

30 December 2005

PRESS RELEASE
ON
THE CBRT FOREIGN EXCHANGE BUYING AUCTIONS FOR 2006 AND NEW
TURKISH LIRA INTEREST RATES

The CBRT announced the general framework of the exchange rate policy, foreign exchange buying auctions and liquidity management to be adopted in 2006 with the press release No. 2005-56 entitled *“General Framework of Inflation Targeting Regime and Monetary and Exchange Rate Policy for 2006”* on 5 December 2006. It would be useful to reiterate the following points about “Guidelines for Foreign Exchange Buying Auctions” and the changes to be made in the “Central Bank Short-Term Interest Rates” to be entered into effect as of 2 January 2005:

Foreign Exchange Buying Auctions

1) Guidelines for foreign exchange buying auctions to be held in 2006 are as follows:

- a) The total daily amount of auctions is determined as USD 20 million for 2006.
- b) Auctions will not be held on public holidays of the United States, even if it is a working day in Turkey. Neither will auctions be held on half working days or if when the Central Bank has started to directly intervene in foreign exchange market prior to auction hours. In this framework, auctions will start on 3 January 2006, since the date of 2 January 2006 will be holiday in the United States.
- c) The additional optional selling amount priced over the average price of the auction will only be granted to the winner parties. The optional amount will be 200 percent of the total amount sold in the auction by each bank. Accordingly, the maximum daily amount that can be bought will be USD 60 million, with USD 20 million of auction amount and USD 40 million of optional selling amount.

- d) The auction number will be posted on Reuters page CBTQ at 1.30 p.m. and institutions may bid between 1.30 – 1.45 p.m.
- e) After the auction results are posted on the CBTQ page of Reuters, the institutions may exercise their right to sell the optional amount till 2.00 p.m.
- f) The other rules for the foreign exchange buying auctions remain the same and will continue to be applied as before.
- g) The CBRT may, with a prior notice, suspend the auctions temporarily when the depth of the foreign exchange market is lost due to serious exogenous shocks or unforeseen extraordinary developments, and when the resulting excessive volatility in exchange rates and unhealthy price formation are observed.

YTL Interest Rates

2) Within the framework of the technical interest rate arrangements, the short-term interest rates to be applied at the CBRT Interbank Money Market and at the Istanbul Stock Exchange Repo-Reverse Repo Market starting from 2 January 2006 will be as follows:

- a) **Overnight Interest Rates:** While the borrowing interest rate of **13.50 percent** is kept unchanged, the lending interest rate is lowered to **16.50 percent** from 17.50 percent.
- b) **Other Maturities:** The one-week borrowing interest rate will no longer be announced.
- c) **Late Liquidity Window Interest Rates:** Within the framework of the Late Liquidity Window Facility, the CBRT overnight borrowing interest rate applicable between 16:00 – 16:30 hours at Interbank Money Market is increased to **9.50 percent** from 5 percent, while lending interest rate is lowered to **19.50 percent** from 21.50 percent.
- d) The interest rates applicable to overnight and one-week maturity borrowing facilities provided for primary dealer banks via repo transactions within the framework of open market transactions remain the same as 15.50 percent.

3) As was stated in the Press Release dated December 5, 2005, with these changes of interest rates, the Central Bank did not intend to make any change in interest rates by considering the

inflation target. It has to do with only the technical arrangements intended at narrowing the potential volatility margins of the overnight interest rates. Therefore, the interest rate for daily borrowing transactions, which is determined as a benchmark interest rate under excess liquidity conditions, has been kept unchanged.