

# Monetary and Exchange Rate Policy for **2021**

16 December 2020

## Main Framework of Monetary and Exchange Rate Policy for 2021

1. Looking towards 2021, risks from cumulative cost pressures arising mainly from exchange rates, the upward course in international commodity prices and increasing inflation expectations remain key to the pricing behavior and inflation outlook.
2. These upside risks to inflation require the monetary policy stance to be tight and decisive in 2021. The monetary policy stance will be set taking into account these risks and with a focus on bringing inflation down and achieving price stability in the medium term.
3. In 2021, all factors affecting inflation will be taken into account, and the tightness of monetary policy will be decisively sustained until there are strong indicators that point to price stability and a permanent fall in inflation.
4. The Central Bank of the Republic of Turkey (CBRT) will decisively implement all the elements of the inflation-targeting framework in 2021.
5. The medium-term inflation target of 5% set jointly with the government has been maintained. Aware of its responsibility in reaching this target, the CBRT will remain determined and resolute over the target horizon.
6. Monetary policy decisions will be taken by giving priority to price stability.
7. The CBRT's main policy instrument is the one-week repo auction rate.
8. The interest rate corridor which is used to limit intraday volatility in overnight interest rates and the Late Liquidity Window (LON) that performs the CBRT's role as a lender of last resort will not be utilized as monetary policy instruments except for their above-mentioned functions.
9. Reserve requirements and other Turkish lira and foreign currency liquidity instruments will be used effectively in order to ensure the smooth functioning of the monetary transmission mechanism and to limit the risks to macrofinancial stability.
10. The implementation of the floating exchange rate regime will continue, and exchange rates will be determined by supply and demand balance under free market conditions. The CBRT does not have a nominal or real exchange rate target. The CBRT will not conduct foreign exchange (FX) buying or selling transactions to determine the level or direction of exchange rates.
11. For effective monetary policy and financial stability, the CBRT's foreign exchange reserves will be strengthened and relevant tools will be used to this end under appropriate conditions in a transparent way and within a specific framework.
12. The CBRT considers price stability as a prerequisite for financial stability, and financial stability as one of the most crucial factors for price stability. In 2021, monetary policy focusing on price stability is evaluated as critical for also containing macrofinancial risks.
13. Committed to the principles of transparency, predictability and accountability, the CBRT will strengthen its policy communication and data dissemination in 2021.

# 1. General Framework for Monetary Policy

## 1.1. Monetary Policy Developments in 2020

### Macroeconomic Outlook and Monetary Policy Developments in 2020

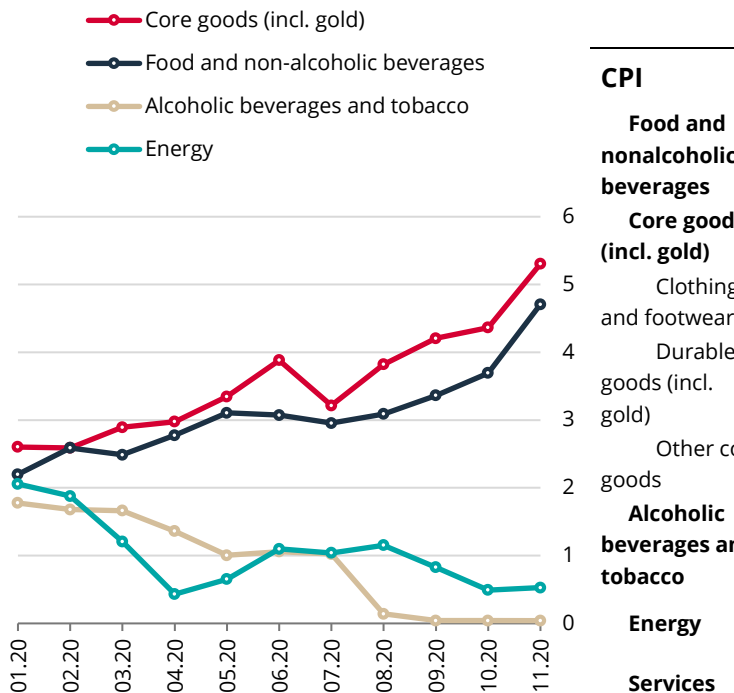
14. Economic activity started to weaken from mid-March onwards due to the impact of the pandemic on foreign trade, tourism and domestic demand. The slowdown became more pronounced in April and spread across all sectors. Following the sharp contraction in global economic activity, especially in our main trading partner Europe, export opportunities shrunk significantly, and tourism activities came to a halt amid international travel restrictions. Mobility restrictions, such as economic shutdowns and curfews, which were strictly enforced until May, had a negative impact on economic activity and employment, especially in the hardest-hit services sector.
15. The CBRT continued to deliver policy rate cuts during March-May of 2020, which had started in July 2019, in order to limit the economic and financial impact of the pandemic. In addition, the Bank implemented a comprehensive set of measures within the framework of liquidity management. In this context, the Bank took steps to contribute to the Turkish lira and foreign currency liquidity management of banks, temporarily increase the bond portfolio to boost liquidity in the Government Domestic Debt Securities (GDDS) market, offer targeted liquidity facilities to banks in order to secure uninterrupted credit flow to the corporate sector, and boost the cash flow of exporting firms through rediscount credit arrangements. Moreover, the CBRT lowered foreign currency reserve requirement ratios for banks meeting specific credit conditions.
16. Meanwhile, the Banking Regulation and Supervision Agency (BRSA) introduced an Asset Ratio rule, effective from the beginning of May, with a view to encouraging banks to extend loans to residents and purchase securities. With this requirement, the credit expansion that was first led by state-owned banks gained momentum as it spread across the sector. Loan packages offered by state-owned banks at affordable rates in June led to a rapid increase, especially in personal loans.
17. Until May, international commodity prices had a positive effect on the inflation outlook, but in May, core inflation indicators started to trend upward due to the pandemic-driven increase in unit costs. However, assessing that the supply-side constraints, which emerged shortly after the adoption of COVID-19 measures, would gradually disappear and disinflationary effects would become more pronounced in the second half of the year, the CBRT kept its policy rate constant in June and July.
18. With the gradual easing of coronavirus restrictions since mid-May, accommodative policies have had a more marked effect on domestic demand and economic activity. Pent-up domestic demand recovered quickly amid the significant loosening in financial conditions and a strong credit impulse, and the economy recorded a strong bounce-back with the support of exports. Thus, after contracting by 10.8% in the second quarter of 2020, GDP grew by a robust 15.6% in the third quarter, exceeding its pre-pandemic level.
19. The rapid growth in loans and monetary aggregates bolstered economic recovery, but had an adverse impact on the current account balance and the inflation outlook.
20. Despite the improvement in exports of goods, the current account deficit widened rapidly due to falling revenues from services, especially tourism, and buoyant imports. In this period, worsened inflation expectations as well as global uncertainties led to a strengthening trend in dollarization. Fueled also by global trends, residents' demand, especially for gold, increased and the upsurge in gold imports affected the external balance adversely.
21. Amid heightened macrofinancial risks and deteriorated expectations, foreign capital outflows, increased asset dollarization, the real sector's rising tendency to reduce their foreign currency liabilities and the worsening current account deficit drove risk premiums higher and put pressure on exchange rates and foreign exchange reserves.
22. The developments in exchange rates and import prices as well as the improvement in aggregate demand conditions driven by the strong credit impulse and the marked deterioration in inflation

expectations dampened the inflation outlook. In fact, inflationary pressures were strong across subgroups that are sensitive to financing conditions and affected by global supply constraints, with durable consumption goods in the lead.

- 23.** In order to contain inflation expectations and limit the risks to the inflation outlook, coordinated tightening steps have been taken in pandemic-related policies starting from early August. However, assessing that uncertainties regarding the course of domestic and external demand conditions remained significant due to the progress of the pandemic, the CBRT decided to keep the policy rate unchanged and continue to maintain the liquidity measures in August.
- 24.** The Bank's assessments during the pandemic envisaged that supply-side factors affecting inflation would gradually subside throughout the normalization period and demand-side disinflationary effects would become more pronounced. However, due to the developments in financial markets and the rapid economic recovery driven by the strong credit impulse, inflation followed a higher course than projected. It was assessed that the tightening steps taken since August should be strengthened in order to contain inflation expectations and limit the risks to the inflation outlook. Accordingly, the policy rate was raised by 200 basis points in September to restore the disinflation process and support price stability.
- 25.** In October, despite keeping the policy rate unchanged in view of the significant tightening achieved in financial conditions following the monetary policy and liquidity management steps taken, the CBRT decided to keep the tight stance of the monetary and liquidity policies until the inflation outlook displayed a significant improvement. The Bank also adjusted its operational monetary policy framework, enhanced the tightening flexibility in liquidity management, and set the margin between the CBRT Late Liquidity Window lending rate and overnight lending rate at 300 basis points.
- 26.** Accordingly, with the tightening measures taken in response to the pandemic, the weighted average funding cost increased by approximately 750 basis points to 14.87% from July to November.
- 27.** In November, in order to eliminate risks to the inflation outlook, to contain inflation expectations and rapidly restore the disinflation process, the CBRT hiked its policy rate from 10.25% to 15% and decided to provide all short-term funding through its main policy instrument, the one-week repo auction rate, within a simple operational framework. In tandem with the coordinated policy steps, foreign capital inflows increased, the risk premium decreased and the Turkish lira appreciated after the decision.
- 28.** In 2020, the main driver of consumer inflation has been exchange rate developments. The depreciation in the Turkish lira totaled about 40% against the currency basket as of mid-December. Higher cost pressures arising mostly from exchange rates and demand-side factors triggered by the strong credit impulse had an adverse effect on inflation expectations and the inflation outlook, particularly in the second half of the year.
- 29.** In the first ten months of the year, inflation remained almost flat at around 12%. While base effects mainly from energy and tobacco limited inflation, food and core goods inflation has displayed an upward trend since July (Chart 1). Meanwhile, producer inflation dipped to 5.53% in May, the lowest level this year, but soared especially in the second half, to 23.11% as of November. Against this background, annual consumer inflation rose to 14.03% in November (Table 1). In the same period, core B index inflation accelerated to 13.72% year-on-year. Indicators for the underlying trend and pricing behavior suggested that in the second half of the year, core inflation has followed a high course and price increases have become widespread.

**Chart 1: Contributions of Selected Items to Inflation**

(Percentage Point)



Sources: CBRT, TURKSTAT.

**Table 1: Inflation in 2020**  
 (Annual, %)

	01/20	04/20	07/20	10/20	11/20
<b>CPI</b>	12.2	10.9	11.8	11.9	14.0
<b>Food and nonalcoholic beverages</b>	9.0	11.3	12.7	16.5	21.1
<b>Core goods (incl. gold)</b>	8.4	9.9	10.8	15.0	18.2
Clothing and footwear	5.8	4.7	10.3	2.0	0.8
Durable goods (incl. gold)	11.4	15.5	14.3	25.2	31.6
Other core goods	5.8	5.6	6.4	9.4	11.5
<b>Alcoholic beverages and tobacco</b>	42.2	31.3	21.8	0.7	0.7
<b>Energy</b>	17.1	3.3	8.6	4.0	4.3
<b>Services</b>	12.2	11.8	11.8	10.9	11.4

Sources: CBRT, TURKSTAT.

30. The rapid growth in credit volume and monetary aggregates have continued to pass through to domestic demand in the last quarter of the year, which, coupled with cumulative exchange rate effects, added to the upward pressures on consumer inflation. Developments in the balance of payments and dollarization have heightened the risks to price stability and macrofinancial stability by affecting exchange rates and CBRT reserves.
31. The pandemic-driven global uncertainty as well as recent restrictive measures taken in response to the spike in Covid-19 cases affect the economy through various channels. Downside risks to supply and demand conditions of the economy are on the rise, especially for the services sector, posing risks to inflation in both directions.
32. Upside risks to inflation remain important in 2021. Among these upside risks can be listed: global risk appetite and possible impacts on economic activity depending on the course of the pandemic, international agricultural and other commodity prices, the uptrend in inflation expectations, wage policies, uncertainties over administered prices, likely demand increases in tourism-related goods and services groups.
33. Taking into account the determination to achieve the inflation target, the inflation outlook as well as some additional potential risks, the monetary policy stance in 2021 has to be tight and decisive.

## 1.2. The Importance of Price Stability

34. The primary objective of the CBRT is to achieve and maintain price stability. Price stability is a prerequisite for achieving sustainable growth, and increase in employment and social welfare. The main contribution of Central Banks to the rise in social welfare is by establishing price stability. In order to achieve low long-term interest rates, price stability must be established permanently. Price stability supports the medium of exchange and store of value functions of the local currency by protecting its value and reduces the need for currency substitution. Once the low inflation environment is established permanently, macroeconomic and financial stability will be ensured



through the fall in the country risk premium, the reversal in the dollarization trend, the decline in financing costs and the extension of maturities.

35. High and volatile inflation makes it harder for economic agents to make healthy investment and consumption decisions by reducing the information value of relative price changes. Unless price stability is achieved, resources are ousted from productive areas that can boost growth potential in the long run. Inflation-driven financial volatility and uncertainty lead firms to make financial investments rather than fixed capital investments and encourages households for dollarization and overconsumption to hedge against inflation. Moreover, high inflation reduces households' purchasing power by decreasing real income, and disrupts income and wealth distribution and leads to welfare loss.
36. Between 2006 and 2016, inflation displayed a relatively stable trend around 8.3% on average. As of 2017, inflation rose to double-digit figures and has diverged from targets significantly. The high and volatile course of inflation above the target for a long time weakens the anchoring function of forecasts and targets in forming expectations and leads to an increase in inflation rigidity. Putting more weight on past inflation and FX developments in forming inflation expectations increases the cost of disinflation process.
37. It is critical to bring inflation expectations to a level consistent with medium-term targets as soon as possible in order to eliminate risks to pricing behavior and inflation outlook as well as to restore the disinflation process. In this framework, achieving and maintaining price stability permanently requires a determined and resolute battle based on common wisdom of all stakeholders led by the monetary policy.

### 1.3. Monetary Policy in 2021

#### Inflation Targeting Framework and Practice in 2021

38. In 2021, the CBRT will decisively implement a full-fledged inflation targeting strategy. Previous monetary policy practices have been reviewed, and improving the framework and communication policies while transiting to explicit inflation targeting strategy in 2006 and implementing them effectively in 2021 have been set as the main priority.
39. For a central bank implementing explicit inflation targeting, instrument independence is a prerequisite for the credibility and hence the success of the implemented monetary policy. Moreover, instrument independence also entails accountability. In other words, accountability is an integral part, a natural consequence of the principle of independence.
40. The medium-term inflation target of 5% set jointly with the Government has been maintained. Well aware of its responsibility, the CBRT is determined to display a decisive and diligent stance within the target horizon. The monetary policy stance will be established to bring inflation to the target gradually. While converging to the medium-term inflation target, the targets announced by the CBRT via Inflation Reports will serve as interim targets and a reference to inflation expectations.
41. Under an inflation targeting regime, central banks take into account the transmission lags of the monetary policy and aim to control the future inflation with a medium-term perspective. For this purpose, commensurate with the current practice, inflation forecasts are formed with regular intervals and shared with the public. As central bank's forecasts are taken into account while making economic decisions for the future, the forecasts produced as interim targets under the medium-term disinflationary path become more important in steering expectations more efficiently while converging to the medium-term target.
42. The uncertainty band, which is an element of the CBRT's accountability, has been set at 2 percentage points in both directions around the inflation target same as the previous years. At the end of each quarter, if there is a deviation from the inflation target by more than 2 percentage points, the CBRT will disclose via Inflation Reports the reasons for deviation and the measures that

have been already taken or to be taken to achieve the target. If realized inflation falls outside the uncertainty band at the end of the year, the CBRT will submit an “Open Letter” to the Government.

43. Monetary policy decisions will be taken by safeguarding the priority of price stability. In 2021, tight monetary stance will be implemented decisively by taking into account all factors affecting inflation and until strong indicators are observed pointing to a lasting disinflation and price stability.
44. Monetary policy decisions will be made by taking into account inflation expectations, pricing behavior and developments in all other factors affecting inflation so as to achieve a permanent and convincing decline in inflation.
45. The CBRT's main policy instrument is the one-week repo auction rate. The interest rate corridor, which is used to limit intraday volatilities in overnight interest rates, and the Late Liquidity Window Facility, which is the CBRT's lender of last resort function, will not be used as monetary policy instruments for reasons other than their genuine purposes. All other policy instruments, particularly the required reserves, will be used decisively to enhance the effectiveness of monetary policy and limit macrofinancial risks.
46. As a result of the tight monetary stance and strong policy coordination, the money supply, credit expansion and domestic demand will display a moderate course, risks stemming from the current account balance and external financing will be reduced, cumulative cost effects including foreign exchange-driven effects will alleviate and an improvement will be observed in inflation outlook.

### **Decision Making Process and Communication Policy**

47. In decision-making processes, the CBRT will adopt a data-driven approach with a medium-term perspective and take all factors affecting inflation into account. In this framework, a detailed data set affecting the headline inflation, the underlying trend of inflation and the pricing behavior is monitored. Therefore, comprehensive analyses on the drivers of inflation including international financial conditions, monetary and credit developments, supply and demand indicators, cost factors, economic cycles and expectations will be taken into account.
48. The seven days prior to the MPC Meeting is called the “silent period” and no external communication is carried out during this period. In this period, the staff responsible for contributing to the decision making process submit detailed analyses and evaluations to the Monetary Policy Committee.
49. In 2021, the Monetary Policy Committee will hold 12 meetings on a preannounced timetable.<sup>1</sup> The monetary policy decision and a brief statement explaining its rationale will be announced, together with its English translation, on the CBRT website at 2 p.m. immediately after the meeting. The summary of the MPC meeting that contains detailed assessments of the MPC will be released on the CBRT website within five working days following the meeting.
50. The monetary policy communication will be strengthened by adhering to transparency, accountability and predictability principles. The main communication tools of the monetary policy are the MPC press releases and the Inflation Report. The Inflation Report will continue to be issued four times a year, and briefings will be held for effective communication of monetary policy actions as before.
51. The Governor of the CBRT will continue to deliver presentations on the CBRT's activities and monetary policy actions before the Committee on Plan and Budget of the Grand National Assembly of Turkey twice a year. Moreover, the speeches and presentations to be delivered by the Governor in other platforms will continue to be an important part of the communication policy.
52. The Financial Stability Report is another important communication tool of the CBRT. In addition, the “Monthly Price Developments” report, which summarizes monthly inflation developments by sub-components, will be another pillar of the communication policy.
53. Working papers, research notes in economics and blog posts published by the CBRT will also be a part of the CBRT's communication policy. Announcements regarding Turkish lira and foreign

<sup>1</sup> The 2021 schedule for meetings and reports is given in Annex 2.

exchange liquidity management and adjustments to reserve requirements will also be a part of the communication regarding the operational framework.

54. Policy communication will cover a more detailed account of the economic discussions in the decision-making process of the Monetary Policy Committee and of analyses, forecasts and evaluations that form the basis of the decisions. The Inflation Report will include forecasts for key macro aggregates along with risk assessments, and the communication for the comprehensive outlook of the macro framework behind policy decisions will be strengthened.
55. One of the primary targets of the communication policy in the near future will be explaining to all stakeholders the importance of price stability as well as the policies implemented to this end, and raising social awareness of the fight against inflation. Accordingly, the CBRT will use all its communication tools in a holistic manner and put into practice a comprehensive communication plan that reaches all stakeholders.
56. Another priority in this field will be to enhance the two-way communication with stakeholders of critical importance. In this regard, the technical meetings held with investors, analysts and economists according to a prescheduled calendar will continue. The communication with the press, the academia and general public, being the major target groups of the CBRT communication, will be effectively sustained. In the meantime, the CBRT will meet real sector representatives and non-governmental organizations to keep them informed on the policy framework and the macroeconomic outlook.
57. The CBRT will continue its mission to enhance the basic economics knowledge of different target groups as part of its “Economics for All” initiative, which aims to raise the financial literacy and the awareness of the role of the CBRT and its objectives. Accordingly, the general public, with a particular emphasis on students and teachers at primary, secondary and higher education levels, will be informed on the costs of inflation, the importance of price stability and the basic concepts in economics. Moreover, the CBRT will undertake a wide variety of economic studies, alongside research publications, conferences and training programs, through which it will be able to share its intellectual capital with the public.
58. In 2021, the CBRT will benefit more from the use of digital communication facilities. Along with advanced communication technologies, digital communication channels and tools will also be actively used to reach stakeholders in a pandemic environment. The CBRT website, social media accounts, the CBRT Blog, and the “Economics for All” microsite will be among these tools, and all channels will be managed within the context of contributing to the Bank’s plain, clear and transparent communication framework. Additionally, as a new digital communication tool, a podcast series will be produced and broadcast.
59. The CBRT will continue to attach great importance to the analysis of micro data and field information, which constitute key components of its information-set an important input to its monetary policy decision-making process. To this end, the current practice of meeting with real sector representatives will continue in the upcoming period. These meetings are of value in terms of communicating effectively with sector representatives, obtaining quality and timely information regarding economic circumstances, and informing them on the CBRT’s policy steps as well as getting feedback on economic policies and what they expect from the public sector. Similarly, meetings with financial sector representatives will also continue.

#### **1.4. Essential Components in Pursuit of Price Stability**

60. A strong policy coordination and a holistic approach involving all stakeholders are essential to achieving price stability. Endorsement of inflation targets by all stakeholders and commitment to the price stability efforts with a common understanding and public accord, along with determination of macro policies in a coordinated manner and in line with the projected disinflation path, will strengthen the effectiveness of the monetary policy.
61. Fiscal policy stance and its coordination with the monetary policy are crucial to achieving permanent decline in inflation. Accordingly, sustaining the fiscal discipline in a decisive manner



continues to be a top priority. Fiscal policy affects inflation mainly through four channels: (i) public expenditures, (ii) administered price and tax adjustments, (iii) income policy, and (iv) public borrowing strategy.

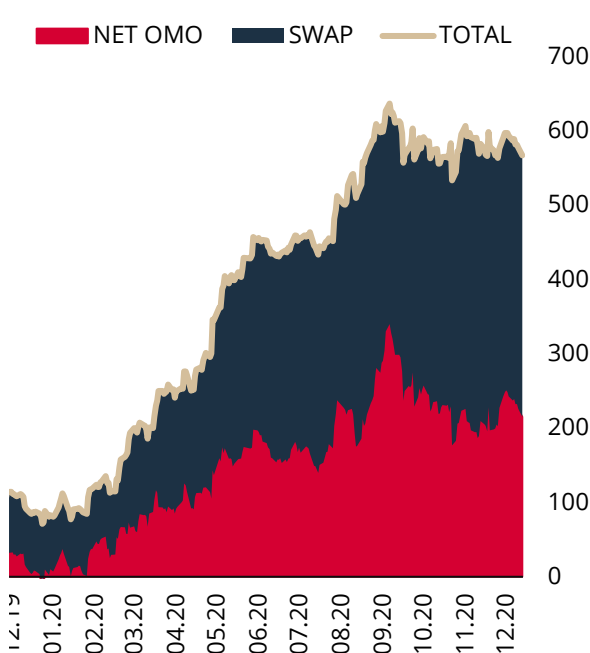
- 62.** Reducing the backward-indexation in administered price and tax adjustments as well as in income policies, sustaining the compliance with inflation targets and enhancing the predictability are key components of achievement of disinflation.
- 63.** Effective functioning of a competition-based free market mechanism is critical to macro financial, and hence price stability. Formation of prices in real and financial markets based on the demand/supply balance, and in line with this, the coordination between the operations of regulatory institutions in charge of financial stability and the monetary policy will contribute to the effectiveness of the monetary transmission mechanism. Implementing structural reforms that would curtail the inertia and volatilities in inflation is important in terms of achieving lasting price stability.
- 64.** A price stability-oriented monetary policy and a strong policy coordination are crucial to achieving and maintaining macroeconomic stability. The CBRT will evaluate all indicators for fiscal and financial policies in terms of the information they contain on the effective functioning of the monetary transmission and the inflation outlook, and will determine its policy stance decisively in pursuit of the primary objective of price stability.

## 2. Turkish Lira and Foreign Exchange Liquidity Management Framework

### 2.1. Turkish Lira and Foreign Exchange Liquidity Developments in 2020

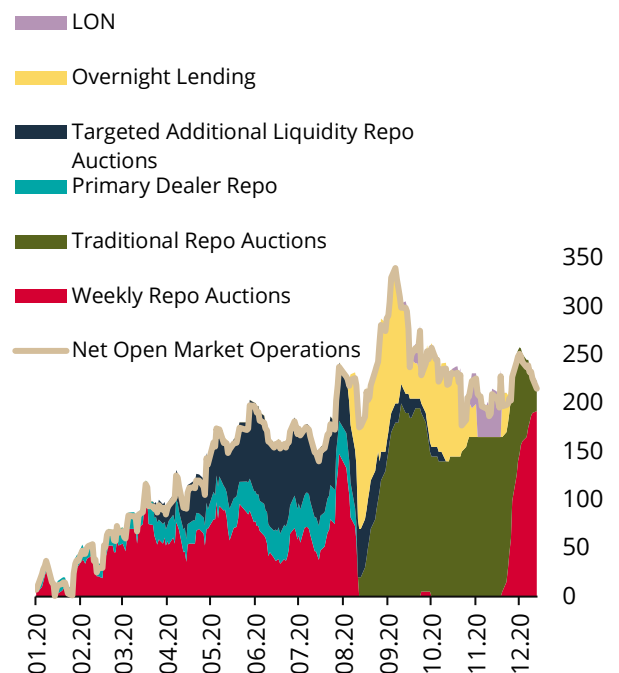
65. The funding need of the system was TRY 567 billion as of 14 December 2020 (Chart 2). The increase in the funding need of the system of approximately TRY 483 billion compared to end-2019 was mainly due to the rise in money in circulation, FX and gold transactions against TL and the amount of Treasury's net borrowings. On the other hand, rediscount credits and the CBRT's GDDS purchases were the factors to decrease the funding need of the system. The funding need of the system is met through net Open Market Operations (OMO) and swap transactions against FX and gold. Accordingly, swap transactions, which were TRY 74 billion at the end of 2019, increased by approximately TRY 278 billion to TRY 352 billion on 14 December 2020 (Chart 1). Net OMOs, which were TRY 9.9 billion at the end of 2019, increased by approximately TRY 205 billion across the year and reached TRY 215 billion as of 14 December 2020.
66. In 2020, within the framework of OMO, the CBRT provided funding through one-week quantity repo auctions, PD liquidity facility, quantity repo auctions conducted within the framework of targeted additional liquidity facilities, one-month repo auctions held via the traditional method, overnight repo and deposit transactions and Late Liquidity Window operations (Chart 3).

**Chart 2: CBRT Funding**  
(TRY Billion)



Source: CBRT Last Observation: 14 December 2020

**Chart 3: OMO Funding in 2020**  
(TRY Billion)

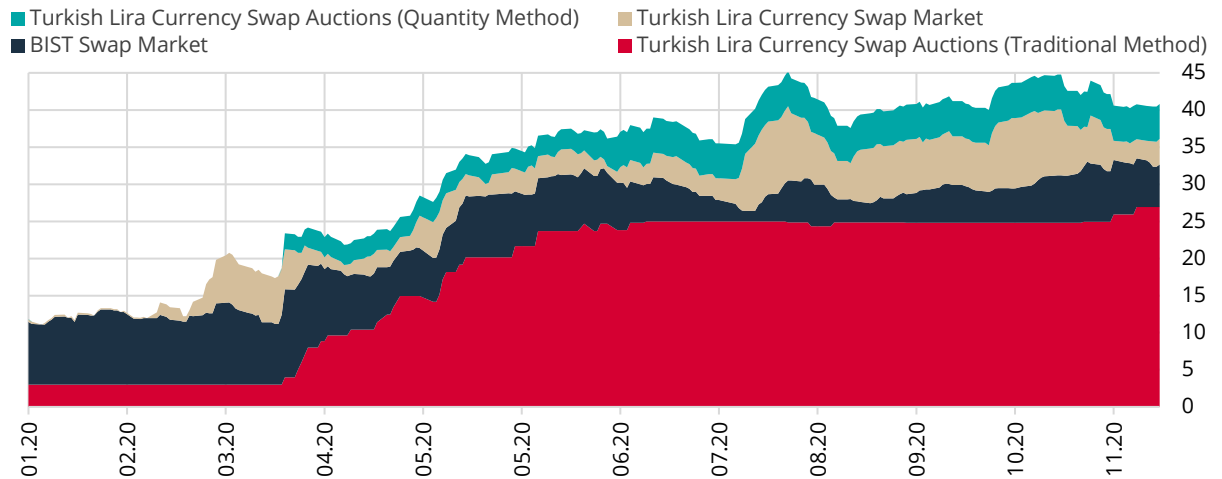


Source: CBRT Last Observation: 14 December 2020

67. Following the BRSA regulations on domestic banks' swap transactions with non-residents, banks' use of the CBRT swap facilities increased. Taking into account the needs and demands of banks regarding maturity and liquidity management, the limits for swap operations conducted at the CBRT were raised in 2020. As of 14 December 2020, the outstanding amount of the Turkish lira

currency swap market transactions conducted via the quotation method was USD 3.6 billion, while the outstanding amount of Turkish lira currency swap transactions conducted via the traditional auction method stood at USD 26.9 billion. The CBRT continued to conduct US dollar and euro transactions consistent with the monetary policy rates at the BIST Swap Market in 2020. As of 14 December 2020, the CBRT's swap transactions at the BIST Swap Market amounted to USD 5.6 billion (Chart 4).

**Chart 4: CBRT's TL Transactions against FX (USD Billion)**



Source: CBRT

Last Observation: 14 December 2020

- 68.** TL Gold Swap Market and FX Gold Swap Market transactions, which were started in 2019 to increase the effectiveness of banks' liquidity management and to contribute to the inclusion of gold savings into the financial system, continued in 2020. As of 14 December 2020, the outstanding amount of TL gold swap market transactions conducted via the quotation method was net 36.2 tons, the outstanding amount of FX gold swap market transactions was net 43.8 tons and the outstanding amount of the TL gold swap transactions conducted via the traditional auction method was net 52.3 tons.
- 69.** The OMO portfolio, which was set at a maximum of 5% of the CBRT analytical balance sheet total assets for 2020 in the Monetary and Exchange Rate Policy for 2020, was revised as 10% on 17 April 2020. Within this limit, in 2020, the CBRT held GDDS purchases totaling TRY 53.5 billion nominal. TRY 45.9 billion nominal of this amount was obtained via the traditional auctions and TRY 7.6 billion nominal was purchased from PD banks via the quantity auction method (Table 2).
- 70.** Moreover, PD banks were enabled to sell the GDDS they bought from the Unemployment Insurance Fund to the CBRT. Through the use of this facility, the CBRT bought securities with a nominal amount of TRY 12.2 billion and market value of TRY 20.7 billion. As a result of these purchases and redemptions to the CBRT in 2020, the CBRT's OMO portfolio nominal size including the securities bought from the Unemployment Insurance Fund through banks is TRY 79.9 billion.

**Table 2: CBRT Outright GDDS Purchases (TRY Billion)**

<b>Outright Purchases 2020</b>	<b>Nominal</b>	<b>Amount of TL Injected into the Market with Purchases*</b>	<b>Market Value**</b>
A. Outright Purchases via Traditional Auction Method 2020 (excl. UIF Purchases)	45.9	47.9	45.6
B. Outright Purchases from PD Banks via Quantity Auction Method 2020 (excl. UIF Purchases)	7.6	8.0	7.5
C. Outright Purchases 2020 (excl. UIF Purchases, A+B)	53.5	55.9	53.1
D. Portfolio Size (excl. UIF Purchases)	67.7		66.6
F. UIF Purchases	12.2	20.7	21.9
G. Total (D+F)	79.9		88.5

\*Shows the TL liquidity amount injected into the market on the buying date.

\*\* Shows the value of the GDDS on the CBRT OMO portfolio, calculated based on the prices stated in the Official Gazette of 14 December 2020.

- 71.** In 2020, depending on market conditions, the CBRT continued to conduct the TL cash-settled FX futures transactions, which were launched on 31 August 2018, at the Derivatives Market (VIOP) operating under the BIST. Short positions at the VIOP amounted to USD 2.0 billion as of 14 December 2020.
- 72.** On 14 December 2020, rediscount credits extended in TL to exporters and FX earning services providers via the acceptance of FX-denominated bills for rediscount were approximately USD 21.6 billion and rediscount credits added approximately USD 22.5 billion to the CBRT's FX reserves. By 14 December 2020, FX demand of energy-importing state economic enterprises of USD 5.95 billion has been met by the CBRT.

## 2.2. Turkish Lira and Foreign Exchange Liquidity Management in 2021

- 73.** In pursuit of the price stability objective, the CBRT will use TL and FX liquidity instruments effectively in 2021 to ensure healthy functioning of the monetary transmission mechanism and to curb risks to macro financial stability.

### TL Liquidity Management Framework in 2021

- 74.** The main policy instrument of the CBRT is quantity repo auctions with one-week maturity. Accordingly, the Turkish lira liquidity management will address the following objectives:

- To ensure that the average of secondary market overnight interest rates materializes around the one-week repo rate, i.e. the policy rate, when setting the daily repo auction amount,
- To ensure efficient and stable operation of money markets in accordance with the liquidity management strategy,
- To ensure that the instruments in use foster an effective monetary policy,
- To ensure smooth functioning of payment systems,

In order to attain these objectives and enhance the efficiency of the monetary policy, the liquidity level in the market and the distribution of liquidity in the banking system will also be taken into consideration when outlining the framework of liquidity management.

75. More than one repo auction may be conducted with maturities between 5 and 12 days -when deemed necessary- to enable balanced distribution of liquidity across the days of the week. If an unprecedented liquidity shortage emerges within the day, intra-day repo auctions with one-week maturity via the quantity method may be held between 1 p.m. and 4 p.m.
76. Currently, the CBRT's OMO portfolio (including the GDDS bought from the Unemployment Insurance Fund via banks) is TRY 79.9 billion nominal. In accordance with the CBRT's monetary policy stance in 2021, it is projected that no purchases will be made for securities to be redeemed in 2021 amounting to TRY 16.1 billion nominal. All securities included, the CBRT's OMO portfolio is not envisaged to exceed the maximum nominal level of TRY 64 billion at the year end.
77. The CBRT will use reserve requirement ratios as an instrument to support the monetary stance and the monetary transmission mechanism in pursuit of the price stability objective within a plain framework.

## FX Liquidity Management Framework in 2021

78. The implementation of the floating exchange rate regime will continue and exchange rates will be determined by supply and demand balances under free market conditions. The CBRT has no nominal or real exchange rate target. The CBRT will not conduct FX buying or selling transactions to determine the level or direction of the exchange rates. The main factors determining the foreign exchange supply and demand are the monetary and fiscal policies implemented, the current account balance and capital flows as well as economic confidence and expectations. On the other hand, FX supply and demand developments will be closely monitored in order to make sure that the FX market operates efficiently. In the event of excessive fluctuations in exchange rates detached from economic fundamentals, the CBRT may intervene through buying or selling transactions.
79. The CBRT will aim to strengthen the effectiveness of the monetary policy as well as boosting FX reserves for the sake of financial stability. FX rediscount credit repayments will continue to contribute to the FX reserves. The rediscount credit usage and the contribution of repayments to the reserves are both projected to amount to USD 21 billion in 2021. During periods in which the FX supply amount on the market increases strongly and steadily relative to the FX demand, the CBRT, in compliance with the floating exchange rate regime, may hold FX buying auctions via transparent methods according to a schedule with pre-announced rules. Accordingly, the current account balance and financial account developments, as well as the de-dollarization process will be monitored closely. Stable and strong capital inflows as well as de-dollarization domestically will be important indicators for starting FX buying auctions.
80. A required portion of the FX demand of the energy-importing state-owned enterprises will be met directly by the CBRT and the Ministry of Treasury and Finance as per market conditions. Accordingly, the amount of FX sales may be reduced gradually as long as market conditions allow.



- 81.** Depending on market conditions, TL-cash-settled FX futures transactions at the BIST VIOP may continue.
- 82.** The CBRT will continue swap transactions in order to contribute to the TL and FX liquidity management of banks. TL currency swap transactions and TL gold swap transactions conducted via the quotation method with one week maturity, BIST Swap Market transactions and swap auctions conducted via the traditional method will be used in line with the banks' needs throughout 2021. The one-week repo auction rate will be valid for the TL interest rate in swap transactions conducted via the quotation method and BIST Swap Market transactions. The use of the swap facility provided to banks is projected to decline gradually during the year depending on market conditions.
- 83.** In 2021, the CBRT may continue gold buying and selling transactions against FX in its spot market and at the BIST Precious Metals and Diamond Market to contribute to banks' gold liquidity management. Moreover, the CBRT may employ TL and FX gold swap transactions, TL gold swap auctions and location swap transactions with banks in 2021.
- 84.** Foreign banknotes against foreign exchange transactions conducted between the CBRT and the banks entitled to operate in FX markets will continue in 2021.
- 85.** The CBRT will continue to provide banks with FX liquidity at one-week and one-month maturities at the CBRT FX Deposit Market, with a limit of approximately USD 50 billion in total.
- 86.** Banks will be allowed to pledge collateral FX deposits and gold deposits with the CBRT with varying maturities up to three months within their limits.

## Annex 1: Policy Actions Taken in 2020

Announcement Date	Policy Action
9 December 2019	<p>Turkish lira reserve requirement ratios and remuneration rates were linked to the real loan growth calculated based on the last three-month average of the real cash loan stock values.</p> <p>Accordingly, banks with a real annual loan growth rate above 15% would be able to benefit from reserve requirement incentives if their adjusted real loan growth rate, which was calculated by deducting the entire real changes in the commercial loans with a two-year and longer maturity and housing loans with a five-year and longer maturity from the numerator of the growth rate formula, was below 15%; and banks with a real annual loan growth rate below 15% would be able to benefit from reserve requirement incentives if their adjusted real loan growth rate, which was calculated by deducting 50% of the real change in retail loans excluding housing loans with a five-year and longer maturity from the numerator of the growth rate formula, was above 5%.</p>
28 December 2019	<p>The CBRT decided to increase the reserve requirement ratios for FX deposits/participation funds by 200 basis points for all maturity brackets, and apply these ratios 200 basis points lower for banks that complied with the real annual loan growth conditions.</p>
2 January 2020	<p>Concerning the required reserve and notice FX deposit accounts at the CBRT, it was decided that an annual commission rate of</p> <ul style="list-style-type: none"> <li>- 0.025 (25 per thousand) would be applied to the FX amount held in USD for the portion that should be maintained against USD-denominated deposit/participation fund liabilities (excluding deposits/participation funds obtained from banks abroad),</li> <li>- 0.0025 (25 per ten thousand) would be applied to the FX amount held in EUR and USD for the portion that should be maintained against non-USD FX deposit/participation fund liabilities (excluding deposits/participation funds obtained from banks abroad).</li> </ul>
16 January 2020	<p>The policy rate (one-week repo auction rate) was reduced from 12% to 11.25%.</p>
17 January 2020	<p>The Turkish lira interest rate applied on the Turkish Lira Currency Swap Market and the Turkish Lira Gold Swap Market was lowered from 12% to 11.25%.</p>
18 January 2020	<p>Within the scope of the Reserve Options Mechanism, the upper limit of the facility of holding standard gold was decreased from 30% to 20% of Turkish lira reserve requirements. In addition, the upper limit of the facility of holding standard gold converted from wrought or scrap gold collected from residents was increased from 10% to 15% of Turkish lira reserve requirements.</p>
24 January 2020	<p>It was decided to open free gold deposit accounts under the CBRT account at the BIST on a bank basis.</p>
19 February 2020	<p>The policy rate (one-week repo auction rate) was lowered from 11.25% to 10.75%.</p>
20 February 2020	<p>The Turkish lira interest rate applied on the Turkish Lira Currency Swap Market and the Turkish Lira Gold Swap Market was lowered from 11.25% to 10.75%.</p>
25 February 2020	<p>It was decided that the unused portion of the total limit of outstanding swap transactions, conducted via the traditional auction (multiple-price) method, would be transferred to banks' transaction limits at the Turkish Lira Currency Swap Market and the amount to be transferred would be distributed in proportion to the banks' transaction limits at the Foreign Exchange and Banknotes Market.</p>
	<p>The CBRT introduced the facility of FX deposits as collateral at 2-day maturity. The buying rate for this facility was set at 1.50% for the US dollar and 0% for the euro, in line with other maturities.</p>

4 March 2020	<p>The US dollar interest rate applied on the Turkish Lira Currency Swap Market was lowered from 1.50% to 1.00%. The US dollar interest rate applied on the FX Gold Swap Market was lowered from 1.75% to 1.25% for the buy side and from 1.50% to 1.00% for the sell side.</p>
	<p>The US dollar buying rate on FX deposits as collateral was lowered from 1.50% to 1.00%. The US dollar FX deposit selling rate was lowered from 3.50% to 3.00% for one-week maturity and from 4.25% to 3.75% for one-month maturity.</p>
7 March 2020	<p>A revision to the reserve requirement regulation stipulated that banks would be able to benefit from reserve requirement incentives under the following conditions:</p> <ul style="list-style-type: none"> <li>- For banks with a real annual loan growth rate above 15%: If their adjusted real loan growth rate, which was calculated by deducting the entire real changes in loans with a longer-than-two-year maturity extended to selected sectors and housing loans with a five-year and longer maturity from the numerator of the growth rate formula, was below 15%,</li> <li>- For banks with a real annual loan growth rate below 15%: If their adjusted real loan growth rate, which was calculated by deducting 75% of the real change in retail loans excluding housing loans with a five-year and longer maturity and the entire TL loans extended starting from 9 March 2020 to facilitate early repayment or early restructuring of FX cash loans from the numerator of the growth rate formula, was above 5%.</li> </ul>
10 March 2020	<p>The remuneration rate for Turkish lira required reserves was reduced from 10% to 8% for banks that fulfilled the real annual loan growth conditions while it was left unchanged at 0% for banks that failed to fulfill the conditions.</p>
16 March 2020	<p>The US dollar interest rate applied on the Turkish Lira Currency Swap Market was lowered from 1.00% to 0%. The US dollar interest rate applied on the FX Gold Swap Market was lowered from 1.25% to 0.25% for the buy side and from 1.00% to 0% for the sell side.</p>
	<p>The US dollar buying rate on FX deposits as collateral was lowered from 1.00% to 0%. The US dollar FX deposit selling rate was lowered from 3.00% to 2.50% for one-week maturity and from 3.75% to 3.25% for one-month maturity.</p>
17 March 2020	<p>The policy rate (one-week repo auction rate) was lowered from 10.75% to 9.75%.</p> <p>To contain possible adverse effects of the global uncertainty led by the coronavirus (COVID-19) pandemic on the Turkish economy,</p> <ul style="list-style-type: none"> <li>- Liquidity limits of Primary Dealers in the framework of Open Market Operations (OMOs) were increased to support the Primary Dealership system.</li> <li>- It was announced that conventional swap auctions might also be held against euros and gold with maturities of one, three and six months.</li> <li>- FX reserve requirement ratios were reduced by 500 basis points in all liability types and all maturity brackets for banks that met real loan growth conditions within the context of the reserve requirement practice.</li> <li>- Banks were offered targeted additional liquidity facilities to secure uninterrupted credit flow to the corporate sector.</li> <li>- Accordingly, it was announced that Turkish lira liquidity would 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, and that Turkish lira currency swap auctions with a maturity of 1 year based on quantity auction method would be conducted against US dollars, euros and gold with an interest rate 100 basis points lower than the one-week repo rate.</li> <li>- To mitigate the possible impacts of global economic uncertainties and adversities in international trade on real sector firms, the maturities for repayments of rediscount credits for export and foreign exchange earning services, which would be due from 18 March 2020 to 30</li> </ul>

June 2020, were extended by up to 90 days. An additional 12 months of export commitment fulfillment time was offered for the rediscount credits whose export commitment had 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 credits was extended to 36 months from 24 months. In addition, effective from 20 March 2020, the maximum maturities for rediscount credits were extended to 240 days from 120 days for short-term credit utilization, and to 720 days for longer-term credit utilization.

18 March 2020	The Turkish lira interest rate applied on the Turkish Lira Currency Swap Market and the Turkish Lira Gold Swap Market was reduced from 10.75% to 9.75%.
31 March 2020	<p>With a view to containing the adverse effects of the global uncertainty led by the coronavirus (COVID-19) pandemic on the Turkish economy, the following measures were introduced to (i) strengthen the monetary transmission mechanism by boosting the liquidity of the Government Domestic Debt Securities (GDDS) market, (ii) enhance banks' flexibility in Turkish lira and foreign exchange liquidity management, and (iii) secure uninterrupted credit flow to the corporate sector and broadly support the pandemic-hit goods and services exporting firms with an SME-focused approach:</p> <ul style="list-style-type: none"> <li>- Outright purchase operations under the Open Market Operations (OMO) portfolio, which were conducted within the limits identified at the Monetary and Exchange Rate Policy for 2020 text, could be carried out in a front-loaded manner.</li> <li>- For a temporary period, the Primary Dealer banks were allowed to sell the GDDS that they had bought from the Unemployment Insurance Fund to the CBRT under the terms and limits set by the CBRT, or to increase at certain ratios the liquidity facility offered under OMO in the scope of the Primary Dealership system.</li> <li>- Under the Turkish lira and foreign exchange operations conducted at the CBRT, asset-backed securities and mortgage-backed securities were included in the collateral pool.</li> <li>- The limits for the targeted additional liquidity facilities offered to secure uninterrupted credit flow to the corporate sector were increased. It was also announced that through Turkish lira currency swap auctions with a maturity of six months, Turkish lira liquidity might be provided against US dollars, euros or gold, at an interest rate 125 basis points lower than the one-week repo rate, i.e. the CBRT's policy rate.</li> <li>- To facilitate goods and services exporting firms' access to finance and support sustainability of employment, Turkish lira-denominated rediscount credits for export and foreign exchange earning services would be extended.</li> </ul>
3 April 2020	The total limit of outstanding Turkish lira currency swap transactions conducted via the traditional (multi-price) auction method was raised from 20% to 30% of banks' total transaction limits at the Foreign Exchange and Banknotes Markets.
17 April 2020	<p>The maximum limit for the ratio of the OMO portfolio nominal size to the CBRT analytical balance sheet total assets was revised to 10%.</p> <p>It was decided that the limits offered to Primary Dealer banks for outright sales of GDDS to the CBRT would be applied independent of the repo transaction limits, and Primary Dealer banks were offered a GDDS selling limit that was equal to the repo limits.</p>
21 April 2020	The total limit of outstanding Turkish lira currency swap market transactions conducted via the quotation method was raised from 20% to 30% of banks' total transaction limits at the Foreign Exchange and Banknotes Markets.
22 April 2020	The policy rate (one-week repo auction rate) was lowered from 9.75% to 8.75%.
24 April 2020	The Turkish lira interest rate applied on the Turkish Lira Currency Swap Market and the Turkish Lira Gold Swap Market was reduced from 9.75% to 8.75%.

5 May 2020	The total limit of outstanding Turkish lira currency swap transactions conducted via the traditional (multi-price) auction method was raised from 30% to 40% of banks' total transaction limits at the Foreign Exchange and Banknotes Markets.
20 May 2020	The overall limit of the bilateral currency swap agreement, signed on 17 August 2018 between the CBRT and Qatar Central Bank, was increased from USD 5 billion equivalent of Turkish lira and Qatari riyal to USD 15 billion equivalent of Turkish lira and Qatari riyal.
21 May 2020	The policy rate (one-week repo auction rate) was reduced from 8.75% to 8.25%. The total limit of outstanding swap transactions at the Turkish Lira Currency Swap auctions conducted via the traditional (multi-price) method was raised from 40% to 50% of transaction limits at the Foreign Exchange and Banknotes Markets.
22 May 2020	The Turkish lira interest rate applied on the Turkish Lira Currency Swap Market and the Turkish Lira Gold Swap Market was reduced from 8.75% to 8.25%.
5 June 2020	It was announced that to (i) support highly efficient investments that would reduce imports and boost exports, (ii) lower external dependency as well as reduce the current account deficit problem, and (iii) support sustainable growth, advance loans against investment commitment would be extended initially through the Development and Investment Bank of Turkey at a fixed rate and with a maximum maturity of 10 years. The loan interest rate was set to be 150 basis points lower than the CBRT's policy rate (one-week repo auction rate), and the maximum amount of loans per firm was limited to TRY 400 million.
18 June 2020	The first usage of the Chinese Yuan (CNY) funding under the renewed swap agreement signed between the CBRT and the People's Bank of China in 2019 was realized.
20 June 2020	The CBRT decided to suspend until the year end the enforcement of the rule of having an adjusted real loan growth rate below 15% for the banks with a real annual loan growth rate above 15% in order to be able to benefit from reserve requirement incentives.
25 June 2020	The policy rate (one-week repo auction rate) was kept unchanged at 8.25%.
6 July 2020	The remuneration rate for Turkish lira required reserves was reduced from 8% to 7% for banks that fulfilled the real annual loan growth conditions while it was left unchanged at 0% for banks that failed to fulfill the conditions.
18 July 2020	FX reserve requirement ratios were increased by 300 basis points in all liability types and maturity brackets for all banks.
23 July 2020	The policy rate (one-week repo auction rate) was kept unchanged at 8.25%.
7 August 2020	Liquidity limits offered to Primary Dealers banks in the framework of Open Market Operations were reduced to half of their limits effective from 10 August 2020.
11 August 2020	Liquidity limits offered to Primary Dealer banks in the framework of Open Market Operations were reduced to zero effective from 12 August 2020.
17 August 2020	In the framework of the tightening steps taken under liquidity management, the CBRT started to conduct repo auctions via the traditional method.
18 August 2020	Banks' borrowing limits at the CBRT Interbank Money Market for overnight transactions were reduced to half of their limits effective from 19 August 2020.
20 August 2020	The policy rate (one-week repo auction rate) was kept constant at 8.25%.
20 August 2020	The CBRT decided to raise FX reserve requirement ratios for banks fulfilling real loan growth conditions by 700 basis points for precious metal deposit accounts and by 200 basis points for all other FX liabilities, for all maturity brackets. In addition, Turkish lira reserve requirement ratios were increased by 200 basis points for all deposits / participation funds liabilities with a maturity



	up to 6 months and other liabilities with a maturity up to 1 year, and by 150 basis points for other liabilities with a maturity up to 3 years.
21 August 2020	The total limit of outstanding gold swap transactions at the Turkish Lira Gold Swap Market was increased to 116 tons from 112 tons.
21 August 2020	The Turkish lira interest rate applied on the Turkish Lira Currency Swap Market and the Turkish Lira Gold Swap Market was raised to 9.75% from 8.25%.
14 September 2020	The commission rate charged over the Turkish lira equivalent of gold deposited to a custody center abroad in gold location swap transactions was reduced from 5 per ten thousand to 0.
24 September 2020	The policy rate (one-week repo auction rate) was increased to 10.25% from 8.25%.
25 September 2020	The Turkish lira interest rate applied on the Turkish Lira Currency Swap Market and the Turkish Lira Gold Swap Market was raised to 10.25% from 9.75%.
9 October 2020	The Turkish lira interest rate applied on the Turkish Lira Currency Swap Market and the Turkish Lira Gold Swap Market was raised to 11.75% from 10.25%.
12 October 2020	<p>The remuneration rate for Turkish lira required reserves was increased to 9% from 7% for banks that fulfilled the real annual loan growth conditions and to 2% from 0% for banks that failed to fulfill the conditions.</p> <p>In addition, concerning the FX amounts held in the required reserve and notice FX deposit accounts at the CBRT, the annual commission rate</p> <ul style="list-style-type: none"> <li>- applied to the FX amount held in USD for the portion that should be maintained against USD-denominated deposit/participation fund liabilities (excluding deposits/participation funds obtained from banks abroad) was reduced to 0.0125 (12.5 per thousand),</li> <li>- applied to the FX amount held in EUR and USD for the portion that should be maintained against non-USD FX deposit/participation fund liabilities (excluding deposits/participation funds obtained from banks abroad) was reduced to 0.00125 (12.5 per ten thousand).</li> </ul>
22 October 2020	The policy rate (one-week repo auction rate) was kept constant at 10.25% and the margin between the CBRT Late Liquidity Window lending rate and overnight lending rate was set as 300 basis points.
2 November 2020	Effective from 3 November 2020, banks' borrowing limits at the CBRT Interbank Money Market were reduced to zero, and overnight repo transactions via the quotation method against TL-denominated lease certificates in the scope of Open Market Operations were suspended.
3 November 2020	The Turkish lira interest rate applied on the Turkish Lira Currency Swap Market and the Turkish Lira Gold Swap Market was raised to 13.25% from 11.75%.
19 November 2020	The policy rate (one-week repo auction rate) was increased to 15% from 10.25%. The CBRT decided to provide all funding through the main policy rate, which is the one-week repo auction rate.
20 November 2020	The Turkish lira interest rate applied on the Turkish Lira Currency Swap Market and the Turkish Lira Gold Swap Market was raised to 15.00% from 13.25%.
25 November 2020	The total limit of outstanding Turkish lira currency swap transactions conducted via the traditional (multi-price) auction method was raised from 50% to 60% of banks' total transaction limits at the Foreign Exchange and Banknotes Markets.
27 November 2020	The CBRT decided to repeal the reserve requirement practice that links the reserve requirement ratios and remuneration rates to real loan growth rates, and apply the same reserve requirement ratios and remuneration rates to all banks.

Accordingly, the remuneration rate for Turkish lira-denominated required reserves was set at 12% for all banks, and the commission rate applied to the required reserves maintained against USD-denominated deposit/participation fund liabilities was reduced to 0% from 1.25%.

**Annex 2: Schedule for Monetary Policy Committee Meetings and Reports in 2021**

MPC Meetings	Summary of the MPC Meeting	Inflation Report	Financial Stability Report
21 January 2021	28 January 2021	28 January 2021	
18 February 2021	25 February 2021		
18 March 2021	25 March 2021		
15 April 2021	22 April 2021	29 April 2021	
6 May 2021	11 May 2021		28 May 2021
17 June 2021	24 June 2021		
14 July 2021	28 July 2021	29 July 2021	
12 August 2021	19 August 2021		
23 September 2021	30 September 2021		
21 October 2021	28 October 2021	28 October 2021	
18 November 2021	25 November 2021		26 November 2021
16 December 2021	23 December 2021		
20 January 2022	27 January 2022	27 January 2022	
17 February 2022	24 February 2022		
17 March 2022	24 March 2022		

Note: The Monetary and Exchange Rate Policy for 2022 will be published in December 2021.

### Annex 3: Monetary and Liquidity Policy Instruments

Transaction	Objective	Instrument	Maturity	Frequency
Main Policy Instrument	Making sure that secondary market overnight rates materialize around the policy rate (one-week repo rate)	One-Week Repo Auctions	One-week 5 - 12 days	Daily
Standing Facilities	Ensuring that the possible volatility level of money market interest rates remains within the interest rate corridor set by the CBRT	TL Deposit Borrowing/Lending at the CBRT's Interbank Money Market	Overnight	Daily
		Primary Dealer Repo Facility	Overnight	Daily
		Repo Quotations Against Lease Certificates	Overnight	Daily
		Repo/Reverse Repo at BIST Repo Markets	Overnight	Daily
Lender-of-Last-Resort Transactions	As the lender of last resort, the CBRT tries to avoid temporary liquidity shortages that may cause interruptions in the payment system and technical payment problems that may obstruct the effective functioning of financial markets	Late Liquidity Window (LON) Deposit Lending/Borrowing	Overnight	Daily
		Late Liquidity Window (LON) Repo	Overnight	Daily
		Intraday Limits	Intraday	Daily
Unconventional Instruments	Avoiding excessive interest rate volatility	Intraday Repo Auctions	Weekly	If needed

## Annex 4: FX and Gold Market Instruments and Key Features

	TL Currency Swaps	TL Currency Swap Auctions (Traditional Method)	TL Cash- Settled FX Futures Transactions at the BIST Derivatives Market (VIOP)	FX Deposit Market Transacti ons	BIST Swap Market Transactions	TL Gold Swap Auctions (Traditional Method)	TL Gold Swaps	FX Gold Swaps
Participants	Member banks	Member banks	All VIOP members	Member banks	Banks authorized by the BIST	Member banks	Member banks	Member banks
Minimum Amount	USD 1 million	USD 1 million	USD 1,000	USD/EUR 1 million	USD/EUR 1 million	1 kg	1 kg	1 kg
Collateral Ratio (%)	10%	10%	Set by the VIOP	100%	Set by the BIST	10%	10%	10%
Settlement	When due	When due	Daily	When due	When due	When due	When due	When due
Announced Limit	30% of FX market limits	60% of FX market limits	-	USD 50 billion		100 tons	119.5 tons	133.5 tons (buying), 100 tons (selling)
Maturity	One week	One month, three months, six months	Set by the VIOP	One week, one month	Maximum 180 days	One month, three months, six months	One week	One week
Method	Quotation	Auction	Quotation	Quotation	Quotation	Auction	Quotation	Quotation