What is the Single Price Method?

The single price method is the trading method where orders are send to the ISE Stock Market Trading System without any matching for a certain period of time and at the end of that period, a price level is calculated which enables to execute the maximum amount of transactions, and all the transactions are executed over that price level.

For the securities that are traded via this method, the price is determined 4 times a day, i.e. 2 times in each sessionwhere the transactions are executed over the price calculated in each determination period. As the Watchlist Market session is held only in the second session, price is only determined 2 times for the companies listed in this market, and transactions are conducted over that price.

The first order collection and price determination process of the session is the opening session. The second order collection and price determination process starts with the continuous auction session for the other stocks, and expires 5 m inutes before the session ending time.

Single price method processes

	First Single Price Process (Opening Session)		Second Single Price Process (Single Price)	
	Order Collection	Price Determination(*) and Execution of Transactions	Order Collection	Price Determination(*) and Execution of Transactions
1st Session	09:30 – 09:45	09:45 – 09:50	09:50 – 12:25	12:25 – 12:30
2nd Session	14:00 – 14:15	14:15 – 14:20	14:20 – 17:25	17:25 – 17:30

(*) It lasts approximately for 1 minute although the time may vary subject to the number of transactions executed.

If a security that is <u>not included in the first single price session (opening session)</u> because of a temporary suspension of trading inside the same session (1st or 2nd session), it is <u>included in the second single price process, and only once a single price is determined for that stock symbol in that session, and the session is completed</u>.

Stages of the Single Price Method:

The single price method is basically comprised of two stages:

<u>Order Collection:</u> During this time period, orders are send to the System, and ranked according to price and time priority rules.   There is no matching. In this process, the order book and depth information are not displayed.

<u>Price Determination and Execution of Transactions:</u> During this stage which starts immediately after the order collection stage, the orders sent to the system are evaluated, whereupon a price at which maximum quantity of transactions can be performed is determined, and orders which are eligible in terms of price and time priorities are converted to

a transaction over that single price level provided that they have sufficient amount of counter orders. At this stage, all market inquiries are available in the electronic trading system.

Orders which remain unexecuted at the opening stage of the single price determination processes within the same session are carried to the next single price process. If a daily order is placed, the remaining orders may be carried from the first session to the second session.

Single Price Application:

In case of exchange traded funds and mutual fund securities with a publicly-offered market value below 10 million TL, except the intermediary institution warrants which are required to be traded via the continuous auction with market maker method, if there is not any market maker assigned, or the market maker's activity has been ceased for any reason and there is no substitute market maker to replace it or the substitute market maker fails to start its activity, the relevant security is traded on the same market with the single price method which is the alternative trading method effective from the date specified in the announcement in accordance with the regulations. When intermediary institution warrants are concerned, the security is temporarily suspended from trading and the single price method is not applied in such cases.

In this framework, if it is determined that a market maker may start acting as such for securities in respect of which the single price method is applied (or temporarily suspended from trading intermediary institution warrants), the relevant security starts to be traded again with the continuous auction with market maker method as from the date specified in the announcement.

In addition, pursuant to the decision of CMB dated July 23, 2010 and Number 21/657, the Watchlist Market companies included in group C and companies whose outstanding shares are less than 250,000 are traded with the single price method.

As the shares of mutual funds with a market price that is twice the unit share price or higher are considered to be included in list C, they are traded via the single price method also. However, if there is a market maker for the mutual funds that fulfills this condition, the single price system is not applied, while the company is traded via the continuous auction with market maker method so long as the market maker acts as such.

Benefits of the Single Price Method to the Market:

The single price method is quite different from the continuous auction method in regards of functioning and as it results in a single price. This structure enables to trade in securities with low liquidity at more than one price which is determined 4 times a day on a market and/or security basis without causing an increase in volatility.

Securities which the single price method is applied in ISE are the securities which have a low market price and are ranked low in the traded value ranking therefore are not included in ISE National 100 Index. The single price method is anticipated to increase the trading value of such securities which have a low trading value. According to foreign resources, if securities with a high trading value and market value are traded with the single price method, the share of such securities among all transactions is affected negatively whereas this effect is positive in securities with a low trading value and market value and increases the share among all

transactions.[1] On the other hand, the role of intermediaries which is highly encountered in continuous auction is minimized, and front running is completely prevented. In addition, the capabilities of the market participants to manipulate prices as they like are restricted in the single price method due to ease of audit trail.[2] This method offers a structure that provides significant benefits to both the corporate and individual investors and also to the listed companies.

[1] *The Anatomy of a Call Market - Carl-Heinrich Kehr/Jan Krahnen/Erik Theissen*
[2] *Dr. Benn Steil /New York University*
[3] *Electronic Call Market Trading / The Journal of Portfolio Management – Robert Schwartz*

Important Issues regarding the Single Price:

Inquiry Status in the Opening/Single Price Mode Stage

Order Base (Lot orders)	Open
Order Base (Special orders)	Open (Only in Single Price Mode)
Price Base	Closed
Executed Orders	Closed
Open Orders	Open
Active Status	Open
Order Status	Open
Stock Inquiry	Open
Full Message Screen	Open

When the order collection stage is over, all inquiry screens become active.

Allowed Order Types:

Limit Order	Yes
Short Sell Order	Short sell orders may be entered outside the opening sessions which take place at the beginning of a session.
Opening Price Orders (OPO)	Yes
Immediate or Cancel Order (ICO)	No
Special Limit Price Order (SLPO)	No
Special Limit Value Order (SLVO)	No
Special Order	It is not entered at the opening session stage. Only it can be entered and/or matched at the second price determination stage of a session.

Order Changing, Splitting and Canceling Rules in the Single Price Method:

Limit Order	**Order Split**	It may be performed in accordance with the effective rules governing the continuous auction method.
	Order Change	Price of the order may be improved / worsened, its quantity may be decreased / increased (when quantity is increased, time priority is lost). The period of good till date orders may be shortened.

	Order Cancellation	An order can be cancelled any time.
Special Order	**Order Split**	Not permitted.
	Order Change	Only at the second single price determination stage of a session: Price of the order may be improved / worsened, its quantity may be decreased / increased. The period of a good till date order may be shortened.
	Order Cancellation	Only at the second price determination stage of a session: Unmatched special orders can be cancelled at any time.
	Matching	It can be done only at the second single price determination stage of a session: In the last 10 minutes of single price order collection stage (between 12:15-12:25, 17:15-17:25) special orders cannot be matched.
	Other	Comparison of special orders against normal pending orders, which is applied in the continuous auction method and will also be employed in the continuous auction with market maker method, will not be carried out as the order book is kept closed.

Other Significant Issues related to the Single Price Session:

Transferring Unexecuted Orders to the Next Single Price Process	- Limit price orders which are sent to the opening/single price processes and are not executed or partly executed – unless their validity period has not expired – are <u>transferred</u> to the succeeding opening/single price process. OPO is not transferred to the next process and is cancelled if it is not executed during the opening/single price process in which it was entered. - Special orders are transferred to the succeeding single price process if their validity period has not expired.
Base Price and Price Margin	- Transactions in the opening and single price determination processes are assessed collectively and a weighted average price (WAP) is calculated. The base price and price margins that will be effective in a session are calculated over the weighted average price (WAP) of the security that prevailed in the previous session. - Base prices and margins are effective in both the opening process of the relevant session and the succeeding single price process.
Securities/Markets in which this Method is to be Applied	Among the securities of CPM which are required to be traded via the continuous auction with market maker method those for which a market maker does not exist, and those securities which are temporarily or permanently decided to be traded via the single price method by the Exchange Management.

Data Broadcasting	• In case of securities that are traded via the single price method, no pr ice or quantity information regarding the orders that are entered during the order collection stages of the opening / single price processes are sent to data vendors. • After the order collectionstage expires, the opening prices / single prices that are determined, executed transactions, unexecuted remaining orders and the respective index values calculated are sent to data vendors.
Executed Transactions and Trade Books	• Members can reach the transactions they have executed during the opening and the single price processes at the end of the session from the ERD (Electronic Report Distribution) screen of ISE.
Price Determination Status	• If the opening price/single price cannot be determined, the limit and special orders that have been entered are transferred to the order execution process in accordance with the current rules. • Orders that remain unexecuted at the end of 2nd session are cancelled and not transferred to the next day.