Press Release on the Measures Taken against the Likely Economic and Financial Impacts of the Coronavirus

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In order to contain possible adverse effects of the global uncertainty led by the coronavirus (COVID-19) pandemic on the Turkish economy, the CBRT has taken certain measures. These measures aim at (i)enhancing predictability by providing banks with flexibility in Turkish lira and foreign exchange liquidity management, (ii) offering targeted additional liquidity facilities to banks to secure uninterrupted credit flow to the corporate sector, (iii) boosting cash flow of exporting firms through arrangements on rediscount credits, which are as follows:

1) The CBRT will provide banks with as much liquidity as they need through intraday and overnight standing facilities.

2) As stated in the Monetary and Exchange Rate Policy for 2020, in addition to one-week repo auctions, the CBRT's main policy instrument, the Bank may inject liquidity to the market through repo auctions with maturities up to 91 days on the days needed. At a bank's request, that bank's entire winning bid or part of the bid may be concluded as a deposit transaction at the Interbank Money Market, instead of a repo transaction, carrying the same interest rate and maturity, as is the case with the current implementation for one-week repo auctions.

3) To support the Primary Dealership System, liquidity limits of Primary Dealers in the framework of Open Market Operations (OMOs) have been increased.

4) Conventional (multi-price) swap auctions with maturities of one, three and six months, which are currently available against US dollars, may also be held against euros and gold.

5) FX reserve requirement ratios will be reduced by 500 basis points in all liability types and all maturity brackets for banks that meet real credit growth conditions within the context of the reserve requirement practice. With this decision, it is expected that the banks, which meet real credit growth conditions, will be provided with FX and gold liquidity at the amount of approximately USD 5.1 billion. This revision will take effect from the calculation period of 6 March 2020 with the maintenance period starting on 20 March 2020.

6) Banks have been offered targeted additional liquidity facilities to secure uninterrupted credit flow to the corporate sector. The maximum amount of funds that an eligible bank may receive from this new liquidity facility will be linked to the amount of credit that this bank has already provided or will provide for the corporate sector. The total amount of

the facilities to be offered is projected to be limited to 25% of the system's total funding need. Accordingly:

- Turkish lira liquidity will be provided via repo auctions with maturities up to 91 days with an interest rate 150 basis points lower than the one-week repo rate, i.e. the CBRT's policy rate, and with quantity auction method. At a bank's request, that bank's entire winning bid or part of the bid may also be concluded as a deposit transaction at the Interbank Money Market under the same conditions.
- Turkish lira currency swap auctions with a maturity of 1 year based on quantity auction method will be conducted. With these swap auctions, related banks will be provided with Turkish lira liquidity against US dollars, euros and gold with an interest rate 100 basis points lower than the one-week repo rate, i.e. policy rate.
- The CBRT will provide banks with detailed information about limits regarding the above-mentioned facilities.

7) The CBRT has introduced the following measures regarding rediscount credits for export and foreign exchange earning services to mitigate the likely adverse impacts of recent global economic uncertainties and adversities in international trade on real sector firms:

- The maturities for repayments of rediscount credits, which will be due from 18 March 2020 to 30 June 2020, can be extended by up to 90 days. Accordingly, firms can apply to intermediary banks and exchange their current bills for a bill with an up-to- 90-day-longer maturity, without making any repayment. This can postpone the repayment of rediscount credits corresponding up to USD 7.6 billion.
- An additional 12 months export commitment fulfillment time has been offered for the rediscount credits whose export commitment has not been fulfilled yet and for the rediscount credits to be used from 18 March 2020 to 30 June 2020. Thus, the maximum duration for the export commitment fulfillment for these aforementioned credits has been extended to 36 months from 24 months.
- To be effective from 20 March 2020, the maximum maturities for rediscount credits have been extended to 240 days from 120 days for short-term credit utilization, and to 720 days for longer-term credit utilization.

Contact:
For further information, you may send an e-mail to basin@tcmb.gov.tr.