

## **THE CBRT PRESS RELEASE ON THE FOREIGN EXCHANGE SELLING AUCTIONS**

Recent problems in global credit markets have led to concerns on the credibility of the global financial system. These developments have adversely affected the global liquidity flows and triggered an extraordinary demand for liquidity especially in USD.

Acting promptly and in a coordinated manner, central banks are taking decisions in an effort to overcome the liquidity squeeze in money markets. In line with these efforts, decisions and actions of the Central Bank of Turkey (CBRT) also aim to maintain the smooth functioning of all domestic money markets.

Within this framework, starting from today the CBRT has decided to inject foreign exchange liquidity into the market through **foreign exchange selling auctions** under the basic principles of the floating exchange rate regime, as unhealthy fluctuations have been witnessed recently in foreign exchange market due to a decrease in the depth of the market.

The daily amount of foreign exchange to be sold via auctions has been set as USD 50 million, which can be raised on the auction days when deemed necessary. Guidelines for foreign exchange selling auctions is annexed herewith. Depending on the developments in the foreign exchange market, the daily auction amounts may be changed with prior notice, while the auctions may be suspended as well, when deemed necessary.

In addition, the CBRT may intervene the market via **directly selling foreign exchange** as it did before, in cases where, despite the foreign exchange selling auction, supply falls excessively short of meeting the demand for foreign exchange, and/or an excessive volatility in exchange rates due to speculative behaviour originating from liquidity shortage is observed.

## **ANNEX: Guidelines for Foreign Exchange Selling Auctions:**

1. The institutions authorized to operate in the Foreign Exchange and Banknotes Markets may participate in the auction.
2. No auctions will be held on days when payments systems are closed in the USA even if it is a working day in Turkey, in half-working days and on days when direct foreign exchange intervention by the CBRT takes place prior to the start of the auction.
3. The amount to be sold via the auction and the auction number will be posted on Reuters page CBTQ at 1:30 p.m. and the banks will submit their offers between 1:40 – 2:00 p.m. The offers will be sent via Electronic Fund Transfer (EFT) as before.
4. The auction will be held under the multiple price method.
5. The results for auctions will be posted on Reuters page CBTQ.
6. The minimum amount to be offered will be USD 1 million and multiples thereof.
7. The maximum amount to be offered for the auctions by each bank will be limited to 40 percent of the total auction amount.
8. Banks will not be able to change their offer amounts and/or prices during the auction.
9. In case there is more than one offer for the price where the auction is finalized, the distribution will be made on pro-rata basis.
10. The banks that do not fulfill their obligations arising from the auctions will be subject to the sanctions specified in the Implementation Instructions of the Foreign Exchange and Banknotes Markets.