

# **ISTANBUL SILVER B TYPE SILVER EXCHANGE TRADED FUND BY-LAW**

## **ARTICLE 1-PURPOSE OF ESTABLISHMENT OF THE FUND:**

1.1 “NON-FINANCIAL SECTOR NFIST ISTANBUL 20 A TYPE EXCHANGE TRADED FUND” which was founded by Finansbank A.Ş. based on articles 37 and 38 of Capital Markets Law number 2499 was converted into “ ISTANBUL SILVER TYPE B SILVER EXCHANGE TRADED FUND” in line with the authorization dated 22.03.2012 and number B.02.6.SPK.0.15.00-241 given by Capital Markets Board. The Fund which has been established in order to operate the portfolio depending on risk diversification and fiduciary ownership principles is an asset whose shares are traded on the market and through which authorized participants who are directly involved in the creation process of the fund can purchase fund shares in consideration of silver and cash in a manner to reflect the composition of the fund portfolio, or such participants can return shares which correspond, at least, to the minimum transaction unit, to the custodian institution and take that part of the silver and cash falling onto their share from the silver and cash held in the fund.

1.2 For the purposes of this by-law, “FOUNDER” means Finansbank A.Ş., "MANAGER" means Finans Portföy Yönetimi A.Ş., "AUTHORIZED PARTICIPANT" means brokerage houses and banks who have signed an Authorized Participant Agreement with the Founder and are deemed suitable by the Board, "DEPOSITORY INSTITUTIONS" mean ISE Custody and Settlement Inc. (TAKASBANK) and Istanbul Gold Exchange (IGE), “FUND” means Istanbul Silver B Type Silver Exchange Traded Fund, “BOARD means the Capital Markets Board, “COMMUNIQUE” means Capital Markets Board's Communiqué on Principles Regarding Exchange Traded Funds, Series: VII, No. 23, “COMMUNIQUE SERIES: VII, NO: 10” means Capital Markets Board's Communiqué on Principles Regarding Mutual Funds, Series: VII, No: 10, "ISE" means Istanbul Stock Exchange, "SILVER PRICE” means the price of silver at value date T+0 announced in USD by Istanbul Gold Exchange,"INTERNATIONAL SILVER PRICE” means the international silver market spot price announced by Reuters and encoded as XAG=X, and “RATE” means the rate formed in the inter-bank money market and calculated as the average of best buying quotations announced by Reuters with the code TRYBB= and of the best selling quotations announced with the code TRYBA=.

## **ARTICLE 2- FUND NAME AND NAMES AND HEADQUARTERS OF THE FOUNDER, MANAGER, AUTHORIZED PARTICIPANT AND DEPOSITORY INSTITUTION(S):**

- 2.1 Fund Name: “ISTANBUL SILVER TYPE B SILVER EXCHANGE TRADED FUND”.  
Fund headquarters: Nispetiye Caddesi Akmerkez B Kulesi Kat:7 Etiler 34340  
ISTANBUL
- 2.2 Name of Founder: Finansbank A.Ş.  
Address of the Headquarters: Büyükdere Caddesi No:129 34394 Gayrettepe İSTANBUL
- 2.3 Title of Authorized Participant: Finans Yatırım Menkul Değerler A.Ş.

Address of the Headquarters: Nispetiye Caddesi Akmerkez B Kulesi Kat:2-3 34330 Etiler  
İSTANBUL

**2.4** Manager's Name: Finans Portföy Yönetimi A.Ş.  
Address of the Headquarters: Nispetiye Caddesi Akmerkez B Kulesi Kat:7 Etiler 34340  
İSTANBUL

**2.5** Depository Institutions'

**2.5.1.** Name: ISE Settlement and Custody Bank Inc.  
Address of the Headquarters: Şişli Merkez Mahallesi Merkez Cad. No:6 34381 Şişli  
İSTANBUL

**2.5.2.** Name: Istanbul Gold Exchange  
Address of the Headquarters: Rıhtım Caddesi No: 81 34425 Karaköy İSTANBUL

### **ARTICLE 3- VALUE AND DURATION OF THE FUND:**

**3.1.** The Fund's Value is TRY 100,000,000 (one hundred million).

**3.2.** Fund's Duration: Indefinite.

**3.3.** The Fund is divided into 20,000,000 (twenty million) shares.

### **ARTICLE 4- CREATION OF FUND PORTFOLIO AND PUBLIC OFFERING**

**4.1** It has been resolved to convert "Non-Financial Sector NFIST Istanbul 20 A Type B Exchange Traded Fund" which was founded by the authorization dated 20.10.2005 and number 56983 given by Capital Markets Board into "Istanbul Silver Type B Silver Exchange Traded Fund." in line with the resolution dated 02.03.2012 and number 7/228 of Capital Markets Board.

**4.2** During the establishment of NFIST, advance in the amount that corresponds to 2 minimum trading units has been allocated from the Founder and fund portfolio was created, shares of the Fund which starts portfolio management following advance allocation are offered to investors via public offering in accordance with article 9 of the Communiqué on Exchange Traded Funds.

**4.3** Conversion procedure shall be undertaken as follows.

**4.3.1.** Changes in bylaw shall take affect 30 days after the registration of changes in bylaw regarding conversion.

**4.3.2.** Following the approval of Conversion by the Board, all shares in “Non-Financial Sector NFIST Istanbul 20 A Type B Exchange Traded Fund” held at Authorized Participant on the date when changes in bylaw will take effect and other assets in the portfolio shall be sold in the market with their then values and the Fund shall be converted into cash. Then, with such cash, portfolio composition which is equal to 1 minimum trading unit of Istanbul Silver B Type Silver Exchange Traded Fund is created.

**4.3.3.** A cash component of maximum 1% of fund total value is set aside and Fund portfolio is created by purchasing silver with the whole remaining balance for the account of the Fund at IGE.

**4.3.4.** The conversion transaction is performed in such a way that 1 share of Non-Financial Sector NFIST Istanbul 20 A Type Exchange Traded Fund corresponds to 2 shares of Istanbul Silver Type B Silver Exchange Traded Fund.

**4.3.5.** Along with the conversion of the Fund, valuation guidelines and primary market transactions shall be carried out as indicated in article 9 of this bylaw.

**4.4** The Manager creates and manages the monies collected from the investors in consideration of shares within no later than 3 business days in accordance with article 42 of the Communiqué and portfolio strategy and limitations indicated in this bylaw.

**4.5** The shares do not have a nominal value and are kept in dematerialized form. Shares that represent the fund amount are followed at Central Registry Agency, Inc. in dematerialized form on a customer basis. Fund shares cannot be printed and physically delivered.

**4.6** Fund shares are followed in the accounts held at Central Registry Agency, Inc. in terms of the identity details of each customer and associated account codes and fund information.

#### **ARTICLE 5- FUND MANAGEMENT PRINCIPLES AND PRINCIPLES APPLICABLE TO THE MANAGER**

**5.1** It is Finansbank A.Ş. who is responsible, by virtue of the Capital Market Law, for the management, representation and safekeeping of assets of the Fund with a view to protecting the interests of the shareholders based on risk diversification and fiduciary ownership principles. The Fund portfolio is managed by Finans Portföy Yönetimi A.Ş. in accordance with this by-law and the provisions of the Communiqué under a portfolio management contract to be executed pursuant to the regulations of the Capital Markets Board.

**5.2** Transactions related to the Fund are carried out by a fund board comprised of minimum three persons and by minimum one auditor who meet the minimum requirements stated in article 12 of the Communiqué Series: VII, No: 10. The members of the fund board and the auditor are assigned by the Founder.

- 5.3** To guarantee proper management of the transactions related to the Fund, a fund service unit is created within the Finans Yatırım Menkul Değerler A.Ş. . A fund management director satisfying the minimum requirements set forth in article 12 of the Communiqué Series: VII, No: 10 is assigned to the fund service unit, and the fund is allocated the required space, technical equipment, accounting system and sufficient number of qualified personnel.
- 5.4** A “Share Register” is kept solely for the registration of the shares issued, and caused to be approved as per article 69 of the Turkish Commercial Code (TCC). The daily trading of shares is monitored on the share register. All kinds of decisions to be taken by the fund board are written in the “Fund Board Decision Book” as approved. Apart from these books, a Journal (Daybook), a Ledger (Main Book), a Cashbook and an Inventory Book are maintained by the Fund Service Unit in accordance with the provisions of TCC, Tax Procedure Law and Capital Markets Law. Compulsory books stemming from the Tax Procedure Code that may be required by the Ministry of Finance are also maintained.
- 5.5** The Fund’s accounting, inspection and auditing transactions are monitored at special accounts other than the Founder’s and the Manager’s accounts in accordance with the respective provisions of the Capital Markets Code, Banking Code, Turkish Commercial Code, Tax Procedure Code and the Code of Obligations. With regards to the accounting of the Fund, the principles stated in the Board’s “Communiqué on Principles and Rules Regarding Financial Statements and Reports of Investment Funds” Series: XI, No: 6 are complied with.
- 5.6** The Manager manages the Fund by the following principles;
- 5.6.1** The Manager has to observe the benefits of each and every fund managed by it on an individual basis. The Manager cannot engage in transactions between managed funds or other customers which shall prove advantageous for one and disadvantageous for the other. In any trading decision related to the fund portfolio, it is compulsory to follow the objective information and documents and the investment principles determined with the contract. Surveys and reports which provide basis for such information, documents, and purchase-sales decisions must be kept by the manager for no less than 5 years. The portfolio manager making the investment decision records and signs the trading decisions.
- 5.6.2** Any asset which is above the market price cannot be purchased to the fund portfolio, or any asset under such value cannot be sold from the portfolio. Market price is the exchange price for assets traded on the exchange, and the lowest price in purchase and the highest price in sales which is in favor of the fund on the transaction date for assets that are not traded on the exchange.
- 5.6.3** The assets listed on the Exchange should be purchased and sold on the exchange. In purchase and sale transactions in the fund portfolio, the Manager must ensure that the transaction carried out through the relevant intermediary institution is conducted in the name of the fund. If the Manager derives any benefit for itself

in any issuer or intermediary institution from any trade carried out in the name of the fund, this must be disclosed to the Founder.

- 5.6.4** If the Manager derives any benefit for itself in any issuer or intermediary institution from any trade carried out in the name of the fund, this must be disclosed to the Founder.
- 5.6.5** Under no circumstances the manager may trade assets in the fund portfolio in order to derive benefits for itself or third parties. It is compulsory to use due diligence and care with regards to orders to be placed in the name of the Fund. In any trade to be executed in the name of the Fund, the general fund strategies set forth in the management contract and the general decisions of the Founder are complied with.
- 5.6.6** No written or verbal guarantee that the fund portfolio will produce a predetermined return may be given.
- 5.6.7** To the extent the Founder, the members of the fund board, and the manager are aware of any information in relation to the management of the fund or during the performance of their duties, they cannot use such information for the benefit of themselves or third parties.
- 5.7** The Fund can lend silver at an amount equal to maximum 25% of the market value of the silver held in the portfolio, or borrow up to the same amount of silver in the IGE Precious Metals Lending Market. The lending and borrowing transaction may last for maximum 90 business days. Silver lending transactions are conducted in the framework of the transaction principles and the collateral system in the said market and in accordance with the regulations of the Board.
- 5.8** For the purpose of meeting the cash and/or silver requirement that may arise during the fund share creation and redemption processes, loans up to 10% of the fund assets may be obtained for the Fund account subject to the permission of the Board. The Board is informed at the loan taking and repayment stages.
- 5.9** The Founder has to set up a system that is capable of monitoring on a customer basis the shares kept in dematerialized form, and to keep such information for 5 years.
- 5.10** The relationship between the founder and the shareholders is governed by this by-law, the Capital Markets Code and the relevant legislation, and where these are silent, then by those provisions of the Code of Obligations governing attorney agreements. The Fund by-law is an adhesion agreement between the shareholders and the Founder, the depository institution and the manager that covers the safekeeping of the fund portfolio in accordance with the fiduciary ownership principles and the management of the fund in accordance with the provisions governing the attorney agreements, and also includes the general trading conditions.

## **ARTICLE 6- SAFEKEEPING OF THE FUND'S ASSETS**

- 6.1.** The silver in the fund portfolio is kept in Takasbank's Exchange Traded Fund Account opened at the IGE (Takasbank ETF Account) in the name of the Fund. The securities and capital market instruments in the fund portfolio are kept in sub-accounts opened in the name of the Fund at Takasbank or organizations providing safekeeping services of Takasbank in the framework of an agreement to be made.
- 6.2** The assets of the Investment Fund may not be used for any purposes other than meeting the obligations and liabilities of the Founder arising from the Law, Communiqué and the Fund By-law. The fund assets cannot be pledged, presented as security, or seized by third parties.

## **ARTICLE 7 – FUND MANAGEMENT STRATEGY**

- 7.1** The management of the fund portfolio is based on a portfolio structure that is consistent with a Type B Fund in the framework of article 5 of the Communiqué. It is essential that the capital market instruments to be invested in fund management is comprised of assets covered by the index so that the correlation coefficient between value of the underlying index as calculated in accordance with the formula given in article 14 herein and the fund unit share shall be minimum 90%. The underlying index is Istanbul Silver Type B Silver Exchange Traded Fund Index. Accordingly, minimum 90% of the fund assets are constantly comprised of silver, a precious metal, upon which is the portfolio is based. The correlation coefficient is calculated on a monthly and quarterly basis, and the correlation coefficient which is calculated in accordance with the regulations of the Board is taken into account in the liquidation of the Fund.
- 7.2** That part of the fund portfolio other than silver is appraised in reverse repo and/or on the Exchange Money Market.

## **ARTICLE 8 – ASSETS TO BE INCLUDED IN THE FUND PORTFOLIO**

- 8.1.** Minimum 90% and maximum 100% of the fund portfolio is comprised of silver. The silver to be purchased for the fund portfolio has to meet the international standards specified in the Communiqué on Precious Metal Standards and Refineries and accepted by the Central Bank of the Republic of Turkey and has to be traded in the national and international exchanges.
- 8.2.** The value of reverse repo that may be invested in based on capital market instruments authorized by the legislation can be minimum 0% and maximum 10% of the value of the fund portfolio.
- 8.3.** Up to 10% of the value of the fund portfolio can be comprised of the exchange money market transactions in cash before the ISE Settlement and Custody Bank, Inc. Cash may be held to meet the liquidity requirement of the Fund likely to arise from its operational transactions.
- 8.4.** No asset other than those stated in the articles above can be included in the fund portfolio.

## **ARTICLE 9 – PROCEDURES AND PRINCIPLES REGARDING SHARE CREATION AND REDEMPTION TRANSACTIONS, SECONDARY MARKET TRANSACTIONS AND DETERMINATION OF PORTFOLIO VALUE AND UNIT SHARE VALUE**

**9.1.** The fund share has two separate values, the net asset value and the market price. The net asset value of the Fund is calculated after the trading sessions on such days when ISE is open for trading. If two trading sessions are applicable, the net asset value is announced at the end of the second session. The “Indicative Net Asset Value” of the Fund which is calculated in Turkish Lira based on the silver value in grams is calculated constantly by the Manager under the Founder’s responsibility within the trading session hours on such days when the ISE is open for trading, and is announced at 1 minute intervals by at least two data providers and through the Fund’s website. With regards to the silver price and rate which is taken as a basis in calculating the indicative net asset value, the same principles applicable to the calculation of the portfolio value shall apply. The market price of the Fund is the price that is formed in the ISE Fund Market.

**9.2.** “Fund Portfolio Value” is the sum of the assets in the portfolio. “Fund Total Value” is found by adding, if any, other assets to and deducting any debts from, the Fund Portfolio Value.

**9.3.** The value of the assets in the portfolio is determined according to the following principles:

**9.3.1.** The assets included in the portfolio are registered with their purchase prices and their proportion in the fund during the exchange.

**9.3.2.** The silver included in the fund portfolio is appraised based on the international silver price in USD prevailing at the closing time of the last session on such days when ISE is open for trading. The US Dollar/ Turkish Lira rates used in the appraisal are the rates formed in the inter-bank money market and calculated as the average of best buying quotations announced with the code TRYBB= and of the best selling quotations announced by Reuters with the code TRYBA=. However, where such prices aren’t calculated by Reuters, the average of the best buying quotations announced by Forex with the code USD/TRL International!Bid and of the best selling quotations announced by Forex with the code USD/TRL. International!Ask shall be used. In the event that there is not a quotation at the close of the session, the average of the best buying and best selling quotations in the last minute of the quotation is relied upon. Similarly, in the calculation of the indicative net asset value to be announced every minute, the average of the best buying and best selling quotations in the minute of the calculation is relied upon, and in the even that there is not a quotation at that moment, the average of the best buying and best selling quotations in the last minuet of the quotation is relied upon. In the appraisal of the silver included in the portfolio, silver fineness is taken into account as well.

**9.3.3.** Capital market instruments and securities traded are appraised according to the weighted price and rates of the exchange at the date of appraisal. Reverse repos which are

traded on the exchange but were not subject to any trading on the exchange at the appraisal date are appraised with the internal rate of return on the last transaction date (the discount rate which equalizes daily cash inflows to cash outflows).

**9.4.** Creation and redemption of new shares are realized “in kind” within the context of primary markets. The Fund is authorized to perform creation in return for the silver and cash component determined for share creation unit and redemption by recalling the silver and cash component determined for share creation unit in return for fund shares. The investors may also trade on the Fund shares through secondary markets. The secondary market transactions are performed in the same way as share certificate transactions and in accordance with the procedures and principles of the ISE regarding the listing and trade of the exchange traded fund shares.

**9.5.** The portfolio composition related to the creation and redemption of shares are published by the Manager every morning before the start of the ISE session on the website of the Fund and the in the terminals of Takasbank. The indicative portfolio composition is composed of sterling silver in bars, bullions or granules, and cash component. The cash component is calculated as the difference between the Fund total value and the value of silver in the fund portfolio. The cash component has a negative value in cases where the Fund portfolio value is greater than the Fund total value. In such cases, for the creation of shares, the investors deliver the silver in bars, bullions or granules to the Fund and receive cash in return, and for the redemption of shares, the investor delivers cash to the Fund and receive silver in bars, bullions or granules in return. In case of a difference between the indicative portfolio composition and the silver bars, bullions or granules and cash component during the creation of shares process, the investor's order is executed after the elimination of the difference by the investor.

**9.6.** During the creation and redemption of shares, the Authorized Participant is authorized to charge commissions to investors in the amount indicated in the Authorized Participant Agreement. The information regarding the commission rate is shown on the Fund's website. The Fund Board shall have the right to limit temporarily halt or reject the transactions of the Authorized Participant as they relate to the creation and redemption of shares in the event that the Fund reaches the number of shares in circulation, the order does not comply with the structure published through the indicative portfolio composition, or the extraordinary events referred to in Article 47 of the Communiqué Series VII No: 10 such as war, economic crisis, crash of the communication systems, close down of the relevant capital markets, and failures in the computer system occur. The Manager shall check the orders related to creation and redemption of shares during the day and inform the Fund Board if necessary. The Authorized Participant shall monitor the information with respect to the daily transactions regarding creation and redemption of shares. The liabilities and responsibilities of the Authorized Participant shall be indicated in the Authorized Participant Agreement.

**9.7.** The creation and redemption of shares may only be performed by Finans Yatırım Menkul Değerler A.Ş. which is the exclusive authorized participant by an agreement executed with the Founder. Such transactions shall be performed as per 1 minimum transaction unit or its multiples and 1 minimum transaction unit shall be composed of 100,000 (one hundred thousand) Fund Shares.



As Finans Yatırım Menkul Değerler A.Ş. is not a member of IGE, an account (Finansbank ETF Account) on behalf of the Fund has been opened at IGE by the Founder Finansbank A.Ş. . This account shall be used only in the creation and redemption of Fund shares.

**9.8.** For carrying out the creation and redemption transactions and safekeeping the silver in the Fund portfolio, the Exchange Traded Fund Account (Takasbank ETF Account) opened at the IGE by Takasbank shall be used.

**9.8.1.** The procedure for the creation of shares is as follows:

### **1. General Provisions for the Creation of Shares**

**a.** Creation of shares orders may be submitted to Takasbank through the Authorized Participant between 9.30 and 17.00 hrs on the ISE workdays and on the days when the fund shares are traded. In the event that the transactions are not completed, the said time may be extended. Orders submitted are answered by the Fund Board within 30 minutes following the approval of the authorized participant. Orders not answered within that time frame are deemed to have been rejected.

**b.** The creation of shares orders may be executed as T+0. The silver bars, bullions or granules to be used in the creation of shares should be under the safekeeping of the IGE. In T+0 creation of shares, the silver bars, bullions or granules must be kept in Finansbank ETF Account, and the cash component in the Authorized Participant's account held at Takasbank.

**c.** The investor or the investor's broker willing to perform creation of shares is required to hold an account at the Authorized Participant and the IGE.

### **2. The Procedure for Creation of Shares**

#### **T+0 Share Creation Procedures:**

**a.** The silver bullion must be kept available at the IGE in order to make a creation of shares order.

**b.** The investor transfers the silver to be subject to the creation of shares to Finansbank ETF account. The Authorized Participant transfers the silver delivered by the investor to Takasbank ETF Account. The authorized participant informs Takasbank through the terminal of Takasbank about the information on the creation of shares following the transfer.

**c.** Takasbank inspects if the silver necessary for the creation of shares is transferred to Takasbank ETF Account and if the cash composition is available in the authorized participant account in Takasbank as informed, and if available, Takasbank blocks the cash composition and submits the order to the Fund Board for authorization. The

Fund Board answers the order within 30 minutes and in case the order is authorized, Takasbank transfers the silver in Takasbank ETF Account and cash composition in Takasbank to the Fund account and the fund shares in the shares not in circulation account held at the Founder, to the investor's account in the Authorized Participant. Orders not answered within 30 minutes are deemed to have been rejected.

**d.** In case of transactions rejected by the Founder, the silver transferred to Takasbank ETF Account for the creation of shares is returned to Finansbank ETF Account and the blocked cash composition is released. The silver transferred to Finansbank ETF Account is returned to the investor accounts by the Authorized Participant.

**9.8.2.** The procedure for redemption is as follows:

### **1. General Provisions for Redemption**

**a.** Redemption orders may be submitted to Takasbank through the Authorized Participant between 9.30 and 17.00 hrs on the ISE workdays and on the days when the fund shares are traded. In the event that the transactions are not completed, the said time may be extended. Orders submitted are answered by the Fund Board within 30 minutes following the approval of the authorized participant. Orders not answered within that time frame are deemed to have been rejected.

**b.** The redemption orders are executed as T+0, however, transactions on T+2 are also permissible. In T+0 redemption transactions, the Fund shares are required to be available in the account of the investor. The investor or the investor's broker willing to perform T+0 and T+2 transactions is required to hold an account at the Authorized Participant and the IGE.

**c.** In share redemption, the Authorized Participant is liable to ensure that the settlement obligations arising on the part of the investor are fulfilled, and the conditions of this liability are specified in the Authorized Participant Agreement. In case T+2 value-dated redemption transaction is not performed, then on day T+3, the Fund Board makes the Authorized Participant create a fund share having the same value date (T+0) and thus finalizes the transaction. The Authorized Participant makes a default payment to the Fund due to its failure to perform the redemption transaction within the settlement period. If the default results from the default of another member although the Authorized Participant fulfills its responsibilities to the clearing house, the Founder may elect not to require the penalty interest to be paid. The Founder may demand a collateral from the Authorized Participant to cover the losses likely to arise from such transactions.

### **2. The Procedure for Redemption**

#### **T+0 Redemption Procedures:**

**a.** Upon the order given by the investor for redemption from the account opened in the Authorized Participant, the Authorized Participant makes the necessary inspections and transfers the order to Takasbank through the terminal of Takasbank. Following the authorization by the Authorized Participant, Takasbank inspects the existence of the Fund shares in the account whose number is notified and then transfers the Fund shares from the investor's free account to the blocked account and the transaction is submitted to Fund Manager for settlement approval. The Fund Board answers the order within 30 minutes of receipt, and in case the order is authorized, then Takasbank makes the required changes. While the silver is transferred by Takasbank from the Fund account to Finansbank ETF Account, the fund shares are transferred to shares not in circulation account opened in Takasbank on behalf of the Founder and removed from circulation. On the other hand, the cash component is transferred to the account of the Authorized Participant and the Authorized Participant transfers this amount to the relevant investor account. The Authorized Participant transfers the silver received by Finansbank ETF account to the investor account and thus finalizes the transaction. Orders not answered within 30 minutes are deemed to have been rejected.

**b.** The Investor shall have the right to complete the shortfall of Fund shares through a wire transfer. In that case however, the order may not be transferred to Takasbank before all the assets are fully transferred to the investor account who shall perform the transaction.

#### **T+2 Redemption Procedures**

**a.** In case, the investor lacks some of the required Fund shares to attain the required number of fund shares, the required Fund shares can be obtained through purchase transactions on the ISE.

**b.** In case the investor decides to complete the Fund shares through purchases on the ISE, the investor may conduct such transaction through the investor's account at the Authorized Participant. In case, the investor has no account with the Authorized Participant, then the investor may use the account of its intermediary institution at the Authorized Participant for the purchase of Fund shares.

**c.** In case the investor would like to execute a partial purchase in order to attain the Minimum Trade Unit, the necessary Fund shares should be deposited to the account with the Authorized Participant.

**d.** The investor submits the redemption order to the Authorized Participant. The Authorized Participant inform the investor regarding the required minimum trading unit. The investor performs the necessary purchases of Fund shares on the ISE and creates the Fund shares in the amount of a minimum trading unit or its multiples.

- e. The Authorized Participant checks whether all the required transactions are executed for the order to be submitted to Takasbank, and within its own system, blocks the required shares.
- f. The Authorized Participant submits the redemption order to Takasbank through the terminal of Takasbank.
- g. Takasbank submits the order to the Fund Manager for authorization. The Fund Manager answers the order within 30 minutes. If the order is authorized by the Fund Manager, the order is included in the Fund's records and accounted for on the same day.
- h. The confirmation of the authorization of the order is delivered to the Authorized Participant by Takasbank and thus the redemption order is finalized.
- i. The finalized order is completed on the day of settlement on the ISE when the silver is transferred to Finansbank ETF Account for transfer to the relevant investor account, whilst the Fund shares are transferred to shares not in circulation account opened at Takasbank in the name of the Founder. On the other hand, the cash component is transferred to the account of the Authorized Participant and the Authorized Participant transfers this amount to the relevant investor account. The Authorized Participant transfers the silver received by Finansbank ETF account to the investor account and thus finalizes the transaction. Orders not answered within 30 minutes are deemed to have been rejected.

## **ARTICLE 10 – INDEX UPON WHICH THE FUND IS BASED AND PRINCIPLES ON CALCULATION OF THE INDEX**

- 10.1** Istanbul Silver B Type Silver Exchange Traded Fund is based on “Istanbul Silver B Type Silver Exchange Traded Fund Index” (Index).
- 10.2** The index is based on the international silver price. The value found by multiplying the international spot silver ounce price in USD with the code XAG=X announced by Reuters and the rate calculated as the average of the best buying quotation announced by Reuters with the code TRYBB= and of the best selling quotation announced by Reuters with the code TRYBA= constitutes the Index. . However, where such prices aren't calculated by Reuters, the average of the best buying quotations announced by Forex with the code USD/TRL International!Bid and of the best selling quotations announced by Forex with the code USD/TRL. International!Ask shall be used. The indicative net asset value to be announced during the trading of the Fund shares is calculated by converting the value in gram unit of the silver price which is taken as a basis into Turkish Lira. The US Dollar/ Turkish Lira rate used in the conversion is the rate calculated as the average of best buying and best selling quotations announced by Reuters with the codes TRYBB= and TRYBA=, respectively.

- 10.3** The Index is created, calculated and announced by the Manager. The Manager is responsible for any error which may arise at these stages. Rules on the creation, calculation and announcement of the Index are set out in the index license agreement to be executed by and between the Founder and the Manager. No money is paid to the Manager in return for the said service.
- 10.4** To inform the investors accurately while they make investment decisions, in any environment where the index value and the indicative net asset value are announced, international silver price and the IGE price are announced as well. These values are published every minute by at least two data providers and also on the website of the Fund.

#### **ARTICLE 11- PRINCIPLES ON DISTRIBUTION OF THE REVENUE EXPENSE DIFFERENCES TO THE SHAREHOLDERS**

- 11.1** The accounting period of the Fund is the calendar year. However, the first accounting period is the period between the foundation of the Fund and the end of December the same year.
- 11.2** The balance sheet and income statements are submitted, following the audit by the Fund's auditor, to the Board of Directors of the Founder and finalized by the approval of the Board. 12.1. They are sent to the Capital Markets Board within the period mentioned in Article 12.1.
- 11.3** The Fund's profits are reflected on the daily prices of the shares in accordance with the principles of article 9 herein. The shareholders receive their share of the profit generated in the Fund throughout the time they are in possession of their shares when they sell or redeem their shares. No other dividend is paid at the end of the accounting period. Secondary market share trading is carried out on the ISE, and there may be differences between the Fund's per share net asset value and ISE share price. Since the share price in the secondary market may be below or above the per share net asset value, the amounts received or paid by the investors in share buying/selling or share creation/redemption may be unlikely to reflect the changes completely.
- 11.4.** Expenses allowed out of the fund's assets:
- 11.4.1.** Expenses related to shares
  - 11.4.2.** Expenses related to portfolio management
    - i. Insurance premiums regarding the transfer of the assets in the portfolio and documents representing such assets
    - ii. All fees regarding custody services,
    - iii. All taxes, stamp duties and commissions regarding the conversion of assets into cash and the transfer thereof
    - iv. Interests of loans obtained
    - v. Brokerage fees regarding the purchases for, and sales from, the portfolio
    - vi. Portfolio management fee

**11.4.3.** Costs of announcements as required by the legislation and other expenses

- i. Notary fees regarding the Fund's tax payments, registrations of and amendments to the by-law
  - ii. Management fees paid to the Founder
  - iii. Audit fees payable to independent audit institutions
  - iv. Obligatory announcement expenses as required by the legislation
  - v. A Board registration fee to be calculated over the fund's net asset value on the last business day of quarterly periods based on a calendar year
- 11.5.** A management fee which is comprised of %0.0013(thirteen millionths) of the fund total value for every day accrues to the Manager and the Founder in return for the management and representation of the Fund and the services for the infrastructure, staff and accounting services allocated to the Fund, is calculated within the first week that succeeds the end of each month and divided according to the contract signed by and between the Founder and the Manager.

**ARTICLE 12- ANNOUNCEMENT METHOD OF THE INFORMATION RELATED TO THE FUND**

- 12.1.** The Founder is responsible for submitting the monthly reports within 15 days following the relevant month, and the annual reports within 3 months following the end of the relevant accounting period to the Board, and send the same to the relevant exchange for publication. The annual report includes the audited balance-sheet, income statement and statements as to the fund portfolio value and fund total value, which are prepared by comparison to the pervious year. Information regarding the developments during the year is also included in the annual report. The monthly report includes the movements of assets and shares during the month and the information regarding the fund's performance. Information regarding the correlation coefficient calculated for the last one month and quarter is also included in the monthly report. The reports in question should be available in the headquarters of the Founder, at places where the shares are sold, and on the website of the fund for review by the investors and a summary of each is announced in accordance with the principles to be determined by the Board. The monthly report to be submitted to the investor does not include the purchase and sale details about the relevant month.
- 12.2.** The Fund announces other matters that are required to be registered with the Trade Registry under the respective legislation, by publishing the same on the Turkish Trade Registry Gazette and on at least two newspapers published nation-wide. Other publications may also be used for the announcement of information related to the Fund.
- 12.3.** Matters such as preparation, independent audit and announcement of the Fund's financial statements and reports are subject to the provisions applicable to mutual funds as set out in the "Communiqué on the Principles Regarding the Financial Statements and Reports of Mutual Funds" Series: XII, No: 6 and the "General Communiqué on the Determination of the Responsibilities of Corporations and Entities Subject to the Capital Market Code as to

the Preparation of Financial Statements and Reports, Public Disclosures and Independent Audit” Series XII, No: 1. In addition to the provisions of the Communiqués aforementioned, the Fund is liable for submitting independently audited financial statements, prepared on an semi-annual and annual basis, to the Board and the relevant exchange for publication in the exchange bulleting within the time period indicated in the regulations of the Board regarding the joint stock companies listed on the exchange.

- 12.4. The Founder submits the daily reports indicating the fund portfolio value, fund total value and daily prices of the shares and showing the daily calculation of share prices to the Capital Markets Board on the day that succeeds the appraisal day in accordance with the principles determined by the Board.
- 12.5. The Founder and the Manager inform the Board in writing about the information regarding the titles, addresses and share weightings of the subsidiaries of the persons indicated in Article 42, section (e) of the relevant Communiqué Series: VII, No: 10 and the same information regarding their own subsidiaries every January and within 6 days of any change therein in case of any changes in such information.
- 12.6. The provisions of the Communiqué governs all written, oral or visual advertisements in printed or electronic media, all notices, calls, brochures posters and other advertorials addressed to indefinite number of people, excluding the periodical publications published for public offerings and the general public awareness.
- 12.7. The Board has the right to request information regarding the Fund, without being subject to the time periods indicated in the Communiqué. In case of extraordinary events such as war, economic crisis, crash of the communication systems, close down of the relevant capital market, failures in the computer system, the investors are informed about such events in accordance with article 33 of the Communiqué Series: VII, No: 10.
- 12.8. In case of important events and developments that are likely to affect the prices of shares or the investor's decisions or investors' rights, the rules of the Capital Markets Board are to be followed with regards to material disclosures and the principles of such disclosure.

### **ARTICLE 13- RISKS REGARDING INVESTMENT IN THE FUND, CONDITIONS OF PARTICIPATING IN AND DISSOCIATION FROM THE FUND, TERMINATION AND LIQUIDATION OF THE FUND**

- 13.1 Investors who invested in the fund may lose money due to fluctuations in the markets. The value of the assets in the fund portfolio may change positively and/or negatively. Investing in the fund includes the risks in investing in silver. Furthermore, given that the index upon which the portfolio is based is calculated by converting the international silver price in USD to Turkish Lira using the rate taken as a basis, changes in the rate of USD/Turkish Lira may pose risks for the Fund investor. The Fund is not an actively managed fund and the Fund's principal objective is to reflect the changes in silver to the investors. Sudden changes in the rates of exchange shall equally reflect on the fund's

appraisal. Moreover, there may be differences between international silver price and the silver price in the IGE or non-organized markets in Turkey. Investors should take such price differences into account while making a decision to buy or sell their fund shares. Those differences may result in consequences advantageous or disadvantages to the investor.

- 13.2** The scope of the tax liability related to the transactions on the fund shares may change in the process of time. The investors are liable for the taxation of their transactions, taking into account their own positions, provided that the provisions of the legislation on tax law are reserved.
- 13.3** The net asset value of the fund and the traded price in the ISE may vary from time to time subject to market conditions. The indicative net asset value of the fund calculated constantly by the Manager under the responsibility of the Founder and announced every minute is solely an indicative value. The Founder is liable for the accurate calculation of the said value, however, problems may be encountered in the publication and calculation of the indicative net asset value due to problems caused by technical failures or deficiencies in the data received from the data providers. The Founder and/or the Manager cannot be held responsible for the inaccurate calculation and announcement of the indicative net asset value due to technical failures and errors in data in case of any transaction conducted using the indicative net asset value.
- 13.4** Announcement of information such as indicative net asset value, share trading price may be delayed due to technical reasons and consequently, ISE may temporarily suspend the trading of Fund shares in the markets.
- 13.5** The purchase or sale of the shares are governed by the provisions of the ISE circular on the procedures and principles regarding the listing and trading of exchange traded fund shares. Share creation and redemption procedures are effectuated through application to the authorized participant who executed an authorized participant agreement with the Founder.
- 13.6** The Fund is terminated in accordance with Articles 52 and 53 5 of the Communiqué of the Capital Markets Board, Series: VII, No: 10. In case of complete and indefinite stoppage of the trading of silver on the IGE, the Fund Board decides on issues such as transfer, merger, transformation, termination, taking another precious metal or Index as the basis, and applies to the Board. Subject to approval of the Board, the Fund Board takes the necessary decision about the aforesaid issues and conducts the transactions.
- 13.7** In case of termination of the Fund due to reasons set forth in article 53 of the Communiqué of the Capital Markets Board Series: VII, No: 10, the trading of the Fund shares on the ISE is closed. The Founder informs the investors and assures their dissociation from the Fund within 30 days of the announcement. In 5 business days after the lapse of the 30 days, the remaining assets of the fund are converted to cash. The assets that may not be sold in such a way may be sold and converted into cash by public auction or negotiation or using both methods. The Fund asset that is converted into cash



through the above mentioned methods is distributed to the shareholders pro rata to their shares. No creation or redemption order is executed starting from the moment of termination.

- 13.8** Following the completion of the liquidation, the Founder registers and announces the state of affairs in the Trade Registry for the deletion of the Fund's title from the Trade Registry, and the Capital Markets Boards and the Banking Regulation and Supervision Agency are informed of such deletion.
- 13.9** In case of termination of the Fund due to reasons set forth in article 52 of the Communiqué of the Capital Markets Board Series: VII, No: 10, the termination procedure shall be determined by the authority that decided on the bankruptcy and liquidation of the Founder and/or the Custodian Institution.

#### **ARTICLE 14- DETERMINATION OF THE CORRELATION COEFFICIENT**

- 14.1. The correlation coefficient is a value between (+1) and (-1) indicating the correlation between the silver price which is taken as a basis at a certain period and the unit share value of the exchange traded fund, and is calculated as follows:

$$r = \frac{\sum (X_t - X_{ort}) * (Y_t - Y_{ort})}{\sqrt{\sum (X_t - X_{ort})^2} * \sqrt{\sum (Y_t - Y_{ort})^2}}$$

r : Correlation coefficient,

$x_t$  : Unit share value of the Fund at day t

$y_t$  : Price per ton of silver at day t

$x_{ort}$  : Average unit share value during the calculation period  
( $\sum x_t$ /Number of days in the calculation period)

$y_{ort}$  : Average silver price value during the calculation period  
( $\sum y_t$ /Number of days in the calculation period)

**This is the copy of a prospectus approved by the Capital Markets Board (CMB) which is translated from the original Turkish version into English by certified interpreter**

In case of any discrepancy between the provisions of this By-law and the regulations of the Capital Markets Board, the regulations of the Capital Markets Board shall govern. The Capital Markets Board may any time require the provisions of this By-law to be amended, and change the by-law standards.