

## **THE CBRT PRESS RELEASE ON FOREIGN EXCHANGE SELLING AUCTIONS**

The problems in international credit markets have been deepening since the second half of September 2008, leading to liquidity squeezes in many countries. The Central Bank of the Republic of Turkey has gradually and effectively taken the necessary measures to minimize the adverse effects of the problems in developed markets on the domestic market and credit mechanism. The Central Bank has accordingly announced, in its "Monetary and Exchange Rate Policy for 2009" of 16 December 2008, additional measures it may resort to in case of necessity.

It was further stated in the aforementioned policy document that foreign exchange selling auctions could be held in case of unhealthy price formation in the foreign exchange market due to a decrease in its depth. Accordingly to ensure smooth operation of the foreign exchange market through supporting liquidity, it has been decided to resume foreign exchange selling auctions as of 10 March 2009.

The amount of foreign exchange to be sold via auctions has been set as USD 50 million and this amount may be increased when deemed necessary. The foreign exchange selling auctions will be held in accordance with the guidelines set out in the Annex of Press Release no. 2008-29 dated 24 October 2008. The daily volume of auction is subject to change upon prior notice depending on the developments in the foreign exchange markets. In addition, the auctions can be suspended when necessary.

Additionally, when foreign exchange selling auctions fall short of meeting the liquidity requirement in the foreign exchange market and/or in the case of excessive fluctuations in exchange rates due to speculative behaviors stemming from liquidity shortage, the Central Bank may **directly intervene in the market, selling foreign exchange**.