Press Release on Additional Measures Taken against the Economic and Financial Impacts of the Coronavirus

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The measures taken to contain adverse effects of the global uncertainty led by the coronavirus (COVID-19) pandemic on the Turkish economy were announced on 17 March 2020. For the same purpose, the CBRT introduces the following additional measures 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 goods and services exporting firms, which are affected by the pandemic, with an SME-focused approach:

1. Outright purchase operations under the Open Market Operations (OMO) portfolio, which are conducted within the limits identified at the Monetary and Exchange Rate Policy for 2020 text, can be carried out in a front-loaded manner and these limits may be revised depending on the market conditions. These operations are intended to enhance the effectiveness of the monetary transmission mechanism via increasing the market depth, enabling sound asset pricing and providing banks with flexibility in liquidity management.

2. For a temporary period, the Primary Dealer banks, will be able to sell the GDDS that they have bought from the Unemployment Insurance Fund to the CBRT under the terms and limits set by the CBRT, or will be able to increase at certain ratios the liquidity facility offered under OMO in the scope of the Primary Dealership system. This aims at supporting financial stability by containing the likely impacts of the liquidity need of the Unemployment Insurance Fund on market functioning. These GDDS purchases will be out of the scope of the limits set for the OMO portfolio. The related parties will be provided with detailed information and criteria for these operations.

3. Under the Turkish lira and foreign exchange operations conducted at the CBRT, asset-backed securities and mortgage-backed securities have been included in the collateral pool. Accepting these securities as collateral will contribute to increasing the liquidity of similar securities issuances and to deepening the capital markets, and also enhance banks' flexibility in Turkish lira and foreign exchange market liquidity management. Banks will be further informed about the criteria for securities to be accepted as collateral and the limits for this facility.

4. The limits for the targeted additional liquidity facilities offered to secure uninterrupted credit flow to the corporate sector will be increased. In addition to the targeted liquidity facilities of repo auctions with maturities up to 91 days and Turkish lira currency swaps with a maturity of one year, the CBRT will also hold Turkish lira currency swap auctions with a maturity of six months. Through these swap auctions with six-month maturity, related banks will be provided with Turkish lira liquidity 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.

5. 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 will be extended. Turkish lira-denominated rediscount credits will be extended based on the following principles:
    a. A total limit of TRY 60 billion has been defined for the credits.
    b. Of this limit, TRY 20 billion has been allocated for credit utilization via Türk Eximbank, TRY 30 billion for credit utilization via public banks, and TRY 10 billion for credit utilization via other banks.
    c. Minimum 70% of the credits to be extended via banks other than Eximbank will be allocated to SMEs.
    d. On a firm basis, the maximum amounts of credits have been set at TRY 25 million for SMEs and TRY 50 million for other firms.
    e. Firms that can obtain FX rediscount credits, overseas contracting companies, and firms participating in international fairs will be able to benefit from this credit facility.
    f. The interest rate for these credits will be 150 basis points lower than the one-week repo rate, i.e. the CBRT's policy rate.
    g. The maximum commission rate of intermediary banks will be 150 basis points.
    h. The credits will have a maximum maturity of 360 days, and will be extended on condition that the export or foreign exchange earning services commitment as well as the employment level as of 1 March 2020 are maintained throughout the credit period.

Contact:
For further information, you may send an e-mail to basin@tcmb.gov.tr.