

# DERIVATIVE INSTRUMENTS RISK STATEMENT FORM

(applicable to transactions at Turkish Derivatives Exchange)

## Important Explanation:

While you may generate revenues as a result of the purchase-sale transactions you carry out in Turkish Derivatives Exchange, you also run the risk to incur a loss. For this reason, before you decide to execute a trade in the Turkish Derivatives Exchange, you have to understand the risks you may encounter in the market and decide after you consider your financial state and restrictions.

To this end, you have to understand the following issues included in the “Derivative Instruments Risk Statement Form” as stipulated in Article 57 of the Communiqué on Principles Regarding Intermediary Activities and Intermediary Institutions” Series V No: 46 relating to “Intermediation in Derivative Instruments Trading”.

## **Warning:**

Before executing a trade, please check whether the institution you plan to do business with holds “Purchase and Sale of Derivative Instruments License”. For banks and capital market instrument brokers authorized to carry out intermediation in derivative instruments trading please visit [www.spk.gov.tr](http://www.spk.gov.tr) or [www.tspakb.org.tr](http://www.tspakb.org.tr) web sites.

## **Definitions:**

**Exchange:** Vadeli İşlem ve Opsiyon Borsası A.Ş.’ (Turkish Derivatives Exchange),

### **Intermediary**

#### **Institution**

: means the Intermediary Institution or bank that is a member of the Exchange and has obtained “Purchase and Sale of Derivative Instruments License” from the Capital Market Board and with which the CLIENT who subscribes to this risk statement from will sign the “The Purchase and Sale of Derivative Instruments Framework Agreement”.

#### **Market**

: Markets in which the Turkish Derivatives Exchange contracts are traded.

#### **Futures**

#### **Contract**

: A contractual agreement to buy or sell an economic or financial instrument of a certain quantity and quality, a capital market instrument, a commodity, precious metal or foreign exchange at a predetermined price during a specified period of time;

#### **Options**

#### **Contract**

: A contractual agreement that entitles the buyer of an option to buy and obliges the seller of such option to sell an economic or financial instrument of a certain quantity and quality, a capital market instrument, a commodity, precious metal or foreign exchange at a

predetermined price during a specific period of time or until a specified expiry date.

**Long Position  
(In Futures  
Contracts)**

: The right and obligation to buy an asset covered by 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 Options  
Contracts)**

: 1) where call options are concerned, it means the right to buy the asset covered by the Contract upon or until expiration at such price and in such quantity specified in the Contract, or to achieve a cash settlement;

2) where put options are concerned, it means the right to sell the asset covered by the Contract upon or until expiration at such price and in such quantity specified in the Contract, or to achieve a cash settlement;

**Short Position  
(In Futures  
Contracts)**

: The right and obligation to sell an asset covered by the Contract upon expiration of the Contract at such price and in such quantity specified in the Contract, or to achieve a cash settlement.

**Short Position  
(In Options  
Contracts)**

: 1) Where call options are concerned, it means the right to sell the asset covered by the Contract upon or until expiration at such price and in such quantity specified in the Contract, or to achieve a cash settlement;

2) Where put options are concerned, it means the right to buy the asset covered by the Contract upon or until expiration at such price and in such quantity specified in the Contract, or to achieve a cash settlement;

**Reverse Transaction-  
Position  
Closing**

: Means liquidating the position by taking a short position against a long position, or taking a long position against a short position, in a contract having the same characteristics until the last transactions date on the market in which such Contract is traded.

**Option Premium**

: The premium which the buyer of the Options Contract is obliged to pay to the seller of the Options Contract in consideration of the rights included in the Contract.

<b>Strike Price</b>	: In Options Contracts, it means the price at which the underlying instrument can be purchased or sold during the time until or upon expiration.
<b>Settlement Price</b>	: Price calculated by as per the Exchange Rules on a contract type basis for use in updating the accounts at the end of the day.
<b>Position Limits</b>	: The maximum position which may be held, on each contract, account and/or Exchange basis, as a total sum at all delivery deadlines or as an intermediary sum on various delivery deadlines on the basis of the same contract type.
<b>Initial Security</b>	: The mandatory amount to be deposited when the position is open.
<b>Maintenance Security</b>	: The lower limit which the security amounts that are updated against the daily price movements in the market have to preserve.

**RISK STATEMENT  
(GENERAL EXPLANATIONS FOR INVESTORS IN RELATION TO  
TRANSACTIONS WITH FUTURES AND OPTIONS CONTRACTS)**

In addition to the issues specified in the “The Purchase and Sale of Derivative Instruments Framework Agreement” to be signed with your Intermediary Institution in relation to buying selling brokerage of futures and options contracts, it is of utmost importance that understand the following issues.

1. The account you shall open with the Intermediary Institution and all the transactions to be carried out in the Turkish Derivatives Exchange over such account shall be subject to all the legislation and similar administrative arrangements issued by the Capital Market Board, the Exchange and the Clearing House.
2. Derivative instruments are exposed to risks in varying ratios. While you may lose the whole of your security you have deposited to the Intermediary Institution due to the price movement occurring in the market, your losses may even exceed your total security.
3. An initial security has to be deposited in such minimum amount as determined by the Exchange for each futures contract you will purchase – sell in the market from your account which you will cause to be opened with the Intermediary Institution and in which you will deposit your security to be able to take a position in the Turkish Derivatives Exchange.
4. Security completion calls to be sent by the Intermediary Institution should be fulfilled in the manner and period required, otherwise you will have to consent to the

closing of your positions over the market value as an obligation of diligence without further notice even if such action results in a loss.

**5.** Exchange Management Board is entitled to determine the expiration dates of futures and options contracts change the determined expiration dates and close the positions if certain conditions specified in the legislation exist.

**6.** If you buy an options contract and do not exercise the option, you can limit your risk with the option premium, the commission payable and other transactions fees.

**7.** If you sell an option you assume an unlimited potential loss of risk which may exceed the premium payment you obtain by selling the option even in an unfavourable market movement. If you are required to execute the option, you do not have any control authority over it. Therefore, only experienced persons with high capital should attempt to sell options.

**8.** Options have many varieties and before you put yourself under any commitment, you should exchange ideas with your Intermediary Institution in respect of your investment needs and the risks attributable to becoming 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 permit to limit the risk under market circumstances in which market makers offer quotations in the broadest band.

**10.** In futures contracts, taking a “spread” position less risky under normal circumstances. However, in extraordinary market circumstances, the spread position might not always be less risky compared to taking directly a long or short position in the futures market.

**11.** You should consider that executing a trade with a low security may produce favourable and unfavourable results due to the leverage effect, and in this connection, the leverage effect may produce high revenues and also result in losses.

**12.** When the position limit designated by the Exchange on an account or company basis is reached, orders except those instructing the closing of your position might not be realized in the market.

**13.** When the price movements in the market develop unfavourably for the position you have taken, your account may be designated as a “risky” account by the Exchange. In that case, no passive order entries in the Exchange might be permitted.

**14.** You should consider that information supplied and recommendations given by the Intermediary Institution in relation to your transactions in the derivatives markets may be deficient and may require verification.

**15.** You should also consider that the technical and basic analyses performed by the authorized personnel of the Intermediary Institution in respect of the purchase and sale of futures and options contracts may vary from person to person, and it is likely that the assumptions submitted in such analyses may not realize.

**16.** You should be aware that securities denominated in a foreign currency bear an exchange risk in addition to the above mentioned risks; Turkish Lira may be devalued due to fluctuations in the exchange rates; governments might limit capital and foreign currency movements, impose additional and/or new taxes; purchase-sale transactions might not take place in a timely fashion, and the physical asset may be exposed to the risk of non-delivery in case of contracts which stipulate a delivery.

**17.** Before starting your transactions, you should obtain confirmation from your Intermediary Institution in respect of the commissions and other transaction charges you will assume. If charges have not been expressed in monetary terms (except as a certain percentage of the contract price), you should require a written explanation containing understandable examples of how such charges shall be reflected to you in monetary terms. Where the commission is to be collected as a certain percentage, you should reach an agreement that it be collected as a certain percentage of the value of the contract not, the money you deposit.

This derivative instruments risk statement form intends to inform the investor of the existing risks in general, and may not exhaust all the risks which may stem from to the purchase and sale of futures and options contracts and from the practice. Therefore, you have to carry out a careful inquiry before directing your savings to such kind of investments.

I have read and understood the above Derivative Instruments Risk Statement Form (the Form) before signing the Purchase and Sale of Derivative Instruments Framework Agreement (the Agreement), and thereafter, I signed the Agreement and took a copy of the Form.

Signed for and on behalf of:

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Name/Title :

Signature:

Date:

Signed for and on behalf of:

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Name/Title :

Signature:

Date: