

10 September 2003

THE CBRT PRESS RELEASE
ON
THE FOREIGN EXCHANGE BUYING AUCTIONS

As is known, considering that strong reserve position would boost the market's confidence in the current program and observing the excess foreign exchange supply, the Central Bank of Turkey (CBRT) started to hold foreign exchange buying auctions, on 6 May 2003, and the amount of daily foreign exchange buying auction was determined as USD 50 million in August 2003.

It was announced by our press release of 29 August 2003 that the excess foreign exchange supply was expected to continue also in September, and the CBRT decided that it would be more appropriate to determine the total amount of daily foreign exchange buying through the auctions with a more flexible method, considering the volatility in excess supply that might occur due to seasonal factors. Accordingly, the total amount of daily foreign exchange buying was determined to be USD 40 million, and a selling option based on the average price realized in the auction would be granted exclusively to the institutions that are eligible to sell foreign exchange in that auction. It was also announced that the CBRT might, with a prior notice, make changes in the amounts of daily auctions due to unexpected developments in the excess foreign exchange supply.

The CBRT has bought USD 381 million in total since the beginning of September by conducting 7 foreign exchange buying auctions and optional selling after the auctions. Accordingly, both the daily average amount bought and the daily average bids in September were higher than those of August.

Considering these developments, the maximum daily auction has been increased to USD 50 million effective from 11 September 2003 for the remaining part of September. Therefore, the maximum amount of daily foreign exchange buying auction can amount to USD 75 million by the utilization of the buying auction of USD 50 million and the optional selling of USD 25 million.

As was announced by previous press releases, the CBRT may, with a prior notice, suspend the auctions before the end of the period in the cases where the depth of foreign exchange market is lost and excessive volatility is observed in exchange rates due to an external shock or unpredictable developments.

As usual, the CBRT will continue to closely monitor the volatility in exchange rates and will directly intervene in the market in case of an excessive volatility in both directions.