

**THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
PRESS RELEASE ON THE FOREIGN EXCHANGE DEPOSIT MARKET**

In the framework of the strategy set out at the Monetary Policy Committee Meeting held on 4 August 2011, it has been decided that, in order to enhance the mobility of foreign exchange liquidity in the Interbank Foreign Exchange Market, the Central Bank should resume its activities as an intermediary in the foreign exchange deposit markets in Foreign Exchange and Banknotes Markets as of 10 November 2011, until the heightened uncertainties in the international markets disappear.

In this context, banks shall be able to borrow and lend in the foreign exchange deposit market through the intermediation of the Central Bank in accordance with the rules set by the Implementation Instructions for the Foreign Exchange and Banknotes Markets. Guidelines for the operation of the Foreign Exchange Deposit Market are available in the Annex.

ANNEX: Guidelines for the Operation of the Foreign Exchange Deposit Market:

1. All banks that are the members of the Interbank Foreign Exchange Market shall be eligible to make transactions in the Foreign Exchange Deposit Market.
2. Transaction limits for the Banks shall be those introduced to them at the Foreign Exchange and Banknotes Markets.
3. Banks shall perform foreign exchange deposit transactions against collateral. The assets eligible as collaterals are the following:
 - i. Foreign banknotes deposits of the banks at Ankara, İstanbul and İzmir Branches of the Central Bank,
 - ii. Bills and bonds, the maturity structures and features of which are evaluated and accepted by the Central Bank and issued to foreign states and treasuries,
 - iii. Eurobonds issued by the Undersecretariat of Treasury,
 - iv. Government Domestic Debt Securities issued by the Undersecretariat of Treasury
 - v. Central Bank liquidity bills.
4. Banks shall take into account the excess portion stated below according to the groups and tranches determined for themselves and deposit collateral in the Foreign Exchange and Banknotes Markets accordingly.

<u>Collateral Types</u>	<u>Tranche 1</u>	<u>Tranche 2</u>	<u>Tranche 3</u>
Foreign Banknotes Deposits	10	11	12
Bills and Bonds Issued by Foreign States	17	20	23
Eurobonds	20	25	30
G.Securities / GDDS < 1 YEAR (TL, FX AND FX-INDEXED)	20	25	30
G.Securities / GDDS > 1 YEAR (TL, FX AND FX-INDEXED)	30	35	40
Liquidity Bills	20	25	30

5. In the event of a change in the value of the collaterals provided by banks in return for their borrowings due to reasons such as price and exchange rate movements; banks, whose collaterals do not fully cover their borrowings, may be asked to provide additional collateral. Any failure to fulfill this obligation within the specified time shall be deemed as a default and transactions of such banks shall be subject to the rules and principles applicable to default cases.
6. USD and Euro deposit transactions shall be conducted between 10:00 a.m.-12:00 p.m. and 1:00 p.m.-3:30 p.m.
7. Transactions with the same value date shall be conducted until 12:00 p.m. for Euro and 3:00 p.m. for US dollar.
8. Banks shall submit their bids and offers via the telephone lines (0 312 507 52 00-23) of the Foreign Exchange and Banknotes Markets Division.
9. The minimum transaction limit is USD 1 million and Euro 1 million. Transactions shall be conducted in terms of 1 million and multiples.
10. Transactions may be conducted with same day, 1-day and spot value dates with maturities from 1 week to 1 month.
11. The fractional part of the interest rates for the bids and offers will, on a yearly basis, be whole, a half ($1/2$), a quarter ($1/4$) or one-eighth ($1/8$) and any fractional numbers other than these will not be allowed. One year will be equivalent to 360 days in the maturity subject to interest.
12. The Banks shall state whether their offers or bids are dividable. The dividable offers or bids may be partially matched.
13. The eligible three bids and offers will be posted on the “CBTJ” page of the Reuters system for the purpose of informing all banks concurrently. The matched transactions will be announced on the same page. The Central Bank will be the addressee with regard to the transactions. The Central Bank will be the blind broker for these transactions, in other words, the trading institutions will not know one another.
14. The bids and offers that did not match by the end of the day will be canceled.

15. Banks shall confirm their transactions until 4:30 p.m. on the same day. Otherwise, the Central Bank records will be binding in case of dispute.
16. A commission of ten percent (0.10) of the TL-equivalent of the accrued interest, calculated by using the reference buying exchange rates announced by the CBT on the previous working day will be collected from both the borrowing and lending parties for finalized deposit transactions. This amount shall not be less than 1 ten thousandth (0.0001) of the TL-equivalent of the principal amount calculated likewise. However, the total commission to be collected from both the borrowing and the lending parties cannot exceed half of the TL-equivalent of the accrued interest, calculated by using the reference buying exchange rates announced by the CBT on the previous working day.
17. The amount lent by the banks in the FX deposit market shall not be deemed foreign currency required reserves.
18. The banks that fail to fulfill their obligations will be subject to sanctions specified in the Implementation Instructions of the Foreign Exchange and Banknotes Markets.