

July 6, 2007

**PRESS RELEASE ON THE IMPLEMENTATION INSTRUCTIONS FOR THE  
INTERBANK MONEY MARKET, BANKS' BORROWING LIMITS IN THE  
INTERBANK MONEY MARKET AND LIQUIDITY FACILITIES OFFERED TO  
PRIMARY DEALER BANKS**

1. "Implementation Instructions for the Interbank Money Market" booklet dated February 2000 has been updated in order to include the current implementation instructions that were sent to banks on various dates following its issue date and the changes made to the current implementations. The changes in the implementation instructions will become effective as of July 9, 2007. The fundamental changes in the implementation instructions for the Interbank Money Market (IMM) operations are as follows:
  - i) In order to support banks' liquidity management and enhance the effectiveness and flexibility of the payment system, Late Liquidity Window (LON) operations that are conducted between 4 p.m.– 4:30 p.m. currently will be carried out between 4 p.m.– 5 p.m. on business days and between 4 p.m. – 5:15 p.m. on the last business day of the reserve maintenance period..
  - ii) The minimum transaction limit for YTL deposit and LON transactions has been increased to YTL 100.000 and multiples from YTL 50.000 and multiples; while the minimum transaction limit for Intra-Day Liquidity Facility (IDLF) transactions has been decreased to YTL 100.000 and multiples from YTL 250.000 and multiples.
  - iii) Gold deposits, which are among the collateral types but not actively used, will no longer be accepted as collateral due to the difficulties in implementation.
  - iv) Central Bank Liquidity Bills will be accepted as collateral too.
  - v) In order to facilitate the collateral management of banks, government securities shall be accepted as collateral until one business day prior to their maturity date, instead of three working days.

2. To enhance the Central Bank's flexibility and efficiency of liquidity management and to encourage widespread utilization of the liquidity facilities of the Bank by the banking system, the total borrowing limit allocated to banks in the IMM has been increased. However, the liquidity facility offered to primary dealer banks within the framework of open market operations has been reduced. Considering the increase in the asset growth of the banking system between the years 2003 - 2006, the IMM total borrowing limit of the banking system, which was latest set on July 22, 2004, has almost been doubled to be effective as of July 9, 2007. The limit allocated to the banks is determined according to the share of their assets in the aggregate banking system. On the other hand, the unlimited borrowing facility provided to banks against adequate collateral from the LON quota announced at O/N maturity in line with the Central Bank's lender of the last resort function will continue.
3. As indicated in the press release dated September 03, 2002, the CBRT provides liquidity facility for the primary dealer banks in order to support the primary dealership system. Considering the increase of the borrowing limit provided for the banking system in the IMM with the aim of securing a wider utilization of the CBRT liquidity facilities for the banking system, the liquidity facility provided to primary dealer banks is revised as follows to be effective from the beginning of the new primary dealership term (September 03, 2007):
  - i) The total amount of liquidity facility provided for the primary dealer banks has been decreased to 7 percent from 10 percent of the outstanding Turkish lira denominated Treasury securities purchased from Treasury auctions (including the net amount of the Turkish lira denominated securities purchased from auctions, public offerings, TAP sales, noncompetitive sales and switching auctions and excluding FX indexed securities). Primary dealer banks will continue to use the liquidity facility in the form of O/N or one-week repo transactions at any time, between 10 a.m – 4 p.m, as currently in practice.
  - ii) The amount of government securities, which a primary dealer bank is authorized to sell, has been reduced from 50 percent to 40 percent of its total liquidity facility. In using government securities selling facility the following principles shall apply:

- a) The banks in need of liquidity shall inform the CBRT about their demands for selling benchmark government securities.
- b) The CBRT shall contact with other primary dealer banks and may preferably announce auctions for the government security or securities that it deems appropriate. CBRT, if necessary, may use the quotation method.
- c) In this framework, the maximum daily amount of government securities that the CBRT can buy shall not exceed 20 percent of the total selling facility.
- d) While the repo facility for primary dealer banks is automatically available, the CBRT might disregard primary dealer banks' demands for selling government securities, if there is enough liquidity in the government securities secondary market and/or there is no liquidity shortage in the market.
- e) When a bank uses government securities selling facility, the total liquidity and government security selling facility shall be reduced as much as the amount of government securities sold.