

# RISK NOTIFICATION FORM FOR INVESTMENT INSTITUTION WARRANTS AND CERTIFICATES AND OTHER SIMILAR CAPITAL MARKET INSTRUMENTS

## I. IMPORTANT NOTICE

As a result of trading in investment institution warrants and/or certificates and similar capital market instruments, you may not only gain profit but you have also the risk of loss. Therefore, before deciding to trade, you should understand the risks you may encounter in the market, and decide by considering your financial status and limits.

For this purpose, you should understand the matters in the Risk Notification Form for Investment Institution Warrants and Certificates and Other Similar Capital Market Instruments, as stated in the third paragraph of Article 9 of the Communiqué No. VII-128.3 on Warrants and Investment Institution Certificates (the Communiqué) and second paragraph of Article 25 of the Communiqué No III-39.1 on Principles Governing the Establishment and Activities of Investment Firms.

## II. WARNING

Before starting to trade, please make sure check that the investment firm with whom you intend to work has “trade brokerage certificates”. You may learn certified investment firms from the websites of [www.borsaistanbul.com](http://www.borsaistanbul.com), [www.spk.gov.tr](http://www.spk.gov.tr) or [www.tspb.org.tr](http://www.tspb.org.tr) or other communication means.

## III. GENERAL INFORMATION

### Investment Institution Warrants

1. Warrants are divided into two categories which are investment institution warrants and company warrants. This Risk Notification Form pertains to investment institution warrants, and the term “warrant” used in the Form expresses investment institution warrants. Thus you should request information from the investment firm before trading in company warrants.

2. Investment institution warrant (“warrant”) is a capital markets instrument that gives its holder the right to buy or sell the underlying asset or benchmark at a predetermined price, on or until a certain date, exercisable through either book-entry delivery or cash settlement.

3. In principle, underlying asset of a warrant comprises equities in BIST 30 index and/or a basket of several equities in BIST 30 index, while underlying benchmark of a warrant is equity indexes created by the exchange. However, if deemed appropriate by the Capital Markets Board (the “Board”), in addition to the abovementioned underlying assets and indicators, domestic government debt securities issued by the Undersecretariat of Treasury and traded on the exchange, and convertible currencies, precious metals, commodities, other assets and benchmarks such as indexes generally recognized at international level may also be the underlying assets or benchmarks of investment institution warrants.

**4.** For the price paid, a warrant buyer actually buys the right to buy or sell the underlying asset, and not the underlying asset itself. Therefore, for example, an investor who buys warrant based on equity does not actually buy equity, and consequently, cannot exercise rights arising from the ownership of the equity, such as the dividend, subscription or voting rights.

**5.** If considered not profitable to exercise the right to buy or sell deriving from the warrant, you may avoid exercising such rights and limit your risk with the price you paid for the warrant and additional commission and other expenses you paid.

**6.** The explanations in this Form are also applicable to (warrant alike) capital market instruments to be deemed equivalent to warrants by the Board under Article 26 of the Communiqué. The investment firms trading in such warrant-alike capital market instruments are required to inform their customers on the specifications of such capital market instrument. It is important that you obtain such information before starting to trade, therefore you must make sure that you request such information from the investment firm.

### **Investment Institution Certificates**

**1.** Certificates are capital market instruments that give the investor the right to claim payment of an amount calculated as the difference between the end value of the underlying asset or indicator on the maturity date, and the exercise price previously announced to public. While certificates are similar to investment institution warrants, they are different from warrants in some aspects, such as the calculation of values with different methods..

**2.** In principle, underlying asset of certificates are equities in BIST 30 index and/or a basket of several equities in BIST 30 in-

dex, while underlying benchmarks of certificates are the equity indexes created by the exchange. However, if deemed appropriate by the Capital Markets Board, in addition to the abovementioned underlying assets and indicators, domestic government debt instruments issued by the Undersecretariat of Treasury and traded on the exchange, and convertible currencies, precious metals, commodities, other assets and benchmarks such as indexes generally recognized at international level may also be the underlying assets or benchmarks of investment institution certificates.

**3.** The explanations in this Form are also applicable to (certificate alike) capital market instruments to be deemed as equivalent to certificates by the Board under Article 26 of the Communiqué. The investment firms trading in such certificate-alike capital market instrument are required to inform their customers on the specifications of such capital market instrument. It is important that you obtain such information before starting to trade, therefore you must make sure that you request such information from investment firm.

### **Operating Principles, Rights and Liabilities**

**1.** Warrants and certificates are traded in a market deemed appropriate by Borsa Istanbul under the market making system pursuant to the trading principles set forth in the regulations of Borsa Istanbul upon the Board's approval. In the market making system, market maker investment institution is required to provide buy and/or sell quotations in order to provide liquidity according to the relevant market regulations. Market making principles are set forth by Borsa Istanbul and may be subject to change from time to time.

**2.** It is mandatory for the warrants and certificates to be traded on Borsa Istanbul via investment firms. Borsa Istanbul de-

termines the principles of trading suspensions in warrants and certificates traded in Borsa Istanbul and may be subject to change from time to time.

**3.** Terms of warrants and certificates may not be less than two months or more than five years.

**4.** In warrants and certificates where the underlying asset or benchmark is an equity included in BIST 30 index or a basket of several equities included in BIST 30 index, settlement can be in the form of book-entry delivery or cash settlement. For warrants and certificates where the underlying asset is an asset or indicator different from the foregoing, it is mandatory to apply cash settlement principles.

**5.** The issuer is responsible for settlement obligation arising from issuance of warrant/certificate. If there is a guarantor, issuer and guarantor shall be severally liable.

**6.** Warrants and certificates are issued in book-entry form, and issuers are required to be a member of the Central Securities Depository of Turkey (MKK).

**7.** Your trades shall be taxable pursuant to the relevant provisions of the tax legislation.

#### IV. SECONDARY MARKET INFORMATION

Transactions in warrant/certificates take place both in primary and secondary markets

#### V. RISK NOTIFICATION

Some of the risks associated with the transactions in warrants/certificates are set forth in the following, in addition to those specified in *the Capital Market Activities Framework Agreement General Terms and Conditions* ("Framework Agreement")

which is executed or will be executed between you and the investment firm and *the Investment Services and Activities General Risk Notification Form* attached thereto:

**1.** The account to be opened at the investment firm any transactions executed in such account are subject to all legislation issued by the Capital Markets Board, exchanges, central securities depositories, central registry agencies, clearance and custody houses, and similar regulations. Applicable legislation, regulation, and practices may be amended from time to time; therefore, it is important that you follow the changes that may occur in the legislation, regulation and practices.

**2.** Before trading, you are recommended to determine the warrant/certificate suitable for your needs, and the risks associated with the relevant capital markets instrument, issuer and market, and carefully assess the prospectus/capital markets instrument note related to the warrant/certificate, and make your investment decisions accordingly. Prospectus of the investment institution warrant or certificate contains important information which may affect your investment decision, on the financial status of the issuer and the guarantor institution if any, and the risk management policy on the risks the issuer is imposed due to the issuance, and the principles regarding guarantorship (if any), and the risks and specifications of the investment institution warrants and certificates issued. You are recommended to carefully assess them.

**3.** The fact the issuance of warrants/certificates has been permitted and warrants/certificates are traded at Borsa Istanbul cannot be construed as a guarantee for such capital market instruments by the Capital Markets Board or Borsa Istanbul.

**4.** Transactions on warrants and certificates involve risks in various types and degrees. As a result of price fluctuations in the market or realization of other risks involved in the trade, you may lose you all the money you deposited in the investment firm and your loss may even exceed the deposited amount depending on the transaction you executed.

**5.** It should be noted that buying warrants or certificates in the market might operate both for and against your interest, and thus the leverage effect may yield high returns but may also cause loss.

**6.** Transactions in warrant/certificate involve counterparty risk. Accordingly, before entering into any transaction, you should consider the possibility of the issuer company's bankruptcy and the possibility that issuer's financial condition may deteriorate.

**7.** Due to the supply/demand balance, influenced by the qualification, quantity and other aspects of warrants/certificates, and the market conditions, you may be exposed to liquidity risk.

**8.** It should be duly noted that the market maker may stop giving quotations to the warrants that it used to quote, and even where the market maker gives quotations, investors may execute transactions outside the market maker's quotations to the extent the stock exchange rules allow, so that the prices determined by the investors may not be in line with the movements of the underlying assets, and the price formations at levels incompatible with theoretical prices may emerge.

**9.** If you buy a warrant, and decide not to exercise the right to buy or sell the asset or benchmark underlying the warrant, at a predetermined price, on or until a cer-

tain date, you may limit your risk with the price you paid for the warrant and additional commissions and other expenses you paid.

**10.** You should know that, warrants/certificates and/or underlying asset of warrants/certificates issued in foreign currency involve currency risk in addition to the risks listed above, and there may be loss of value in Turkish Liras due to fluctuations in exchange rates, governments may restrict foreign capital and currency movements, and impose additional and/or new taxes, and trades may not be executed timely.

**11.** It should be noted that any information or recommendations provided by the investment firm for transactions related with the warrants/certificates to be conducted in markets, may be insufficient and may require verification.

**12.** It should be taken into consideration that any technical and basic analysis carried out by authorized personnel of the investment firm with regard to trading in capital market instruments, may vary from person to person, and that any forecasts made during such analyses may not come true.

## VI. OTHER RISKS

This Risk Notification Form for Investment Institution Warrants and Certificates and Other Similar Capital Market Instruments intends to inform you in general on the risks involved in trading in investment institution warrant/certificate, and may not cover all risks that may arise from such trades and the risk arising from practice. Consequently, before investing in such investments, you are recommended to make a careful research on the capital markets instrument, issuer company and market that you intend to trade, and obtain professional assistance.

## VII. COMMISSIONS, FEES AND TAXES

Before entering into any transaction, you should be aware that your transactions will be subject to commissions, fees and charges payable to exchanges, clearance and custody houses and investment institutions and subject to taxes at rates stated in the relevant legislation. Before entering into any transaction, you may review the Commission and Expense Tariff appended to the Framework Agreement to obtain information on the commissions, fees and charges on your trades. If you have any question on how the commissions, fees, charges and taxes will be charged, you will be given a written explanation containing understandable examples upon your request.

I have read and understood *the Risk Notification Form for Investment Institution Warrants and Certificates and Other Similar Capital Market Instruments* given above, before trading in warrants, certificates and similar capital market instruments, and I have taken hand-delivery of a copy of *the Risk Notification Form for Investment Institution Warrants and Certificates and Other Similar Capital Market Instruments*.

### INVESTOR

**Please write “I have read, acknowledged, and received” with your handwriting, and sign in the box below.**

**Name, Surname / Title:**

**Date:**

### INVESTOR

**Please write “I have read, acknowledged, and received” with your handwriting, and sign in the box below.**

**Name, Surname / Title:**

**Date:**