

THE CBRT PRESS RELEASE
ON
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 (CBRT) conducted daily foreign exchange buying auctions between 6 May and 23 October 2003. However, as announced in the press release of 22 October 2003, the CBRT has suspended its daily foreign exchange buying auctions given the volatility currently observed in foreign exchange market arising from the decline in the foreign exchange supply. It was also announced that, in case there should be an increase in the foreign exchange supply in the next period, the CBRT might, with a prior notice, resume holding foreign exchange buying auctions.

The CBRT has recently been observing an increase in the excess foreign exchange supply, which is attributable to significant economic achievements obtained especially on the inflation front as a result of the current economic program implemented in 2002 and 2003. Combined with the favorable expectations for 2004, it is expected that this excess supply should continue in the next period as well. In this framework, the CBRT has decided to resume daily foreign exchange buying auctions starting from 23 January 2004.

The daily amount of foreign exchange buying auctions will be USD 30 million for the remainder of January 2004. Moreover, a selling option based on the average price realized in the auction will be granted exclusively to those institutions (banks and special finance houses) that are eligible to sell foreign exchange in that auction. The maximum amount of the optional selling that an institution can utilize will be 100 percent of what it has sold in that auction. Therefore, the maximum daily auction can amount to USD 60 million, by the utilization of the optional selling of USD 30 million. Accordingly, foreign exchange buying auctions are to be held on 6 working days in the remainder of January and it is planned that the maximum amount to be bought would be USD 360 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 exogenous 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.