TÜRKİYE CUMHURİYET MERKEZ BANKASI

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PRESS RELEASE ON RESERVE REQUIREMENTS

With a view to supporting financial stability and by taking into account the latest developments in global markets, the reserve requirement ratios of foreign exchange (FX) denominated liabilities of banks and financing companies are revised in order to encourage the extension of maturities of non-core liabilities, as follows.

Liabilities other than deposits/participation funds	**Current Ratios (%)**	**New Ratios (%)**
With maturity up to (and including) 1 year	13	18
With maturity up to (and including) 2	11	13
With maturity up to (and including) 3	11	8
With maturity up to (and including) 5	6	7
With maturity longer than 5 years	6	6

The increase in FX reserve requirement ratios, would contribute to the Central Bank FX reserves by approximately USD 3.2 billion. The average reserve requirement ratio for FX, which currently stands at 11.7 percent, will rise to 12.8 percent.

Besides, to strengthen the automatic stabilizing feature of the Reserve Options Mechanism (ROM), technical adjustments are implemented in reserve option tranches and coefficients, in a way also to largerly compensate for the FX liquidity withdrawal that would arise from the changes in FX reserve requirement ratios. In that context, the number of tranches in the ROM, which allows banks to hold Turkish lira required reserves in FX, has been increased while the upper limit left unchanged. The new tranches and the corresponding reserve option coefficients (ROCs) have been revised as follows.

<table>
<tr><th>FX Facility Tranches (%)</th><th>Current ROC</th><th>New ROC</th></tr>
<tr><td>0-30</td><td>1.4</td><td>1.20</td></tr>
<tr><td>30-35</td><td>1.5</td><td>1.50</td></tr>
<tr><td>35-40</td><td>1.8</td><td>1.90</td></tr>
<tr><td>40-45</td><td>2.6</td><td>2.30</td></tr>
<tr><td>45-50</td><td>2.9</td><td>2.70</td></tr>
<tr><td>50-55</td><td>3.1</td><td>3.10</td></tr>
<tr><td>55-56</td><td rowspan="5">3.2</td><td>3.30</td></tr>
<tr><td>56-57</td><td>3.50</td></tr>
<tr><td>57-58</td><td>3.70</td></tr>
<tr><td>58-59</td><td>3.90</td></tr>
<tr><td>59-60</td><td>4.10</td></tr>
</table>

Banks and financing companies have been consistently using the facility. The utilization ratio as of the latest maintenance period stood at 86.1 percent (51.6/60). Currently, foreign exchange worth USD 33 billion is being held for Turkish lira required reserves. Should the facility continue to be used at the same level, the revisions in ROM would release approximately USD 2.4 billion from Central Bank reserves.

The revisions will be effective as of the calculation period dated 13 February 2015 and the maintenance period will begin on 27 February 2015.

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