

**THE CBRT PRESS RELEASE  
ON  
THE FOREIGN EXCHANGE BUYING AUCTIONS**

The Central Bank of Turkey holds foreign exchange buying auctions to increase the level of foreign exchange reserves without conflicting with the main principles and the mechanism of the floating foreign exchange rate regime at times when foreign exchange supply increases relative to foreign exchange demand. In this framework, as it is stated in the press release of 21 December 2010 on “Monetary and Exchange Rate Policy for 2011”, the CBRT has continued accumulating foreign exchange reserves this year by purchasing USD 50 million daily. As stated in the said press release, although the aim is to hold auctions in line with the pre-announced program, in case of unforeseen crucial developments pertaining to foreign exchange supply, amendments to auction programs can be made with prior notice.

In fact, although there is no significant change in the liquidity conditions of the developed countries that play an important role in the robustness of the capital flows, concerns related to the sustainability of the increasing government debt of some European countries adversely affect the risk appetite which in turn cause a relative slow down in capital flows towards emerging countries, including Turkey. Taking into consideration the slowdown in the capital flows, the daily amount to be purchased in auctions was decreased from USD 50 million to USD 40 million, starting from tomorrow within the framework of the flexible foreign exchange buying auction method announced in the press release of 1 October 2010.

Our program related to foreign exchange buying auctions may again be evaluated in line with the liquidity developments in the foreign exchange market. Accordingly, daily auction amounts may be changed in either direction with prior notice, while auctions may also be suspended for a short or long period of time.