TÜRKİYE CUMHURİYET
MERKEZ BANKASI

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY FROM PAST TO PRESENT

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2012

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Introduction

Central banks are institutions authorized to issue currency and implement monetary policy. They assume vital importance for the sound functioning of the economy.

Policies implemented by central banks and their institutional structures should be considered together with the respective countries' political and social developments, and economic policies. In recent years, with globalization, international markets and foreign economies have started to exert influence on their institutional structures. Hence, the duties and powers of central banks have evolved over time.

Accordingly, the organizational structure and policies of the Central Bank of the Republic of Turkey have undergone various changes over time in line with the requirements of the economy. This booklet examines the history of the Central Bank in three periods, particularly focusing on the duties and functions it has assumed after the economic crisis in 2001.

The first period glimpses into the Ottoman period and the early years of the Republic of Turkey. The second period encompasses the early 1970s until 2000, while the third focuses on the time span from 2001 until today.

Attempts to Establish a Central Bank in the Ottoman Period and in the Early Years of the Republic

In the Ottoman Empire, treasury operations, money and credit transactions and trade in gold and foreign currencies were executed in varying degrees by the Treasury, the Mint, jewelers, moneylenders, foundations and guilds. Within this structure, which continued till the second half of 19th century, the Ottoman Empire minted gold coins.

The Ottoman Empire exercised the right of seigniorage for the first time in 1839. Hand-made cash banknotes called "Kaime-i nakdiye-i mutebere", served more like interest-bearing debt instruments or Treasury bills. During the Crimean War in 1854, the Empire resorted to foreign borrowing for the first time in its history. Thus, the need arose for an institution that would act as an intermediary between the Ottoman Government and European countries in foreign debt repayment. For this purpose, in 1856, the London-based "Ottoman Bank (Bank- Osmanî)" was founded with British capital. The powers of the Bank were limited to extending small loans; making advance payments to the government and discounting certain Treasury bills.

Later, the Ottoman Bank dissolved itself and was renamed "Imperial Ottoman Bank (Bank-ı Osmanî-I Şahane or Osmanlı Bankası)". In 1863, it was restructured to become a state bank as a British-French partnership. The Bank was granted the privilege of issuing banknotes for a period of thirty years. Moreover, the Bank would act as the treasurer of the state and collect the state revenues, perform the payments of the Treasury and discount Treasury bills as well as making the interest and principal payments regarding domestic and foreign debts.

However, the foreign capital ownership of Osmanlı Bankası led to heated debates over the years. Reactions intensified in the period of the Second Constitutional Monarchy when the idea of establishing a national central bank was formed. Attempts to establish a domestic capital-based central bank culminated in the establishment of the "Ottoman National Credit Bank (Osmanlı İtibar-ı Milli Bankası)" on 11 March 1917. However, due to the defeat of the Ottoman Empire in the First World War, the Bank failed to achieve its purpose of becoming a national bank that would replace the Osmanlı Bankası.


An Ottoman coin

An Ottoman Banknote from the museum of the Imperial Ottoman Bank

Following the end of the First World War, a tendency to establish central banks to issue currency and manage monetary policies had emerged throughout the world.

In the same period, Turkey also witnessed efforts towards establishing a central bank to reinforce the political independence achieved by the War of Independence (1919-1922) with the economic independence. The issue was first raised at the İzmir Economic Congress in 1923, with a special emphasis on the establishment of "a national state bank" that would function as "the bank of issue".

In this framework, Turkey exchanged views with central banks of other countries on establishing the Turkish Central Bank. In 1928, Dr. G. Vissering, President of the Dutch Central Bank (De Nederlandsche Bank), was invited to Turkey. In his report, Dr. G. Vissering underlined the need for establishing an independent central bank. Likewise, Count Volpi, Italy's former Minister of Finance, maintained that establishing a central bank was essential in order to ensure the stability of the Turkish currency.


First Head Office Building


First Employees (1932)

Central Bank between 1931 and 1970

The Government of the Republic of Turkey, having evaluated all the related opinions about establishing a central bank, started to prepare the necessary legal framework for establishing a central bank. To this end, a draft bill on the establishment of a central bank was prepared with the contribution of Prof. Leon Morf from the University of Lausanne. Finally, the Grand National Assembly of Turkey passed the "Law No. 1715 on the Central Bank of the Republic of Turkey" on 11 June 1930.

The Central Bank started to operate on 3 October 1931. As a manifestation of its independence and a peculiarity that distinguishes the Central Bank from other public institutions, the Bank was established as a joint stock company and was structured as a General Directorate. Bank shares were divided into class A, B, C and D shares. Class A shares belong solely to the Treasury. Law No. 1715 stipulated that, in order to reinforce the Bank's independence, the amount of these shares would not exceed fifteen percent of the capital. Class B shares were allocated to national banks operating in Turkey, while class C shares were allocated to banks other than national banks and privileged companies; and class D shares were allocated to Turkish commercial institutions and legal and real persons of Turkish nationality. During the establishment process, a publicity campaign was carried out to encourage the public, especially civil servants, to purchase shares of the Bank.

The main body of the Bank was the General Assembly of Shareholders. Other bodies of the Bank were: The Board of Directors, the Bank's highest executive body; the Commission of Auditors authorized to audit the operations and accounts of the Bank; the Discount and Credit Committee, entrusted with regulating discount and interest rates besides credit affairs; the Administrative Committee to regulate the appointment of employees as well as credit and discount procedures; the General Directorate and Branches. According to Law No. 1715, the primary objective of the Central Bank was to bolster the economic development of the country. The Bank was vested with the exclusive privilege of issuing banknotes in Turkey.

Moreover, the Bank was also authorized to set rediscount rates

Selahattin Çam, the First General Director

-the main policy tool-, to regulate the money market and the circulation of money, to execute treasury operations, and to take all necessary measures for the sake of safeguarding the value of the Turkish currency. The Bank also assumed the role of the treasurer of the government.

Under the fixed exchange rate regime, the Government was the sole authority to set exchange rates.

During the 1930s, the government could not interfere with the Bank's purview and decisions, and this period was marked by the independence of the Central Bank and consequently low inflation.

In the 1940s, which were pronounced by the adverse effects of the Second World War, central bank resources worldwide began to be used for public finance. The Central Bank of Turkey was no exception and adopted policies aimed at reducing the public finance deficit, rather than implementing an independent monetary policy. Therefore, the general price level increased more than three-fold between 1938-1948.

With the 1950s, growth and rapid development targets were given prominence and economic growth was financed from Central Bank resources. Accordingly, some amendments were made to the Bank Law to render Central Bank's resources available to the public sector via short-term advances provided to the Treasury.

With the transition to a planned economy in the 1960s, the Central Bank pursued expansionary monetary policies in line with economic circumstances and industrial development and continued to finance government budget. In this period, most practices related to foreign exchange control were transferred to the Central Bank as well.


Governor Naim Talu

Central Bank between 1970 and 2001

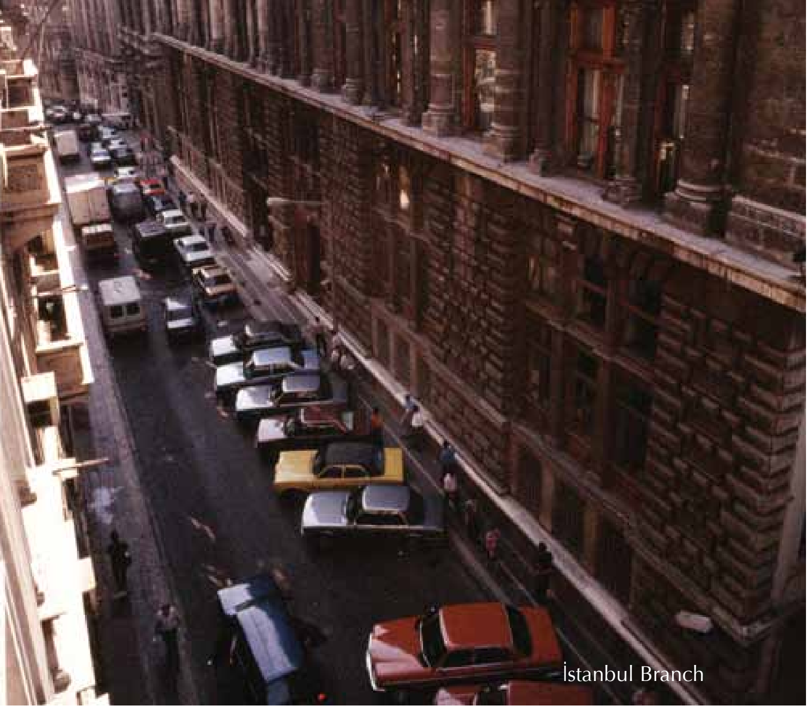
Efforts towards improving the Central Bank's efficiency accelerated in the 1960's, and a new era began in the history of the Central Bank with the enactment of a new founding law. With this law, the Central Bank, albeit partially, gained a structure that adopted innovations both in the economic field and the field of central banking.

"Law No. 1211 on the Central Bank of the Republic of Turkey", which was enacted on 14 January 1970, introduced significant changes in the legal status and organizational structure as well as the powers and duties of the Bank. While the legal status of the Bank was retained as a joint stock company, it was decided that the Treasury's shares would not be less than fifty-one percent of the Bank's capital.

One of the significant changes made in the organizational structure was the formation of the chair of the Governor to replace the title "General Manager" with a view to achieving equivalence in foreign representation and protocol. Accordingly, Mr. Naim Talu became the first person assuming the title of "Governor". Moreover, a new decision-making body called the "Executive Committee", consisting of the Governor and Deputy Governors was established. The highest decision making body of the Bank, the eight member Board of Directors was transformed into the six-member "Board". Besides, the General Assembly of Shareholders was renamed as the "General Assembly"; the Commission of Auditors as the "Auditing Committee"; the term General Directorate was replaced by "Head Office".

Law No. 1211 enhanced the Bank's powers and duties. First, the Bank's control over direct and indirect monetary policy instruments has been increased. In addition, it was stipulated that the Government, while taking measures regarding money and credits, shall ask the opinion of the Bank. With the amendment to the Law, the Bank was authorized to conduct

General Assembly of Shareholders (1980)



İstanbul Branch

open market operations to regulate money supply and liquidity. Moreover, the Bank was permitted to conduct rediscount operations and extend medium-term loan for the purpose of supporting investments and economic development. The amount of advances available to the Treasury was raised to fifteen percent of the budget appropriation for the year in question.

The 1980s were marked by developments that could be defined as milestones for both the Turkish economy and the Central Bank. The decisions of 24 January 1980 introduced a structural transformation for the Turkish economy. Price controls were abandoned in order to allow prices to be determined under the market mechanism and foreign trade has been liberalized.

With the launch of the financial liberalization process, owing to which, important steps were taken towards establishing an infrastructure that would enable the Central Bank to conduct monetary and exchange rate policies in tune with the free market economy. Concurrently, it was decided that interest rates for deposits and credits shall be determined under market conditions. Moreover, the Turkish lira was devalued and fixed exchange rate regime was abandoned.

Another important development of the 1980s was the amendment to the Law on the Central Bank of the Republic of Turkey in 1983 to authorize the Bank to manage the national gold and foreign exchange reserves effectively. Furthermore, an article was added to the Law stipulating that the Bank shall carry out its primary functions parallel with the key requirements of the economy as well as to ensure price stability.

In 1987, the Central Bank began to conduct open market operations. In that period, the Bank pioneered to establish money and foreign exchange markets in the modern sense. For this purpose, the Money Markets and Fund Management Department was established on 22 October 1987.

In 1989, the Decree No. 32 allowed economic units to conduct operations in foreign currency and, the Turkish lira was recognized as a convertible currency and a more flexible exchange rate regime was thus adopted.

Ankara Branch

Markets Department

In 1990, for the first time, the Bank announced its monetary program to the public. The aim of the program was to meet market's liquidity need without prejudice to the stability of exchange rates and interest rates. The inflation target was met in 1990. However, due to problems such as the pressure inflicted on the financial sector by the Gulf War in 1991, coupled with political instability, not tight-enough fiscal policy and a vulnerable banking sector, a financial crisis erupted in the first quarter of 1994. As a result of the crisis, inflation recorded three digit figures in 1994.

This paved the way for the initial legal arrangements with regards the financing of public debt by the Central Bank resources which was one of the main drivers of high inflation. On 21 April 1994, with an amendment to the related article of the Bank Law, the use of Central Bank resources by the Treasury was restricted. In 1997, the Bank and the Treasury signed a protocol agreement that terminated the use of short-term advances starting from 1998.

Between 1995 and 1999, the Central Bank pursued policies to maintain stability in financial markets through preventing speculative movements in the FX markets and reducing fluctuations in exchange rates. Further deterioration in economic conditions in this period as a result of exogenous shocks led to the introduction, in 2000, of a new economic program based on exchange rates. However, market confidence began to wane in late 2000 with the failure to achieve the structural changes envisaged in the economic program. This culminated in the 2001 banking crisis in Turkey, as a result of which, the exchange-rate-based stability program was terminated.

Head Office

Central Bank Head Office Embossed Work

Central Bank in and after 2001

In the wake of the 2001 economic crisis, the floating exchange rate regime was adopted on 22 February 2001 and a structural transformation process started in the economy. The year 2001 was also a milestone with respect to the fight against inflation.

At the onset of the structural transformation process, significant amendments were made in the Central Bank Law on 25 April 2001. The most notable of these amendments was the inclusion of an article stipulating that the primary objective of the Bank shall be to achieve and maintain price stability. In this context, the Law stipulates that the Bank shall determine, at its own discretion, the monetary policy that it will implement and the monetary policy tools that it is going to use. Hence, the Bank has gained instrument independence. The Law also states that that the Bank shall support growth and employment policies of the Government, provided that they are not in conflict with the objective of price stability.

Another important amendment made to the Law was the prohibition of granting advances and extending credits to the Treasury or to other public institutions. Purchasing debt instruments in the primary market issued by the Treasury and public establishments and institutions was also prohibited. Thus, the practice of using Central Bank resources in financing public sector deficits was abandoned. This amendment is important as it brings an end to the monetization of public deficits, one of the primary causes of inflation.

Central Bank independence brought about the concept of "accountability". The practice of this principle has been outlined in the Article 42 of the Bank's Law. In this respect, every year in April and October, the Governor submits a report to the Council of Ministers on the operations of the Bank and the monetary policy pursued. The Bank bi-annually provides the Planning and Budget Commission of the Grand National Assembly of Turkey with information regarding its operations. Furthermore, the Bank has the balance sheet and the income statements audited by independent auditing

institutions and publishes audit reports on its website. In addition, the Bank submits information to the Government in writing, and informs the public by disclosing the reasons for the failure –if any- to achieve the targets or the possibility of not achieving them and the measures to be taken thereof.

The Bank pursues an active communication policy as called for the principle of accountability. The aim of this active communication policy is to ensure that the Bank's policies are better understood and accepted by the public and thus to enhance the Bank's credibility. To this end, the Communications Department was established in 2002 and in 2007, the Communications Department and Foreign Relations Department were merged as part of the Bank's restructuring process and became Communications and International Relations Department. Meanwhile, the establishment of the Monetary Policy Committee was a significant step towards the institutionalization of monetary policy strategies and decision making mechanisms.

Moreover, with the amendments made to the Law in 2001, maintaining financial stability was defined as the supporting objective of the Bank. In order to maintain financial stability the Central Bank monitors financial markets, regulates the volume and circulation of Turkish lira, establishes payments, security transfer and settlement systems, makes the necessary arrangements regarding these systems, takes stabilizing measures for the financial system and regulatory measures regarding money and foreign exchange markets. In accordance with the principle of transparency, the Bank has shared its evaluations about financial stability and has provided warnings about the vulnerabilities and risks in the system via Financial Stability Reports biannually since 2005.

A monetary reform was launched in order to put further emphasis on the Bank's determination to fight against inflation since 2001; to enhance the credibility of Turkish lira and to eliminate the problems arising from large denominations in many spheres of social life, such as statistical and

Vaults

Floating Exchange Rate Regime

In a floating exchange rate regime, exchange rates are determined by the supply and demand conditions of foreign currency in the market. Under this regime, exchange rates are not a policy tool. The Central Bank has no commitment on the level of exchange rates. Nevertheless, the Bank closely monitors the foreign exchange market as an integral part of financial stability. The Central Bank conducts two types of transactions in the foreign exchange market within the of the inflation-targeting framework. Firstly, the Bank holds foreign exchange buying auctions in line with a pre-announced program to buy foreign exchange of pre-set amounts and based on foreign exchange liquidity developments and reserve-raising strategy, without conflicting with the main principles and the mechanism of the floating foreign exchange rate regime. Secondly, the Bank "directly intervenes" in the foreign exchange market in the event of excessive volatility in exchange rates. Under this method of intervention, the Bank, as an actor, directly buys or sells foreign exchange in the market. Interventions can be made against excessive volatilities in the foreign exchange markets in both directions. Interventions might not always be symmetrical; they can also be in the form of announcements or warnings.

accounting records, data processing programs and payment systems. In the first stage of the currency reform, six zeros were dropped and YTL (New Turkish Lira) banknotes and YKr (New Kuruş) coins were put into circulation on 1 January 2005. In the second and final stage of the currency reform, the prefix "New" was removed from the name of the currency on 1 January 2009 and Turkish lira banknotes and coins of new dimensions and designs were put into circulation.

Throughout the restructuring process, it was decided to change the monetary policy strategy as well. In accordance with the primary objective of price stability, the inflation-targeting regime has been implemented since 2002. In this respect, an implicit inflation targeting strategy was implemented between 2002 and 2005 with an attempt to establish the preconditions for full-fledged inflation targeting in a manner not to hamper the operation of the regime. Besides, the technical and institutional infrastructure of the Central Bank has been reinforced. The Bank's data set has also been expanded; the Research Department has been restructured to become the Research and Monetary Policy Department. Finally, a formal inflation targeting strategy has been implemented since 2006.


Central Bank Money Museum

According to the basic framework of the inflation-targeting regime drawn up in view of the peculiarities of the Turkish economy, the Central Bank's main policy instrument is short-term interest rates.

The Monetary Policy Committee meets at least once a month to make interest rate decisions. These meetings are held in two stages. The first stage is a broader meeting, to which officials and specialists from the Central Bank and officials from the Undersecretariat of Treasury attend. In the second stage, only the Committee members convene. In this stage, final evaluations about the outlook are made and the interest rate decision is voted upon. While making interest rate decisions, the consistency of the future trend of inflation with the inflation target is taken into account with a mid-term perspective. The monetary policy decision and its rationale are made public on the website of the Central Bank in a press release the same day after the meeting.

Moreover, in line with the principle of transparency, the summary of the

International Reserve Management

The Central Bank is responsible for the management of the country's foreign exchange and gold reserves. The Bank makes investments with foreign exchange and gold reserves and conducts term or spot banking operations, such as purchasing or selling and lending foreign currency, securities, derivative products and gold in the domestic and international markets by considering the principles of protecting the principal, liquidity and yield, respectively. Every year, the Bank prepares a "strategic model portfolio" and an "investment strategy" reflecting its investment strategy and risk policy. The reserve management strategy is determined according to a number of factors such as the monetary and exchange rate policy implemented, the foreign exchange liability structure of the Bank, foreign exchange denominated debt payments on behalf of the Treasury, the borrowing strategy of the Treasury and the domestic and international economic conjuncture.

The Central Bank is also responsible for the management of risk factors that may arise during reserve management operations. In this context, the Bank aims to keep the risks within acceptable borders by pursuing an efficient risk management strategy in order to manage market, credit and liquidity risks, as well as operational risks.

Monetary Policy Committee meeting outlining the Committee's evaluations and the policy stance regarding the inflation outlook is posted on the Central Bank's website. Under the inflation targeting regime, the main communication tool of the Central Bank is the quarterly Inflation Report. The Inflation Report encompasses the general inflation outlook, the risks involved and the Bank's inflation forecasts. The Inflation Reports are introduced to the public via press conferences.

Visit Our Website!

www.tcmb.gov.tr

All publications, announcements and statistical data published by the Central Bank as well as speeches and presentations made by the Governor, Deputy Governors and other officials, and all kinds of detailed information about the Bank are accessible on its website.

By subscribing to the Bank's mailing list, you can receive regular E-mail updates according to selected preferences.

"The Central Bank's independence has been and will continue to be a milestone in achieving good governance and sound institutions in Turkey. The Central Bank of the Republic of Turkey is a powerful institution with its independent, transparent and accountable structure. The Bank endeavors to steer expectations with the help of its policies aimed at maintaining its only target - price stability - and its implications regarding improving efficiency in its institutional structure.

Durmuş Yılmaz (June 2007)

The communication policy constitutes the core of central bank policies as a requisite of the accountability and transparency principles and within the framework of both central bank independence and the inflation-targeting regime. In this context, the Bank informs the public of its policies through various communication tools and endeavors to contribute to make such policies comprehensible and acceptable by the public. To this end, the Bank uses the website, reports, booklets, conferences and information meetings.

The Central Bank closely monitors international and national developments and continues to implement policies in a dynamic manner with frequent updates.

Organizational Structure of the Central Bank

As in the past, the Central Bank continues with its process of change and restructuring as called for by the needs of modern central banking and in accordance with its strategic plan. The aim of this restructuring is to enhance the Bank's efficiency and success in achieving its objectives.

The Central Bank was established as a joint stock company and its top governing body is the General Assembly. The General Assembly of the Bank is composed of the shareholders who are registered in the share book of the Bank. The Assembly convenes every year under the chairmanship of the Governor on a date indicated by the Articles of Association of the Bank. Each person or institution owning ten shares or representing this number of shares is entitled to one vote. By 2012, 55.12 percent of the Bank's shares belong to the Turkish Treasury.


General Assembly (1976)


General Assembly (2012)

The **Governor** of the Central Bank is appointed for a term of five years by a joint decree of the Council of Ministers and is eligible for re-appointment at the end of term of office. The Governor is required to have completed higher education and to have acquired knowledge and experience in the fields of finance, economics and banking. The Governor, in the capacity of the highest executive officer of the Bank, administers and represents the Bank, and ensures enforcement of the provisions of Central Bank Law No. 1211 as well as decisions taken by the Board.

Four **Deputy Governors** are appointed to assist the Governor. They are appointed by a joint decree for a period of five years on the recommendation of the Governor from among persons who hold a bachelor's or master's degree and have adequate knowledge and experience either in one of the fields of law, public finance, economics, business administration, banking, finance, engineering, public administration, political science, international relations and statistics or in faculties of economics and administrative sciences, and who have worked in their professions for at least ten years. Deputy Governors may be re-appointed at the expiration of their terms of office.

The highest decision-making body of the Bank is **the Board**, which is composed of the Governor and six members to be elected by the General Assembly. The Chairman of the Board is the Governor. The term of office of Board members is three years. One-third of Board members are renewed every year. Members, whose terms of office have terminated, are eligible for reelection. Meetings of the Board are held at least once a month at the request of the Governor. The Board convenes with the participation of at least two thirds of its members and renders a decision by the majority of members present. In the event of a deadlock, the proposal of the party supported by the Governor is considered adopted. Deputy Governors may also attend Board meetings but do not have the right to vote.

The Auditing Committee audits all operations and accounts of the Bank. With no administrative power, the Committee submits its opinions to

Governor's Office (1940)

Monetary Policy Committee Meeting Room (2012)

the Board and also presents a copy thereof to the Prime Ministry. At the end of the year, the Committee submits to the General Assembly the report it has compiled on the operations and accounts of the Bank. The shareholders of the Bank elect the Members of the Auditing Committee. Committee members serve for a term of two years.

The Monetary Policy Committee is chaired by the Governor and is composed of Deputy Governors, a member to be elected by and from among Board members and a member to be appointed by a joint decree upon the recommendation of the Governor. The Undersecretary of the Treasury or Deputy Undersecretary to be designated by him/her may participate in meetings without having the right to vote. The Committee has the power and duty to determine the principles and strategy of monetary policy in order to achieve price stability and to determine the inflation target with the Government within the framework of the monetary policy strategy.

The Executive Committee is composed of the Deputy Governors under the chairmanship of the Governor. In cases where the Governor is unable to chair, the Deputy Governor designated by him/her presides over the Executive Committee. The main duties of the Committee are to compile regulations on the administration, organization and services of the Bank and to ensure coordination in operations of the Bank.

The Bank is organized into **Departments**. By 2012, the Bank has 15 departments responsible for conducting operations within their sphere of duties. Countrywide, the Bank is organized into **Branches**. Currently, the Bank has 21 branches in Turkey. Besides local organizational units, the Bank has **Representative Offices** in Frankfurt, London, New York, and Tokyo. Representative offices monitor the economic and financial conditions of the countries within their region and represent the Bank in line with instructions from the Office of the Governor.

Governors

Name	In office*
Selahattin Çam	1931-1938
A. Kemal Zaim Sunel	1938-1949
Mehmet Sadi Bekter	1949-1950
Osman Nuri Göver	1951-1953
Mustafa Nail Gidel	1953-1960
Memduh Aytür	1960
İbrahim Münir Mostar	1960-1962
Ziyaettin Kayla	1963-1966
M. Naim Talu	1967-1971
Memduh Güpgüpoğlu	1972-1975
Cafer Tayyar Sadıklar	1976-1978
İ. Hakkı Aydınoğlu	1978-1981
Osman Şıklar	1981-1984
Yavuz Canevi	1984-1986
Dr. Rüşdü Saracoğlu	1987-1993
Dr. N. Bülent Gültekin	1993-1994
Ş. Yaman Törüner	1994-1995
Gazi Erçel	1996-2001
N. Süreyya Serdengeçti	2001-2006
Durmuş Yılmaz	2006-2011
Dr. Erdem Başçı	19 April 2011 -

* The missing years represent the office of acting governors. Governors used to be called “General Manager” or “Director General” until 1970.

The Strategic Plan for 2011-2015

The Central Bank prepares strategic plans and executes its functions in line with these plans, in order to explain how and under what conditions it delivers its services in the public, institutional and global domain, what it seeks to achieve in the future and to reveal its perspective on monetary policy and its other functions.

The first step towards strategic planning was taken with the fact-finding conferences held in 1996 and the first strategic plan was prepared in 2002. In the decade between 2002 and 2011, strategic plans were prepared for three-year terms and revised annually. Whereas, starting from 2011, strategic plans started to be prepared for five-year terms and are subject to triennial revisions. As called for by the principles of transparency and accountability, the Central Bank announced its Strategic Plan for 2011-2015, in late 2010. The Plan is a dynamic component of the Bank's daily operations and a guideline for transactions, encompassing all activities of the Bank. The plan was prepared so as to be flexible and easily adaptable.

Having taken into account the duties of the Bank as stipulated by the Central Bank Law, as well as in-house support services, the Strategic Plan defines 30 themes and elaborates these in three strategic levels, as "public", "global" and "institutional".

Our Vision

To ensure that the Central Bank ranks among the world's leading central banks, on the back of its independency, strong organizational structure, qualified staff, technologic superiority and the capability to produce effective results.

Our Mission

To develop and implement policies which will ensure price stability and contribute to the achievement of financial stability for the sound functioning of all economic sectors -primarily the money, credit and capital markets; to manage foreign exchange and gold reserves; to issue banknotes; to safeguard the trustworthiness of the banknotes in circulation; to develop and run payment systems; to enhance regional and global effectiveness via promoting international relations; and to add value to its staff, stakeholders and society as an accountable and transparent institution acting in line with the principles of governance.

Our Principles

Independency: While fulfilling its duties defined by the laws, the Bank makes decisions independent of other public and private institutions and takes full responsibility thereof.

Transparency and Accountability: The Bank announces its policy implementations and the rationale behind them as per the Bank's transparency principle. Financial statements of the Bank, strategic decisions of interest to the public, principles and targets related to monetary policy, long-term strategic goals are made public in a timely fashion considering the legal limitations as well. Requests for information from institutions, agencies and individuals are evaluated diligently and information is provided accurately in the shortest possible time.

The Bank is accountable to the public for strategic decisions in their interest, primarily those of monetary policy. In this respect, the Bank staff is also responsible to the Bank within their powers. The Bank considers accountability an indispensable part of contemporary economic management and places special emphasis on raising awareness in this regard.

Informing the public about the Bank's policies and fulfilling the prerequisites of accountability raise confidence in the Bank and facilitate the management of expectations.

Reliability: The Bank implements its policies according to the schedule and manner that have been announced to the public. This consistent approach adopted by the Bank in its policy implementations is influential in raising the public's confidence towards the Bank. At the same time, success in terms of the pre-announced strategic targets is another essential factor that boosts confidence.

Public Interest: The Bank safeguards public interest while implementing its policies and conducting its services. It takes into account the expectations and needs all segments of the public. While safeguarding public interest, the Bank adopts a long-term perspective and attaches particular importance to the interests of the majority rather than small groups.

Effectiveness and Efficiency: The Bank is well aware of the fact that the scope of its duties falls under public services. As a non-profit organization, it aims to produce high quality outcomes by the optimum use of resources. The utmost priority is the extent these outputs serve to the achievement of strategic goals and objectives. The Bank takes the necessary measures by evaluating the effects of its policy practices on economic units.

Themes for the Public Domain

1. Price stability
2. Financial stability
3. Payment systems
4. Reserve management
5. Fiscal agent, advisor and treasurer to the government
6. Issue policy
7. On-site supervision of banks and financial institutions
8. Compilation and publication of the statistical data
9. Communication, transparency and accountability

Themes for the Global Domain

1. The role in the network of central banks
2. Effectiveness and determining role in international platforms
3. Effectiveness in the neighborhood and region
4. Roles in the European Union accession process
5. Congruence to international norms
6. Liabilities arising from international agreements

Themes for the Institutional Domain

1. Leadership, governance and strategic planning
2. Quality management system
3. Organizational structure
4. Human resources and training processes
5. Technologic infrastructure and informatics systems
6. Corporate communication and in-house activities
7. Construction, logistics and external support services
8. Public relations, publicity and external activities
9. Internal control system
10. Audit activity
11. Legal structure
12. Production and management of information-documents
13. Institutional continuity and security
14. Accounting and budgeting
15. Branch services

Central Bank and Payment Systems

Payment systems cover instruments facilitating the exchange of goods and services among economic units, the institutional and organizational framework, the operational processes and the that central banks have effective payment systems and adopt systemic-risk-aversion. Therefore, managing payment systems has become one of the key functions of central banks.

Developments in informatics technologies in 1990s and the proliferation of electronic banking services paved the way, also in Turkey, for the establishment of the electronic banking infrastructure and the execution of interbank fund transfers via modern-day communication techniques. In this framework, the Central Bank set up Turkish Interbank Clearing - Real Time Gross Settlement (TIC-RTGS) System in 1992 in order to allow swift and regular transfer of funds in Turkish lira. With the introduction of new functions to the system in 2000, the second-generation TIC-RTGS system with significant changes in its software and hardware was adopted.

Today, large amounts of funds in Turkish currency can be transferred swiftly and regularly and transaction records can be kept systematically and appropriately through the TIC-RTGS system. The operational and technical soundness of the system in the face of systemic risks is in the responsibility of the Central Bank.

In addition to the TIC-RTGS system, a new transfer system was needed to enable the on-line purchase and sale of securities. In this context, in 2000, the Central Bank adopted another system called Turkish Interbank Clearing – Electronic Security Transfer and Settlement (TIC-ESTS) system, which would run alongside the TIC-RTGS system. This system enables the conduct of interbank operations related to government securities electronically on record through the accounts in the TIC-ESTS center.


Gravure

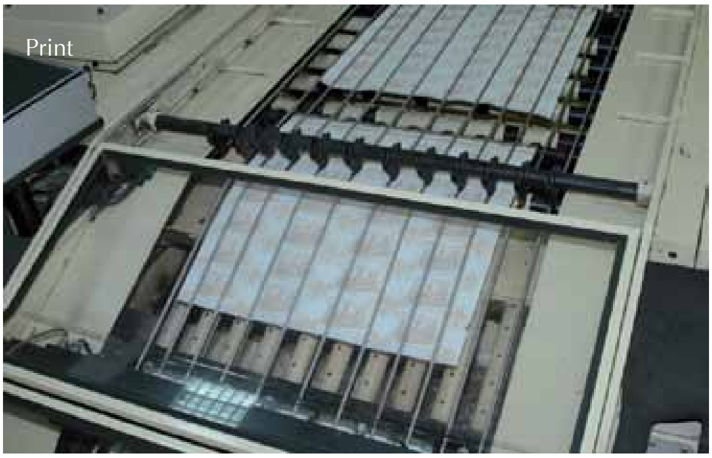

Template

Banknote Printing

In Turkey, the power to print banknotes is held by the Grand National Assembly. The Assembly, in turn, granted the privilege of banknote printing and issuance to the Central Bank. As laid down in the Central Bank Law, the Bank has the exclusive authority to print and issue banknotes.

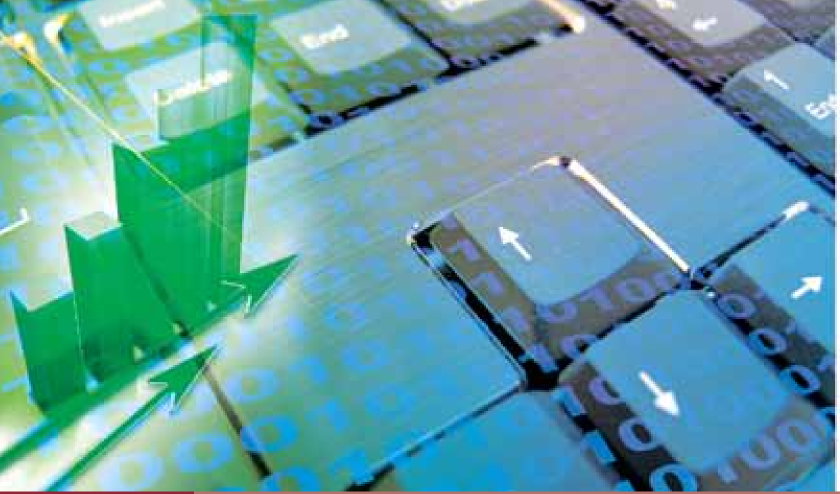
The first four emission groups of banknotes were printed abroad. After it had been officially decided to establish a plant in 1955, the plant became operative in 1956 and banknotes have been printed in Turkey since the issue of the Series 3 - 100 Turkish lira of the fifth emission group in 1957. Banknotes are designed and printed by the Central Bank's Banknote Printing Plant Department. Banknote designs are inspired by important places, figures, events and eminent persons in the historical and cultural heritage of Turkey.

The Central Bank carries out the distribution of new banknotes and replacement of worn-out banknotes in circulation with the new ones through its 21 branches. In non-branch locations, banknote stores are available and distribution is provided by the branches of Ziraat Bankası.


Print


Counting


Control



Collecting and Publishing Statistical Data

The Central Bank has the authority to collect and disseminate data it considers relevant for the fulfillment of its duties. In this respect, the Bank collects economic and financial data, produces statistics by compiling and arranging such data and makes them publicly available. Accordingly, the Bank publishes data pertaining to exchange rates, data on markets and the banking system, balance of payments, international reserves and foreign currency liquidity and the results of various surveys (Survey of Expectations, Banks' Loans Tendency Survey, Business Tendency Survey and Real Sector Confidence Index etc.) on its website in the form of bulletins, charts and reports. In accordance with the principle of transparency, the Central Bank also announces a data release calendar on its website.

In addition, time-series data produced and compiled by the Central Bank are shared through the Electronic Data Dissemination System (EDDS) on its website. EDDS is a dynamic and interactive data dissemination system providing public access to a time series. EDDS provides users with data related to markets, money and banking, the Central Bank Balance Sheet, external debt, foreign trade, balance of payments, public finance, production, and employment and wage data as well as TIC-RTGS and TIC-ESTS data, price indices, and the results of surveys conducted by the Central Bank. By 2011, EDDS provided access to 930 annual, 65 semi-annual, 21,311 monthly, 1,425 weekly, 14,738 quarterly, 234 business-day, 200 fortnightly and 1907 daily time series which add up to a total of 40,810 time series.

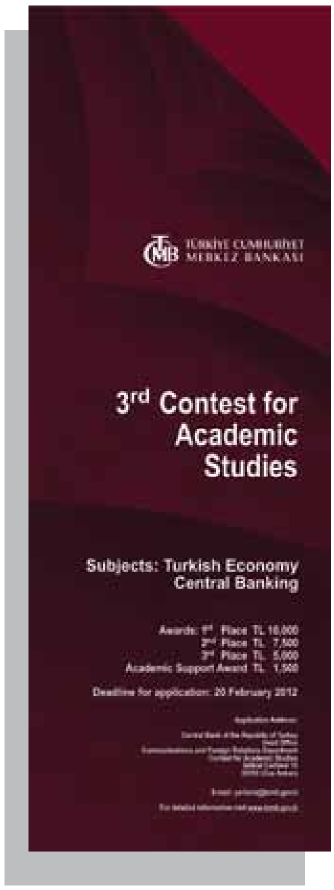
During CEBIT EURASIA 2002 activities and within the context of the "e-Government Awards for e-Turkey" granted by the Turkish Industry & Business Association (TÜSİAD), the system received the jury's special award for rendering the Central Bank the first institution in Turkey to disseminate data through its website and making it a worldwide showcase among other central banks, bearing in mind the great significance of first-hand and real time dissemination of economic indicators for the transparency of the Turkish economy. The System can be reached through the Central Bank's website, via the "Data" menu.


Central Bank and Academic Studies

While shaping the monetary policy, the Central Bank is involved in academic activities and closely follows developments and innovations in the academic world. In this respect, the Bank organizes seminars and conferences at national and international level and invites prominent speakers and participants in the field of economics from Turkey and other countries.

Besides organizing academic activities, the Bank aims to further expand its support to the academic world by providing financial support for events organized at national and international level. In this respect, the Bank provides financial support for academic and/ or policy-making conferences in economics and finance, organized by national and international universities and institutions, as well as for other similar studies through its "Financial Support Program for Academic Studies". Furthermore, the Central Bank also organizes a contest to support academic studies, where PhD dissertations on the Turkish economy or monetary policy and articles published in international peer reviewed journals can be submitted.

Last but not least, the Bank has a large library holding a vast collection of books, printed and digital periodicals, electronic and CD-ROM databases and working papers along with reports by central banks, all specifically related to banking and economics. The Library is open to Bank staff, Master's and PhD students in social sciences, academic staff as well as specialists and researchers working at other institutions. The library is accessible to other users within the context of cooperation among libraries.



İbrahim Safi, Neighbour's Garden, 1964

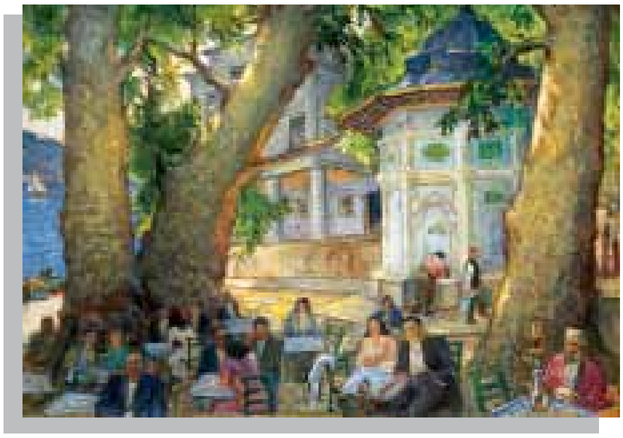
Jale N. Erzen, Farewell, 1976

Central Bank and Arts

Since its foundation, the Central Bank has not only supported cultural and artistic events as well as the development of fine arts, but has also been actively involved in these areas. Within this framework, in the 1930's, the Bank began to purchase paintings on the back of the Government's culture and arts policy. Currently, the Central Bank holds a rich and valuable collection of more than 800 pieces reflecting the development and history of the Republic.

The first works of art purchased by the Bank belonged to the early Republican era and the pre-1950's period. The collection was enriched with the efforts of the Art Committee established in 1991. In the 1990's, abstract works of art from the post-1950 period were included in the collection. With close cooperation with various institutions and organizations, the Central Bank displays its collection via exhibitions held in Turkey and abroad, as well as in published catalogues. Some samples of the Central Bank Art Collection feature on the Bank's website.

Selahattin Teoman, Bosphorus from Nakkaştepe, 1954



İbrahim Çallı, Under the Plane Tree

Last but not least, the Central Bank has also had various music CDs produced in an effort to raise interest and consciousness in art and to contribute to the promotion of Turkish arts and artists at national and international level.

Central Bank Independence: Central bank independence is the capability of a central bank to act at its own discretion while making decisions regarding monetary policy and the instruments to be employed to achieve the main objective of price stability. Thus, independence of a central bank denotes the liberty of a central bank to act free from politics and other pressure groups while making and implementing monetary policy decisions. Independence is a crucial factor in achieving the price stability objective. Price stability requires long-term, steady and decisive policy implementations. Therefore, central banks are organized independently from the political authorities that are more inclined to pursue policies towards short-term targets. This independent structure allows the central banks to refrain from adopting policies that might disrupt price stability for the sake of short-term and temporary objectives and to provide the necessary warnings.

Convertibility: Convertibility is the ability to freely exchange a country's currency into another country's currency on foreign exchange markets and to use a country's currency as a medium of exchange in international business transactions.

Inflation Targeting Regime: Inflation targeting refers to a monetary policy regime, where monetary policy is institutionalized so as to achieve and maintain price stability. Under this regime, central banks commit themselves to achieving a pre-set and pre-announced inflation target by the end of a given period and they independently use monetary policy instruments exclusively to attain the pre-set target.

Issue: It is the first delivery of instruments of valuation, such as banknotes, coins, bonds, securities and equities.

Open Market Operations: Open Market Operations (OMO) are money market operations conducted by central banks by selling and buying securities in order to ensure that short-term interest rates materialize at specified levels and to effectively regulate the liquidity in financial markets within the framework of monetary policy implementation. The Bank uses repurchase agreements (repos) and reverse repurchase agreements (reverse repos) and can also issue liquidity certificates in cases of a temporary liquidity shortage or surplus in the market. From the Central Bank's perspective, a repo transaction is the sale of securities to be purchased back at a later date with the aim of temporarily injecting money into the market. Whereas, a reverse repo transaction refers to the purchase of securities to be sold back at a later date with the aim of temporarily mopping up liquidity from the market. In addition to these transactions, the Central Bank can directly buy or sell government securities in cases of a permanent liquidity shortage or surplus in the market, respectively. OMO covers interbank money market operations as well. In this market, which has an important role the Central Bank conducts operations within the pre-announced interest rate margin to ensure that market interest rates hover within this band. Besides, the Central Bank performs as the lender of the last resort in this market when necessary. Turkish lira (time deposit) buying or selling auctions may be held when deemed necessary, with the aim of increasing the effectiveness and flexibility of monetary policy.

Price Stability: Price stability refers to an inflation level so low that economic agents can ignore it when making their consumption or investment decisions. Price stability embraces not only achieving a low level of inflation, but also maintaining it. An environment of price stability to a large extent diminishes uncertainties caused by high inflation. In such an environment, economic agents would be able to detect relative price changes more easily and they would have access to more information while making consumption and saving decisions. In other words, price stability is a prerequisite for sustainable growth, economic stability and social welfare.

Rediscount: The term rediscount means the duplication of a discount. It refers to the act of a commercial bank discounting a debt instrument at the central bank for a second time to generate liquidity. The interest rate applied to these transactions by the Central Bank is called the rediscount rate.

Seigniorage: It is the difference between the cost of printing money and the face value of that money. The issuer can make a positive profit from this difference and can finance a part of its spending without any need to borrow and/or collect taxes.

SELECTED CATEGORIES FROM THE CENTRAL BANK WEBSITE

Remarks

Publications

Monetary Policy

Financial Stability

Price Stability

Basic Policy Readings

SELECTED PUBLICATIONS

Monthly Price Developments

Independent Audit Reports

Inflation Report

Financial Stability Report

Balance of Payments Report

CBRT Bulletin

Annual Report

Central Bank Review

Economic Notes

Working Papers

SELECTED STATISTICS

Balance of Payments Statistics

International Reserves/Foreign Currency Liquidity

Short Term Debt Statistics

Non-residents' Holdings of Securities

Outstanding Loans Received from Abroad by Private Sector

International Investment Position

Weekly Press Bulletin

Monetary and Financial Statistics

Bank for International Settlements (BIS) - Consolidated and Locational Banking Statistics

Company Accounts

Foreign Exchange Assets and Liabilities of Non-Financial Companies

House Price Index

Capacity Utilization Rate of Manufacturing Industry

Business Tendency Survey and Real Sector Confidence Index

Bank for International Settlements (BIS) - Triennial Central Bank Survey of Foreign

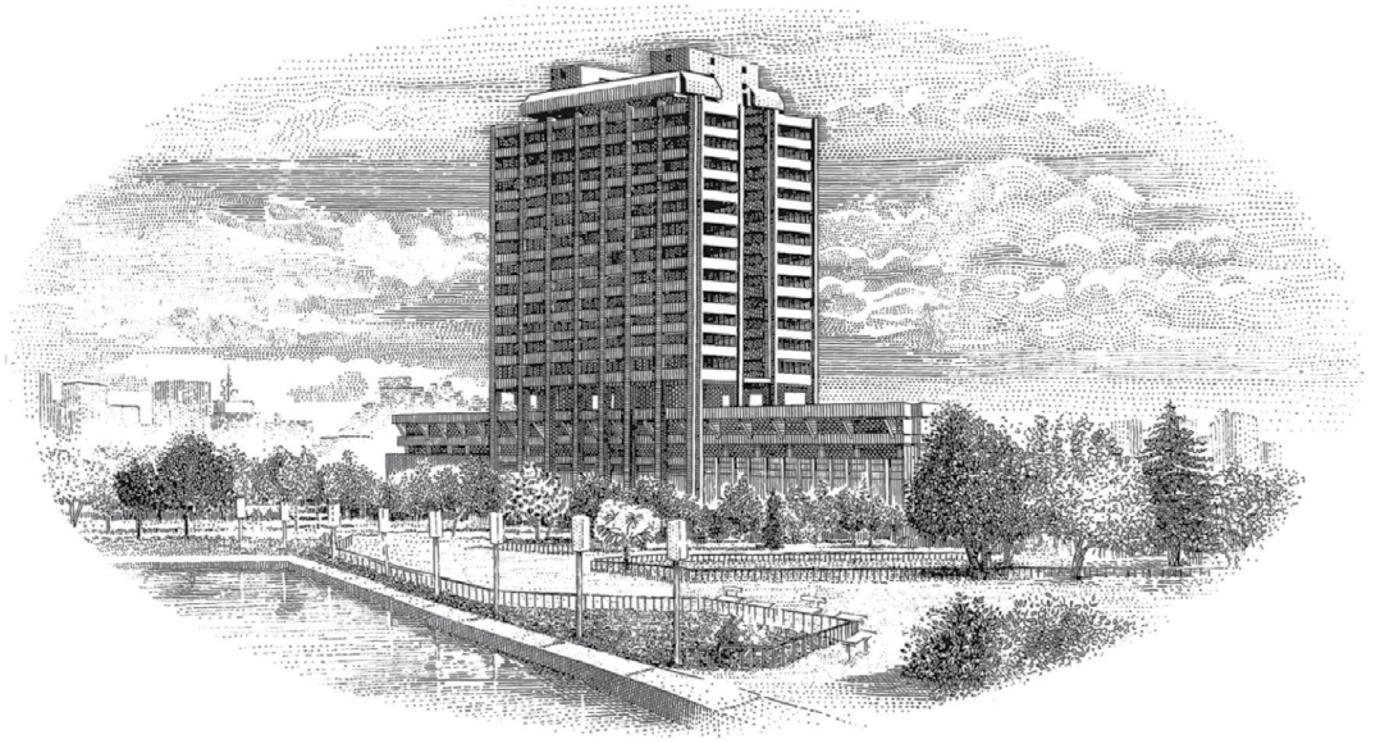
Banks' Loans Tendency Survey

Survey of Expectations

Consumer Tendency Survey and Consumer Confidence Index

Investment Survey

Real Effective Exchange Rate



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