

CENTRAL BANK OF THE REPUBLIC OF TURKEY
PRESS RELEASE

In “Section V: Arrangements for the Operational Framework of Monetary and Foreign Exchange Policies” of the Central Bank’s press release “Monetary Policy and Exchange Rate Policy in 2002 and Prospective Developments” dated January 2, 2002, the working procedures to be made in the operation of Foreign Exchange and Banknotes Markets within the premises of the Central Bank were announced for the information of the public.

As it was stated in the press release, acting of the Central Bank as an intermediary in the Turkish Lira and foreign exchange markets by assuming the credit risks of market participants, due to particular conditions of the period when these markets were established, no longer contributes to the well of the markets and creates distorted pricing mechanisms, in which risk perceptions are not fully reflected. Furthermore, markets may sometimes get the wrong idea about the transactions carried among the market participants, as if the Central Bank were the counterpart to thereof. This misunderstanding can give rise to wrong or confusing signals from the monetary and exchange rate policies. Making the achievement of price stability its primary objective, it is very important for the Central Bank to restructure its role in the Turkish Lira and foreign exchange markets so that its monetary policy and exchange rate policy may be better pursued and understood.

Within this framework, the limits for the operations exclusively among those institutions which are allowed to make transactions in the Foreign Banknotes Against Turkish Lira Markets will be zero (0) as of July 1, 2002.