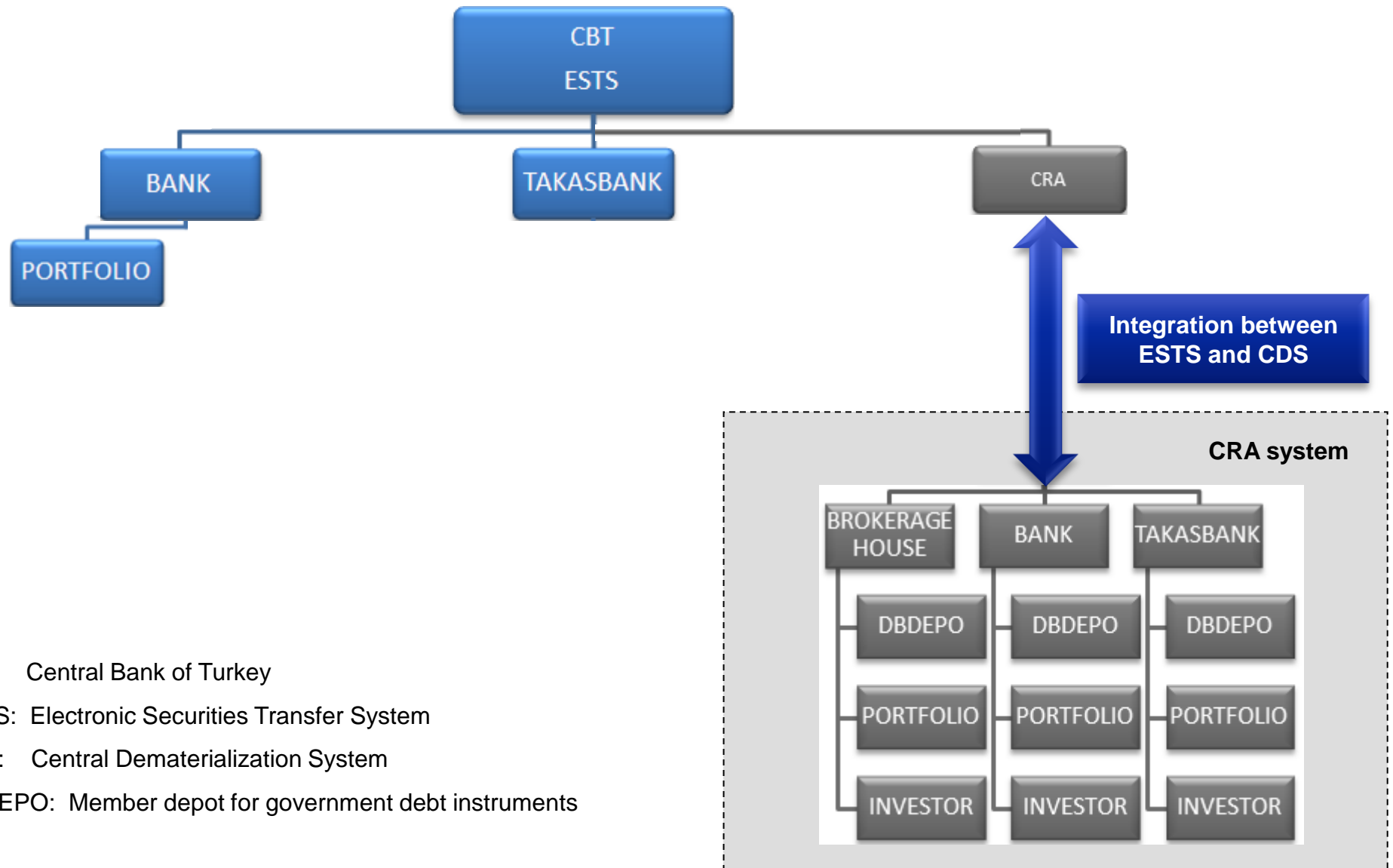
CRA – Current Responsibilities

- CRA is the central securities depository for:
 - ✓ equities
 - ✓ warrants
 - ✓ ETFs
 - ✓ mutual funds
 - ✓ corporate debt instruments
- CRA has a settlement system called Central Dematerialization System (CDS)
- Holdings at segregated investor level
- On-exchange and off-exchange settlement
- Free of Payment (FoP) and Delivery Versus Payment (DvP) integrated with Takasbank
- Asset servicing for above mentioned instruments
- No physical certificates

With the Dematerialization of Government Debt Instruments...

- CBoT continues as the central securities depository for government debt instruments
- CRA will be a participant of CBoT's Electronic Securities Transfer System (ESTS)
- CRA will be electronically linked to CBoT system on a real time basis
- All client securities will be kept in CRA on a segregated investor level
- Banks have the option to use their accounts in CBoT or CRA for their own portfolios
- End of day reconciliation between CBoT and CRA

Account Structure after Migration to the CRA



CBT: Central Bank of Turkey

ESTS: Electronic Securities Transfer System

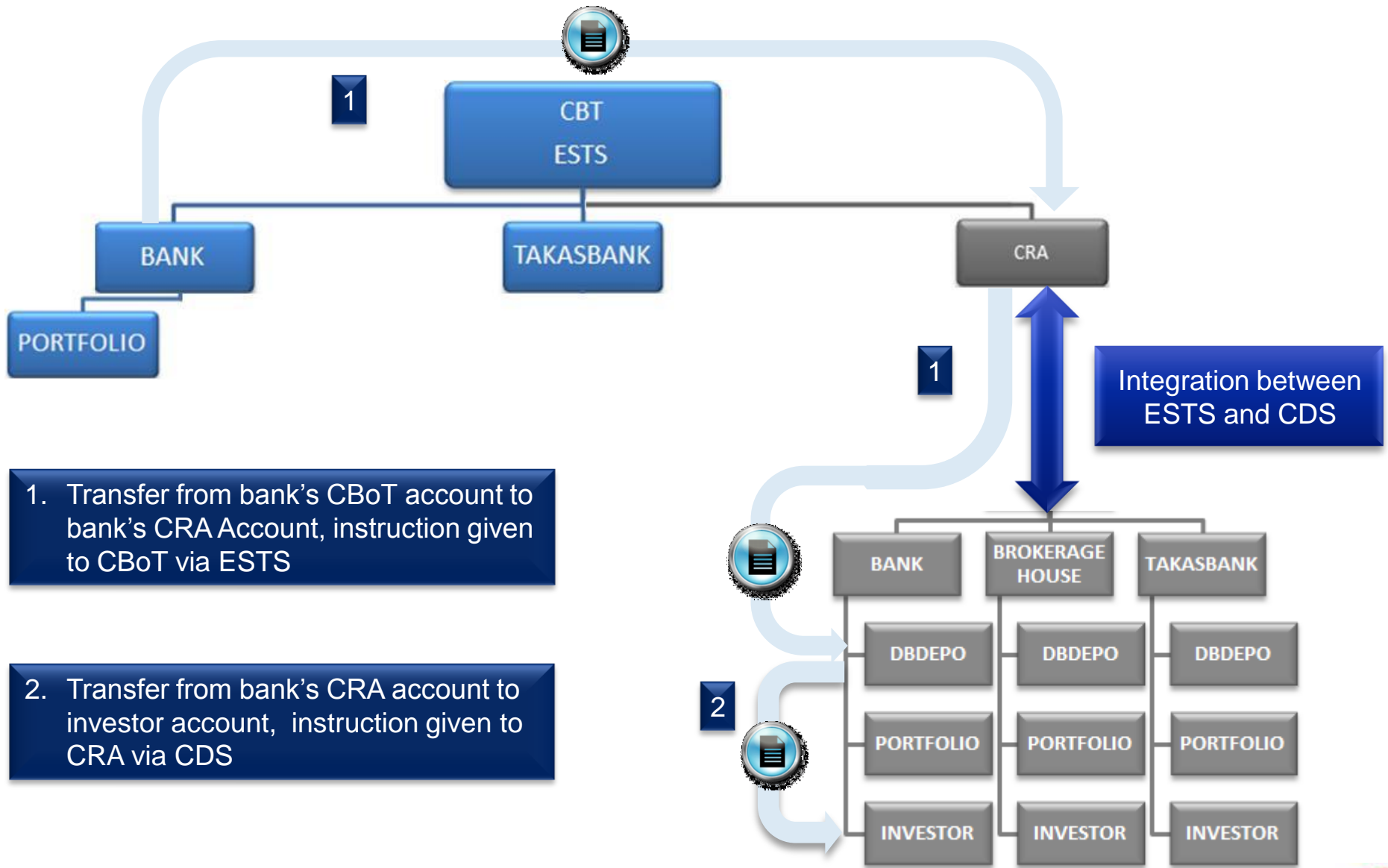
CDS: Central Dematerialization System

DBDEPO: Member depot for government debt instruments

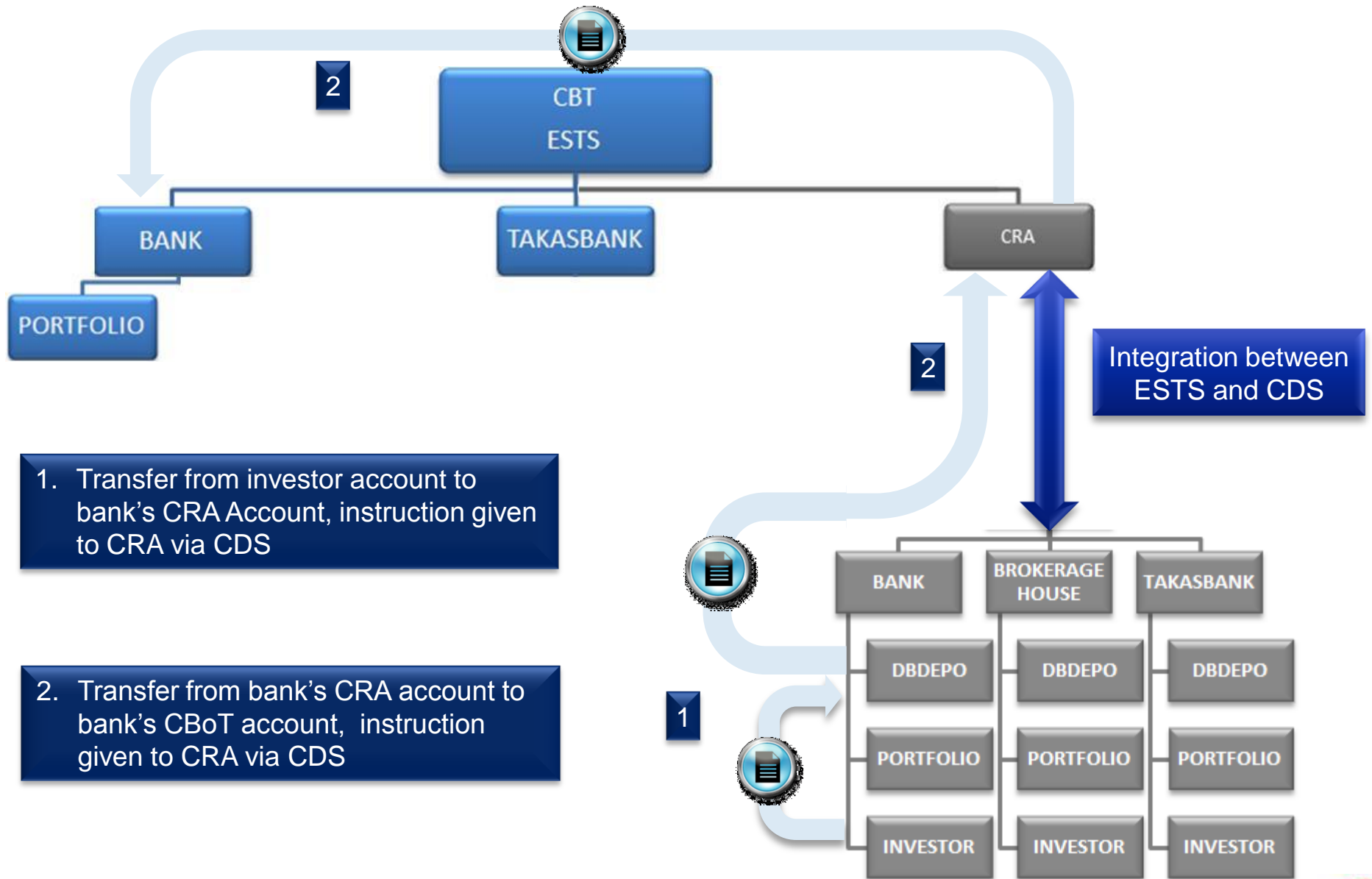
Settlement Flow after Migration to the CRA

- There will be no change for on-exchange settlement
- Takasbank will continue to be the clearing house for on-exchange settlements
- Off exchange settlement will be possible both at the CBoT (DvP using EFT) and at the CRA (DvP using Takasbank)
- CBoT and CRA both will provide FoP
- Securities should be transferred to the relevant system (CRA or CBoT) for further transaction purposes
- CRA will accept buy and sell instructions between bank portfolios and clients (batch, web service, etc.)

Settlement Flow: Move to the CRA - Sell to Client



Settlement Flow: Buy From Client – Move to the CBoT



Asset Servicing after Migration to the CRA

On time redemptions and coupon payments:

- CRA will provide balance information on a bank basis to CBoT
- CBoT will payout to banks via its Electronic Funds Transfer (EFT) system

Split and early redemption:

- Possible only within CBoT

Service Summary

Service	CRA	CBoT
FoP	✓	✓
DvP	✓ (using Takasbank cash accounts)	✓ (using CBoT cash accounts)
Off exchange buy from/ sell to clients	✓	X
Transfers between CBoT and CRA	✓	✓
Transfer to/from Takasbank for on exchange settlement	✓	✓
Redemption, Coupon payments	✓	✓
Early redemption, split	X	✓

Project Timeline

- Currently, software development is in user acceptance phase
- Milestones and relevant project timeline:

Dematerialization of Government Debt Instruments	
February 2012	CRA will publish necessary technical documents
April 2012	Participants will be able to test the application on their own test flows
May 2012	One or two global tests with a given test flow will be performed
30 June 2012	Production

Any changes in daily processes?

Account Structure:

- No need to open new segregated investor accounts in the CRA and Citi Turkey books
- Clients will be able to use their existing investor accounts at the CRA to also hold government debt instruments

Instruction Messaging:

- Citi Turkey does not require any change in client instruction formats for the settlement of government debt instruments

Reporting:

- Citi Turkey will continue to provide similar reporting to its clients with regards to government debt instruments:
 - ✓ Status and settlement reporting for transactions
 - ✓ Statements of holding messages
 - ✓ Income collection notification and confirmation messages

Questions & Answers





Thank You!

For further questions:

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