

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

In its press release of 10 December 2009 on “Monetary and Exchange Rate Policy for 2010”, the Central Bank of the Republic of Turkey (CBRT) announced the general framework of the monetary and exchange rate policies envisaged for 2010 and declared that the foreign exchange buying auctions held with an aim to build up foreign exchange reserves would continue. In the said press release, the maximum daily amount to be purchased in auctions was determined as USD 60 million, with USD 30 million of auction amount and USD 30 million of optional selling amount. It was also stated that unless foreign exchange liquidity conditions displayed a significant change, the CBRT would continue to hold the auctions. In this framework, the CBRT has purchased a total of USD 11.1 billion since August 2009 when the foreign exchange buying auctions were resumed.

The main objective of foreign exchange buying auctions held by the CBRT is to increase the level of foreign exchange reserves without conflicting with the main principles and the mechanism of the floating foreign exchange rate regime. Therefore, the Central Bank considers the periods when the foreign exchange supply surpasses the foreign exchange demand, as an opportunity to increase the level of foreign exchange reserves.

In the January-July 2010 period, capital flows to Turkey were unstable due to the developments in the global financial markets and changes in risk appetite, whereas capital flows to Turkey have recently grown more stable on the back of the latest developments in global financial markets, as was the case in other emerging market economies. Hence, in order to accelerate the foreign exchange reserve accumulation, the CBRT decided to increase the maximum daily amount to be purchased in auctions to USD 80 million, with USD 40 million of auction amount and USD 40 million of optional selling amount, starting from 3 August 2010.

As a result of the 33 percent increase in the auction amount, a sum of approximately USD 14.5 billion is expected to be purchased in the year ahead, provided that no further change is made in the auction amount.

Meanwhile, as was the case in our previous implementations, the developments related to foreign exchange supply will be closely monitored in the upcoming period and in the event of unforeseen developments, the Central Bank may, with prior notice, change the daily auction amount and/or optional selling amount in both directions and may suspend the auctions temporarily for shorter and longer periods.

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