

COMMUNIQUÉ**Published by the Capital Markets Board****COMMUNIQUÉ ON
PORTFOLIO DEPOSITARY SERVICE AND
PROVIDERS OF SUCH SERVICE
(III-56.1)****FIRST CHAPTER Purpose, Scope, Basis and Definitions****Purpose and Scope**

ARTICLE 1 – (1) The purpose of this Communiqué is to set down the principles as to portfolio depositary service, and authorization of providers of such service by the Board.

(2) Regulations of the Board pertaining to investment services and activities are, however, reserved.

Basis

ARTICLE 2 – (1) This Communiqué is published on the basis of Articles 39, 54 and 56 of the Capital Market Law numbered 6362 dated 6/12/2012.

Definitions

ARTICLE 3 – (1) In the context of this Communiqué:

- a) “Bank” refers to banks as defined in the Banking Law numbered 5411 dated 19/10/2005,
- b) “Individual investor” refers to natural persons or legal entities other than collective investment schemes and pension mutual funds and foreign collective investment schemes equivalent thereto, obtaining portfolio management services from portfolio management companies,
- c) “Financial assets” refers to capital market instruments, money market instruments and transactions, cash, foreign currencies, deposits, participation accounts and other assets and transactions deemed appropriate by the Board, in the context of this Communiqué,
- ç) “Internal audit system” refers to an integrated process composed of internal control system, risk management system and inspection system,
- d) “Issue” refers to the issue of capital market instruments by issuers, and sale with or without public offer,

- e) “Law” refers to the Capital Markets Law no. 6362,
- f) “PDP” refers to the Public Disclosure Platform,
- g) “Collective investment scheme” refers to investment funds and investment companies founded under the Law,
- ğ) “Board” refers to the Capital Markets Board,
- h) “CRA” refers to the Central Registry Agency Incorporation,
- ı) “Portfolio custodian” refers to Takasbank, and banks and intermediary institutions authorized by the Board in order to provide portfolio depositary services; and
- i) “Company” refers to a portfolio management company,

“Takasbank” refers to Istanbul Settlement and Custody Bank Incorporation

SECOND CHAPTER

Principles Relating to Portfolio Depositary Services

Portfolio depositary Service

ARTICLE 4 – (1) Assets included in portfolios of collective investment schemes which are eligible for custody services are required to be kept in custody in portfolio custodians within the framework of principles set forth in this Communiqué. Portfolio depositary service covers the safekeeping of and/or record-keeping of financial assets owned by collective investment schemes, and verification of the ownership, follow up and record-keeping of other assets, and controlling the transactions relating to asset and cash movements, and executing of other duties specified in this Communiqué.

(2) Portfolio custodian:

- a) for financial assets in portfolio of collective investment scheme that may be held in custody, gives custody service for all financial assets which can be registered in financial asset accounts kept directly or indirectly in its records, and for all financial assets which can physically be delivered to portfolio custodian. Those financial assets eligible for safekeeping are required to be kept in accounts to be opened in the name of the relevant collective investment scheme, in such manner to clearly indicate the ownership by collective investment scheme, separately from the portfolio custodian’s own accounts.
- b) for other assets, is under obligation to verify the ownership of assets by collective investment scheme, and to keep the records relating to existence of said assets within the framework of information and documents provided by the collective investment scheme or the Company or from outside, and to follow up these records so as to ensure that they are kept updated.

(3) Assets included in the portfolios of real estate investment companies, infrastructure real estate investment companies, venture capital investment companies and pension investment funds are not required to be kept within the frame of provisions of this Communiqué.

Principles on Portfolio depositary Service

ARTICLE 5 – (1)

- a) Financial assets included in the portfolio of collective investment schemes shall be delivered to the portfolio custodian for safekeeping in a separate custody account opened in the name of the relevant scheme,
 - b) Documents proving the existence and ownership of collective investment schemes regarding the assets in their portfolio which are not eligible for safekeeping, either physically or on dematerialized basis, shall be delivered to the portfolio custodian for registration in the relevant accounts.
- (2) For each collective investment scheme portfolio, only one portfolio custodian may be appointed.
- (3) Portfolio custodian is liable to ensure:
- a) that the issue and redemption of fund units of investment funds are carried out in accordance with the provisions of the legislation and the fund rules,
 - b) that the issue and redemption of the shares of investment companies with variable capital are carried out in accordance with the provisions of the legislation and the articles of association,
 - c) that the value of a unit for investment funds or a share for investment companies with variable capital are calculated in accordance with the valuation principles determined within the framework of the provisions of the legislation and the provisions of the fund rules or those of the articles of association,
 - ç) that the directives of Company, investment company with variable capital, and investment company are carried out on condition that they are not in conflict with the legislation, the fund rules and the articles of association,
 - d) that in transactions involving the assets of collective investment schemes, the amounts arising from obligations are transferred to them within the appropriate period,
 - e) that the incomes of collective investment schemes are used in accordance with the legislation and the fund rules or articles of association,
 - f) that purchase and sale of assets of collective investment schemes, portfolio structures and transactions are in accordance with the legislation and fund rules or articles of association.
- (4) Portfolio custodian:

- a) with respect to the obligations set forth in subparagraphs (a) and (b) of the third paragraph of this Article, at minimum:
- 1) should ensure that appropriate procedures are determined, and controls are conducted in accordance with such procedures, with regard to reconciliation of the numbers of shares and fund units issued and redeemed pursuant to the share and fund unit trading orders received by collective investment scheme, by the Company or by outside service providers, and of the calculated trading price of these transactions,
 - 2) should continuously supervise the compliance of the number of shares of collective investment schemes kept in CRA records with the number of shares in the relevant collective investment scheme's own accounts,
 - 3) should assure the compliance of actual share issue and redemption transactions with the principles set forth in the applicable laws, fund rules, prospectus or articles of association.
- b) with respect to the obligations set forth in subparagraph (c) of third paragraph of this Article, at minimum:
- 1) should ensure that procedures and principles consistent with and appropriate to the structure of collective investment schemes to which portfolio depositary service is provided are determined, effectively applied and reviewed with periodical intervals, in order the valuation of assets included in portfolios of collective investment scheme to be done within the framework of provisions of the applicable laws, fund rules, prospectus or articles of association,
 - 2) in cases where valuation, accounting, operations and similar other services relating to the portfolio of collective investment scheme are received from a corporation other than the Company or investment company, is liable to control and check whether the relevant services are purchased and received within the framework of the relevant regulations of the Board.
- c) with respect to the obligations set forth in subparagraphs (ç) and (f) of third paragraph of this Article, at minimum:
- 1) should determine and apply procedures and principles, appropriate to the structure of collective investment schemes, which will ensure confirmation of compliance of the Company's and investment company's instructions with the provisions of the applicable laws, fund rules, prospectus or articles of association,
 - 2) should particularly check the compliance of instructions of collective investment schemes with investment strategies and limitations and leveraged transaction limits set forth in their fund rules or articles of association and prospectus,
 - 3) should determine the procedures and principles relating to actions and measures to be taken with respect to instructions of collective investment schemes in conflict with transaction limits and portfolio limitations. If transactions in conflict with

portfolio limits and limitations are detected after completion of the transaction, should request the collective investment scheme or the Company to correct the transactions realized in conflict with the said rules. If the transactions are not corrected by the relevant collective investment scheme or the Company, such failure shall be notified by the portfolio custodian to the Board by the fastest means of communication. If the collective investment schemes suffer from losses and damages due to failure of the portfolio custodian in performance of its obligations specified in this subparagraph, it is also the responsibility of the portfolio custodian to indemnify such losses and damages. The portfolio custodian may at all times take actions and measures preventing the fulfillment of such instructions, provided that it is specified so in the custody agreement.

c) with respect to the obligations set forth in subparagraph (d) of third paragraph of this Article, at minimum:

- 1)** should form the infrastructure, and ensure that procedures are determined, as required for ensuring that in transactions involving the assets of collective investment schemes, the amounts arising from obligations are transferred to them within the appropriate period,
- 2)** if the said transactions are not made in an organized market, the appropriate period of time mentioned in the first subparagraph of this paragraph should be separately assessed for each transaction, by considering the characteristics of the subject transaction, and the provisions of agreement, if any.

d) with respect to the obligations set forth in subparagraph (e) of the third paragraph of this Article, at minimum:

- 1)** should ensure that the revenues are calculated in accordance with the rules and provisions set forth in the fund rules, prospectus and articles of association of the collective investment scheme and in the applicable laws,
- 2)** if negative and/or qualified opinions are expressed in independent audit reports of collective investment schemes, should ensure that required actions and measures are taken for the matters mentioned in the opinions,
- 3)** should check whether dividend payments of collective investment schemes are made in accordance with the fund rules, prospectus, articles of association and applicable laws, and within the framework of profit distribution policy announced by investment companies, or not.

(5) The portfolio custodian is further liable to ensure that all cash flows of collective investment scheme are properly monitored, and particularly that payments made by shareholders and fund unit holders at the time of purchase are transferred to the collective investment scheme portfolio, and that all cash belonging to the collective investment scheme is held in accounts opened in the name of the relevant collective investment scheme.

(6) Following determination of the portfolio custodian, information relating to all accounts opened in the name of collective investment scheme is reported to the portfolio custodian. An account cannot be opened in any institution in the name of collective investment scheme beyond

knowledge of the portfolio custodian. It is the responsibility of the Company and the investment company to ensure timely and accurate access of the portfolio custodian to all information relating to all cash flows in cash accounts opened in and held with third parties. The transactions of cash inflow to and cash outflow from cash accounts opened in third parties shall be executed through the accounts of collective investment scheme opened in and held with the portfolio custodian. The portfolio custodian is, at minimum, obliged to:

- a) ensure that cash included in collective investment scheme portfolio is kept in accounts opened in the institutions authorized to collect deposits pursuant to the applicable laws,
- b) ensure that procedures required for reconciliation of all cash flows are determined, and such reconciliations are made in appropriate time intervals,
- c) ensure the application of appropriate procedures which assure timely detection of cash flows that are material by nature and/or do not fit to operations of collective investment schemes,
- ç) review the adequacy of procedures mentioned in subparagraphs (b) and (c) with periodical intervals, and to check all of the reconciliation procedures at least once a year,
- d) check the compliance of cash positions in records of the collective investment scheme with the records of collective investment scheme held with the portfolio custodian.

(7) Portfolio custodians, other than Takasbank, are required to monitor the money and capital market instruments, precious metals and other assets, which are included in portfolios of collective investment scheme and to which the Takasbank provides custody services, in accounts opened in and Takasbank in the name of the relevant collective investment scheme. Required information about other assets and their values are reported to or made available for access by the Takasbank. Even in this case, the obligations and liabilities of portfolio custodians continue to exist.

(8) Portfolio custodian should supervise the conformity of all expenses of collective investment schemes to the principles set forth in fund rules or articles of association and prospectus.

(9) The Company and investment companies are obliged to provide the portfolio custodian with all information and documents required for portfolio custodian to fulfill its duties determined by this Communiqué. Portfolio custodian is obliged to enable the Company and investment company to observe the information relating to portfolios covered by its custody services, and to furnish the required reports in the electronic environment.

(10) If, in the course of performance of its obligations arising out of this Article, portfolio custodian detects any non-compliance, it should urgently inform the investment company or the Company so as to ensure that the required measures and actions are taken in the interest of shareholders or fund unit holders. The portfolio custodian shall urgently report also to the Board the material non-compliances detected in the course of performance of its obligations arising out of this Article. Such material non-compliances, and procedures relating to notices to be issued within the context of provisions of this paragraph, and periods of time to be granted for correction of non-compliances are determined in writing by Board of Directors of the portfolio custodian. The portfolio custodian should further monitor continuously all of the actions and

measures taken by the Company or the investment company upon receipt of said notices, and if non-compliances are not corrected or remedied within the periods of time determined within the context of provisions of this paragraph, must warn the relevant investment company or the Company and to keep the Board informed.

THIRD CHAPTER

Principles Relating to Portfolio Custodians

Principles Relating to Authorization as Portfolio Custodian

ARTICLE 6 – (1) Takasbank, and banks and intermediary institutions authorized by the Board may provide portfolio depositary services provided that they comply with the terms and conditions specified in this Communiqué.

(2) Banks and intermediary institutions willing to provide portfolio depositary services shall apply to the Board for the license for portfolio depositary activities, with the application form, the standards of which shall be determined by the Board, together with requested information and documents attached to the said form. In order for Board to deem the applications eligible for evaluation, , the relevant bank or intermediary institution:

- a) should be a custodian member registered in CRA and in Takasbank,
- b) should have built its internal control procedures and risk management system,
- c) should have established an organizational structure which can minimize the probable conflicts of interest with other activities and can provide the required independence,
- ç) should have the required technical equipment, software and a sufficient number of personnel for effective and efficient conduct of the activities,
- d) should have built and activated the information technology systems and technological infrastructure required for safekeeping activities, and should have made the required arrangements, and should have taken all measures and actions for protection of information technology infrastructure against malicious software and for prevention of frauds and swindling which may take place at the authorized custodian,
- e) should have taken all measures and actions for prevention of probable frauds and swindling arising out of the personnel or the system,
- f) should have built work flow procedures and organization structure which prevent the sharing of information of the relevant collective investment scheme among different internal and external units against the interests of collective investment scheme in the course of provision of custody services,
- g) should have made a list of financial assets and precious metals to be held in custody,
- h) should have determined the documents authenticating the existence and ownership of the assets other than those listed in subparagraph (g) of this paragraph.

(3) Banks which will engage in portfolio depositary services:

- a) should have the minimum paid capital required pursuant to their own special laws and regulations,
- b) should not have their activities entirely or in particular fields of business suspended permanently or temporarily for a period of 1 month or more during the recent one year pursuant to their own special laws and regulations and the capital markets legislation.

The Board takes the assent of the Banking Regulation and Supervision Agency about the banks which will carry out such activities.

(4) In addition to the conditions set forth in this Communiqué, banks and intermediary institutions which will serve as portfolio custodian should have been authorized to provide general custody services pursuant to regulations of the Board pertaining to investment services and activities.. Intermediary institutions which will serve as portfolio custodian cannot provide the relevant collective investment scheme any share trading intermediation services.

(5) In order for Takasbank to offer portfolio depositary services, the information and documents authenticating fulfillment of conditions set forth in the second paragraph of this Article should have been delivered to the Board.

Duties of Portfolio Custodian

ARTICLE 7 – (1) Portfolio custodian:

- a) ensures that the assets belonging to collective investment schemes are separately held in safekeeping in such manner that they shall not to be damaged or lost, and so as to show clearly the ownership by collective investment scheme,
- b) regularly monitors assets, rights and their movements separately for each collective investment scheme in its documentation and recording system,
- c) cannot hold assets of collective investment schemes in its possession or in its own accounts in other institutions, and cannot associate them with its own assets.

(2) Portfolio custodian appointed for custody services for portfolio of a collective investment scheme may provide the relevant collective investment scheme with portfolio valuation, operations and accounting services, intermediation services in trading of fund units and other services to be deemed appropriate by the Board, on condition that the custody service is functionally and hierarchically separated from other services, and potential conflicts of interest are properly determined and prevented, and if they cannot be prevented, are managed and it is disclosed to investors of collective investment scheme.

(3) Portfolio custodian should, every day, reconcile the assets in safekeeping with the institutions providing central custody services to these assets, and with the Company or the investment company.

(4) Portfolio custodian is liable to constitute and implement the policies required for definition, prevention, management, supervision and disclosure of potential conflicts of interest which it may encounter in the course of provision of portfolio depositary services.

Organization Structure of Portfolio Custodians

ARTICLE 8 – (1) Custody service unit should be separated from all other units of portfolio custodian. Security of information regarding collective investment scheme in the custodian should be maintained.

(2) Job definitions and work flow procedures containing authorizations, duties, responsibilities of specialists of every level assigned in the custody service unit of portfolio custodian are documented in writing, and decided by the Board of Directors, and delivered to the relevant personnel in return for a signed acknowledgement of receipt. Said job definitions should also contain the obligations of all personnel of custody unit to perform their duties in accordance with written procedures to provide an efficient internal control relating to custody services, as well as the procedures for reporting to the top management of such events as practices that do not fit to the professional principles and activities in conflict with the corporate policies or illegal activities. Changes in the duties, authorizations and responsibilities and in the work flow procedures are also notified to the personnel in return for a signed acknowledgement of receipt.

(3) Custody service unit should employ a sufficient number of specialists depending on the transaction volume and the size of portfolio held in safekeeping. Manager of custody service unit should have a minimum past experience of five years in capital markets and/or banking fields, and should hold a Capital Market Activities Advanced Level License Certificate and a Derivative Instruments License Certificate pursuant to the regulations of the Board pertaining to licensing, and specialists of custody service unit should, depending on the job definitions, have a Clearing and Operations Responsible License Certificate and/or a Derivatives Accounting and Operations Responsible License Certificate pursuant to the regulations of the Board pertaining to licensing.

Portfolio Depositary Agreement

ARTICLE 9 – (1) An agreement must be signed between the portfolio custodian and the Company or investment company, covering the authorizations and responsibilities of the parties, showing the methodology of information flow required for the portfolio custodian to execute its duties, minimum contents of which are shown in the annex of this Communiqué. The agreement cannot contain any provision in conflict with the provisions of the Law and this Communiqué.

Replacement of Portfolio Custodian

ARTICLE 10 – (1) Upon termination of portfolio depositary agreement or if and when the portfolio custodian no longer meets the qualifications sought for in this Communiqué, the Company or the investment company is required to sign an agreement with another portfolio custodian meeting the qualifications listed in this Communiqué and deemed appropriate by the Board. The liability of the portfolio custodian being a party to the former agreement remains in force until the new agreement enters into force. In the event that the Company or the investment company wishes to replace the contracted portfolio custodian, or the portfolio custodian wishes

to terminate the agreement, it is notified to the counterparty and the Board, together with reasons thereof, no later than 90 days in advance.

(2) The Board may, if and when deemed necessary, request the Company or the investment company to replace the portfolio custodian.

Liability Arising Out of Portfolio Depositary Service

ARTICLE 11 – (1) The institution in charge of portfolio depositary service under this Communiqué shall be liable for all kinds of damages and losses caused to the Company and the fund unit holders in investment funds, and to the Company in investment companies, due to non-performance of its contractual obligations.

(2) The Company or the investment company is under obligation to claim the portfolio custodian, and the portfolio custodian is under obligation to claim the Company or the investment company, to indemnify and compensate its damages arising out of breach of the provisions of the Law and this Communiqué. Shareholders or fund holders hereby reserve their rights to file a lawsuit against the Company, investment company or portfolio custodian.

(3) Portfolio custodian is not liable for damages and losses arising out of management of portfolios receiving portfolio depositary service hereunder or out of market price movements.

(4) Portfolio depositary agreement cannot contain provisions restricting the scope of responsibilities of portfolio custodian stipulated in the pertinent provisions of the Law and this Communiqué.

Provisions on Use of Sub-custodian

ARTICLE 12 – (1) A non-bank portfolio custodian may keep the assets in its custody in other portfolio custodians authorized by the Board, provided that it is required due to an objective reason, and prior consent of the Company or the investment company is taken, and efficient supervision is applied thereon; however, even in this case, it is not permitted to transfer its duties and functions specified in third paragraph of Article 5 of this Communiqué. In this case, sub-custodian is held liable jointly with portfolio custodian for the damages and losses caused to the Company and the fund unit holders in investment funds and to the company itself in investment companies, with regard to assets kept in custody.

(2) If and when portfolio custodian uses sub-custodians, it is, at the minimum, under obligation to ensure:

- a) that the accounts and records of sub-custodian are held and managed in such manner to ensure that the financial assets and cash kept by portfolio custodian in the name of collective investment schemes are separated from the sub-custodian's own assets and its customers' assets, and that in the case of bankruptcy of sub-custodian, these assets are kept under protection,
- b) consistency of assets delivered to sub-custodian in the name of collective investment schemes with the records of sub-custodian pertaining to such assets,

- c) that a regular reconciliation is done between its own accounts and records and the sub-custodian's accounts and records,
 - ç) that an adequate organization is constituted in order to minimize the risks which may be exposed to by financial assets or by rights relating to financial assets as a result of fraud, mismanagement, incomplete records or negligence.
- (3) Sub-custodian cannot keep the assets in other institutions offering portfolio depository services.

Principle of Independence

ARTICLE 13 – (1) Managers of, and persons authorized to represent and bind, the portfolio custodian cannot become a partner, manager or representative of the Company managing the relevant collective investment scheme portfolio. Nor can the shareholders or managers of, and persons authorized to represent and bind, the Company become a manager or representative of the portfolio custodian. For the purposes of this provision, managers and persons authorized to represent and bind are Chairman and members of Board of Directors, and general manager and assistant general managers, and managers of departments in charge of capital market activities, and executives of these managers.

(2) In performing its duties and functions, the portfolio custodian is under obligation to act independently from the Company and the investment company and only in the interests of shareholders and fund unit holders. Independence refers to a set of behaviors and acts assuring honest and neutral performance of professional activities.

(3) Employees of custody service unit are, while performing their duties and functions, liable to avoid probable conflicts of interests and not to allow any intervention which may affect their honesty and neutrality.

Confidentiality

ARTICLE 14 – (1) Executives and employees of portfolio custodian cannot disclose the secrets coming to their knowledge in the course of performance of their duties about collective investment schemes receiving portfolio depository services, and cannot use such secrets in their own interests or in the interests of third parties.

(2) Announcements and advertisements published and disclosed to public as per the applicable laws, and disclosure of confidential information to the relevant authorities in the course of any kind of juridical or – to the extent authorized by laws – administrative inquiries and investigations are not deemed as a breach of confidentiality.

Principles on Use of Administrative and Financial Rights

ARTICLE 15 – (1) Portfolio custodian may, depending on the authorization granted to it in the custody agreement, offer and render such services as collection and payment of principal, interests, dividends and similar other revenues of financial assets, and use of rights of option on newly issued shares and of votes associated to shares, in the name and account of the

collective investment scheme and in accordance with instructions of the Company or the investment company.

FOURTH CHAPTER

Principles on Supervision and Audit and Internal Audit System of Portfolio Custodians

Independent Audit

ARTICLE 16 – (1) For the purpose of determination of existence by the custodian, of the assets included in the portfolios of collective investment scheme receiving portfolio depositary service, it is required to execute an independent audit at least once a year, and to incorporate this issue in the independent audit agreement, and to submit to the Board a copy of the resulting audit report within six business days.

Audit of the Board

ARTICLE 17 – (1) Activities and operations of portfolio custodian covered by the Law and this Communiqué are audited by the Board. The Board is authorized to request from the portfolio custodian all information acquired during performance of its duties and functions.

Internal Control System

ARTICLE 18 – (1) Internal control system is established in such manner to ensure that all activities and transactions relating to portfolio depositary services are carried out productively and efficiently within the framework of the applicable laws and the work flow procedures, and to assure integrity and reliability of accounting and recording systems, and timely and accurate collection of information in the data system, and prevention and detection of errors, frauds and irregularities. Risks are identified and the required actions are taken in order to minimize the risks of portfolio custodians arising out of errors, frauds and irregularities. Internal control activities of portfolio custodians relating to the custody services are organized and carried out as an integral part of daily activities in such manner to allow the monitoring of detected risks as well. Same person cannot be assigned for operation and control of custody transactions.

(2) All policies and procedures relating to internal control system established by portfolio custodians for portfolio depositary services are documented in writing. Internal control procedures relating to custody services may be adopted, put into force or amended only by a decision of Board of Directors of portfolio custodian. Procedures are established in such manner to assure effective and efficient participation of personnel of every level in internal control system.

(3) Internal control personnel assigned for activities of internal control system pertaining to custody services is required to have a minimum past professional experience of 3 years in capital markets, accounting, tax, foreign exchange, audit of information systems, business analysis, organization, audit or law fields and to hold a Capital Market Activities Advanced Level License Certificate and a Derivatives License Certificate. Internal control officer cannot assume any duty, or responsibility other than internal control.

Risk Management System

ARTICLE 19 – (1) Risk management system includes development of a risk measurement mechanism containing the identification and updating of basic risks covered by portfolio depositary services to be offered to collective investment schemes, and consistent assessment, determination, measurement and control of the risk exposures.

(2) Portfolio custodians are under obligation to build risk management systems relating to portfolio depositary services to be offered to collective investment schemes, and to document the relevant procedures in writing. Written procedures relating to risk management may be adopted, put into force or amended only by a decision of Board of Directors of portfolio custodian.

(3) Risk management system is constituted in accordance with the size and structure of collective investment schemes receiving the portfolio depositary service, and the nature and risk level of assets to be covered by the portfolio depositary services, and is built as an integral part of internal control system of the portfolio custodian.

(4) Where portfolio custodians use sub-custodians, risks of sub-custodians are assessed on the basis of the benchmarks set forth in the risk management system of portfolio custodian.

(5) The unit in charge of risk management may be constituted as a part of organization of portfolio custodian, or alternatively, risk management services may be outsourced. However, in any case, the unit in charge of risk management should be independent from the unit in charge of custody services. In the risk management unit there should be a sufficient number of personnel having adequate knowledge and experience for risk control transactions and holding a Capital Market Activities Advanced Level License Certificate and a Derivatives License Certificate. Said personnel shall be responsible for establishment and implementation of risk management system of portfolio custodian.

Inspection System

ARTICLE 20 – (1) Activities of portfolio custodian pertaining to custody services are audited by the inspection unit at least once a year through audits of compliance with work flow procedures relating to custody services, and particularly through audits of compliance with laws and operational audits of internal control system, and reports of audits are presented to the Board of Directors of portfolio custodian. The resulting reports and the substantiating documents thereof are required to be kept for at least five years starting from the year following the date of issue thereof, or in the case of emergence of a legal dispute in the meantime, until finalization of the dispute.

(2) Upon detection of any event which may lead to unusual and extraordinary results relating to portfolio depositary services, the inspection unit presents its report to the Board of Directors of portfolio custodian and sends a copy to the Board as soon as possible.

FIFTH CHAPTER Other Provisions

Principles on Safekeeping of Assets in Individual Investor Portfolios

ARTICLE 21 – (1) Safekeeping of assets contained in individual investor portfolios is subject to and governed by provisions of the Communiqué of the Board pertaining to the principles of investment services and activities and ancillary services.

Obligations of Takasbank

ARTICLE 22 – (1) Takasbank checks whether the value of fund units or unit value of shares of collective investment schemes which do not receive portfolio depositary services from itself are calculated in accordance with the valuation principles determined pursuant to the applicable laws, fund rules, prospectus or articles of association or not, and whether the asset sale and purchase, portfolio structure and transactions are compliant with the applicable laws or not, and if any discrepancy is detected, informs the portfolio custodian so as to ensure that the required measures are taken, and further informs the Board in connection with this issue. If the portfolio custodian fails to take the required measures, such determination is reported by Takasbank to the Board on the next business day following the date of determination.

(2) Portfolio custodians other than Takasbank are obliged to report to Takasbank both the information to be used for calculation by Takasbank of unit value of fund units and unit net asset value of investment companies, and the accounts kept apart from Takasbank and the payments made from these accounts.

Provisions on Banks Operating as Portfolio Custodian

TEMPORARY ARTICLE 1 – (1) In order for banks which are found appropriate by the Board for provision of depositary services as of the effective date of this Communiqué to give custody services to portfolios of collective investment schemes it is obligatory that they apply to the Board for authorization pursuant to the pertinent provisions of this Communiqué

(2) Even if the existing managers of custody service units do not hold the license certificates mentioned in the third paragraph of Article 8 of this Communiqué, they shall nevertheless continue their jobs, provided that they have a minimum past experience of five years in capital markets and/or banking fields and they enter the first six exams to be organized following the effective date of this Communiqué. These managers who fail to receive the Capital Market Activities Advanced Level License Certificate until the date of announcement of results of the fourth exam, and the Derivatives License Certificate until the date of announcement of results of the sixth exam, shall not be permitted to work as manager of custody service unit as of the end of month following the date of announcement of results of the last exam.

Effective Date

ARTICLE 23 – (1) This Communiqué becomes effective as of 1/1/2014.

Execution

ARTICLE 24 – (1) The provisions of this Communiqué shall be executed by the Capital Markets Board.

ANNEX**MINIMUM CONTENTS OF CUSTODY AGREEMENT
TO BE SIGNED BETWEEN PORTFOLIO CUSTODIAN
AND PORTFOLIO MANAGEMENT COMPANY OR INVESTMENT
COMPANY**

- (1) Provisions on Procedures To Be Followed by Parties to the Agreement**
- a)** Information on procedures related to the performance of obligations of the portfolio custodian separately for each type of assets included in the portfolio of collective investment scheme and delivered to the portfolio custodian.
 - b)** Information on procedures to be followed if the relevant collective investment scheme's investment strategy, fund rules or articles of association or prospectus is projected to be amended, also including the time of information of the portfolio custodian about such revisions and amendments, or whether a prior consent of the custodian is required to be taken for such revisions and amendments or not.
 - c)** Information on procedures and principles of transfer by the portfolio custodian to portfolio management company or investment company of information required for performance of contractual obligations by portfolio management company or investment company, including the use of their rights on financial assets.
 - ç)** Information on procedures to be followed for timely, complete and accurate access of portfolio management company or investment company to information about accounts of the collective investment scheme held with the portfolio custodian.
 - d)** Information on procedures and principles to be followed for access of the portfolio custodian to information to be needed for full performance of its duties.
 - e)** Information on procedures enabling the portfolio custodian to inquire the affairs and transactions of portfolio management company or investment company, and to measure the reliability of information provided to it, including the onsite inspections and audits to be conducted in portfolio management company or investment company or in third parties from whom they receive services.
 - f)** Information on procedures enabling portfolio management company or investment company to measure and assess performance of the portfolio custodian in performance of its obligations arising out of the custody agreement.
- (2) Provisions on Information Transfer, Confidentiality Obligation and Prevention of Money Laundering**
- a)** A list of information to be exchanged by and between collective investment scheme, portfolio management company and portfolio custodian with regard to trading, issue, cancellation and repurchasing of shares.
 - b)** Confidentiality obligations that should be obeyed by the parties.

- c) Information on how the custody unit shall be separated from other departments of portfolio custodian, and a commitment as to security of customer information, and a clause verifying that otherwise, the portfolio custodian shall be held liable.
- ç) Duties and responsibilities of parties of the custody agreement for prevention of money laundering and financing of terrorism.
- d) A clause stating that a copy of the report of independent audit conducted for determination of availability at the portfolio custodian of the assets included in portfolios to which the portfolio custodian gives custody services shall be submitted to portfolio management company or investment company.

The provisions of this section may in no case be drafted in such manner to prevent the access of the Board to the relevant documents and information.

(3) Provisions on Appointment of Third Parties

- a) In cases where the portfolio custodian or portfolio management company or investment company delegates or transfers some of its duties to a third party a clause stating that detailed information shall be provided about the transferee.
- b) A clause where it is undertaken that information relating to election criteria of the third party and principles of supervision of duties of the third party shall be provided upon demand of either party of the portfolio depositary agreement.
- c) A clause verifying that the obligations of portfolio custodian stipulated in this Communiqué shall remain in force in cases where it transfers all or some of the assets kept in its custody to a sub-custodian.

(4) Provisions on Probable Amendments in and Termination of Agreement

- a) Validity term of the agreement.
- b) Conditions of amendment or termination of the agreement.
- c) Provisions for facilitation of transfer to another custodian if necessary, and provisions on procedures for delivery of all relevant information by the existing portfolio custodian to the other custodian upon such a transfer.

(5) Provisions of Laws Applicable

(6) Electronic Information Transfer

A clause stating that records of subject information shall be kept in cases where the parties are willing to transmit the information flow between them electronically in full or in part.

(7) Scope of Agreement

A single agreement may be signed with portfolio custodian for more than one collective investment scheme managed by the portfolio management company. In this case, titles of all collective investment schemes covered by the agreement should be listed therein.