

PRESS RELEASE

As is known, the Banking Regulation and Supervision Agency (BRSA) has completed its examination and evaluation of the financial statements of the deposit-taking banks established in Turkey as of end-2001, and has ascertained the capital adequacy and capital needs of the banks.

Within the context of the Re-structuring of the Banking Sector Program, this development is an important step. Having solved the problems of the state-owned and the Savings Deposit Insurance Fund (SDIF) banks which had exerted great pressure on the banking system during the February 2001 crisis, raising the capital adequacy ratios of privately owned banks to the level of internationally accepted standards will definitely contribute to a permanent recovery and stability of the financial sector. This development is very important, since financial stability is vital for the efficiency of monetary policy aiming at price stability. In fact, the Central Bank of the Republic of Turkey (CBRT) has acted in line with the BRSA in the previously announced arrangements for the money markets.

The CBRT will closely monitor the markets and continue to make necessary arrangements for the effective functioning of the markets, in order to conclude the re-capitalization process of banks in a smooth manner and without endangering financial stability. In this process, capital injection is required by the BRSA either from the owners of the banks or from the SDIF if needed.

In this framework, as we already announced in our press release "The Monetary and Foreign Exchange Rate Policies in 2002 and Expected Developments" on 2 January 2002, the timetable concerning the phasing out of the CBRT's blind broker role in Interbank Money Market and Foreign Exchange and Banknotes Markets as from July 2002 will be implemented as planned.

As has already been announced, the gradual elimination of the CBRT's intermediation role will by no means lead to a reduction in the Turkish lira and foreign exchange liquidity the banks were able to obtain from the CBRT. On the contrary, the "late liquidity window facility" to be available from the beginning of July will provide limitless borrowing facility for the banks from the CBRT, which will also guarantee the smooth functioning of the payments system. Furthermore, the repo transactions to be done during the working hours will regulate the liquidity levels in the system. The CBRT has also made the following arrangements for providing liquidity to the banks under the re-capitalization program.

1. Banks under the re-capitalization program are allowed to conduct repo transactions within the framework of the CBRT open market operations via quotation method to meet their short-term liquidity needs.
2. Banks may conduct one-week repo transactions with the CBRT, when needed.
3. The interest rate of such repo transactions will be determined by adding 2 points to the CBRT's one-week borrowing rate announced to the public.

4. Within this framework, the possible liquidity needs of the Pamukbank, which was taken over by the SDIF, will be met in accordance with the above principles.