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PRESS RELEASE ON RESERVE REQUIREMENTS

In order to simplify the structure of reserve requirements that are used as a monetary and macroprudential policy tool, a new approach has been adopted. Accordingly, instead of deducting specified items from the total domestic liabilities, only the items subject to reserve requirements will directly be taken into account while calculating liabilities subject to reserve requirements. Thus, immaterial items, which do not have a direct impact on the monetary policy but reduce the efficiency of the operational processes, have been excluded from reserve requirements coverage.

With the revision, liabilities subject to reserve requirements are redefined as follows:

a) Deposits/participation funds,

b) Funds from repo transactions,

c) Loans obtained (except the loans guaranteed by the Treasury),

d) Securities issued (net),

e) Subordinated debt (except the debts taken into account in the calculation of own funds),

f) Loans booked by foreign branches,

g) Deposits/participation funds of residents booked by foreign branches,

h) Liabilities to the head office and branches abroad (net) exceeding the amount of (f) and (g).

i) Debt from credit cards.

With the revision, FX liquidity of approximately USD 1 billion is projected to be injected to the market.

In light of the latest developments in global markets and with a view to supporting financial stability by ensuring a more effective functioning of the reserve options mechanism (ROM) working as an automatic stabilizer, the reserve option coefficients (ROCs) for foreign exchange reserves held for Turkish lira required reserves have been revised as follows:

FX Facility Tranches (%)	Current ROC	New ROC
0-30	1.4	1.4
30-35	1.5	1.5
35-40	1.8	1.8
40-45	2.2	2.6
45-50	2.5	2.9
50-55	2.7	3.1
55-60	2.8	3.2

Banks have been consistently using the FX ROM facility; the utilization ratio is 90.6 percent (54.3/60). The utilization ratio of the facility is 46.3 percent (27.8/60) for financing companies that have been recently included in the reserve requirements coverage. Currently, FX worth USD 33.7 billion is being held for Turkish lira required reserves, and the contribution of the revisions on the Central Bank reserves will depend on banks' preferences.

The revisions will be effective as of the calculation period dated 17 January 2014 and the maintenance period will begin on 31 January 2014.