

THE CBRT PRESS RELEASE

A) THE FOREIGN EXCHANGE BUYING AUCTIONS

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 has initiated to hold foreign exchange buying auctions as of 6 May 2003.

Since it was predicted that the excess foreign exchange supply would increasingly continue in July as well due to the seasonal factors, the daily auction amount was increased to USD 40 million in early-July. In July, the CBRT bought USD 440 million through foreign exchange buying auctions, held on 11 working days by 16 July 2003.

However, it is observed that the increase in the excess foreign exchange supply is realizing beyond the expectations in July owing to the seasonal factors. Hence, the daily average amount of bids for foreign exchange buying auctions in July showed an increase compared to June.

In this context, it was decided to increase the daily amount of auctions to USD 50 million starting from 17 July 2003 provided that all other auction conditions will remain the same. This decision was made during the communication process that has been continuing uninterruptedly with the participants.

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. Moreover, as were announced by our 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.

B) THE TURKISH LIRA DEPOSIT BUYING AUCTION PROGRAM FOR JULY

With the initiation of foreign exchange buying auctions as of April 2002 due to the reverse currency substitution and considering the excess liquidity of TL 6.5 quadrillion sterilized by the CBRT at that time, the CBRT has started to conduct weekly Turkish Lira deposit buying auctions amounting to a maximum of TL 100 trillion with a standard four-week maturity with the aim of enhancing the effectiveness of its efforts to sterilize the excess Turkish Lira liquidity in the system and generating a reference interest rate of indicator nature for a four-week period for the markets.

The maximum amount to be bought in Turkish Lira deposit buying auctions with a standard four-week maturity, which have been held every week on Wednesday and Friday in July, was TL 200 trillion. The total amount, which was sterilized through the auctions, realized as TL 1.5 quadrillion by 16 July 2003.

Despite the Turkish lira liquidity that was pumped into the markets through foreign exchange buying auctions started on 6 May 2003 and direct foreign exchange buying interventions of May and June, a decline was observed in the sterilized excess Turkish lira liquidity. In this framework, it was decided to cut down the maximum amount of the four-week Turkish lira deposit buying auctions to TL 100 trillion starting from 18 July 2003.