

**THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
PRESS RELEASE**

As is known, through several press releases, the Central Bank has announced that the current foreign exchange regime was neither a fixed rate system nor a regime with a fixed rate of increment or one that was intended to be kept at a level not consistent with economic fundamentals through frequent interventions. It has also been reiterated that the level of foreign exchange rate was determined by the supply-demand conditions in the markets but still the volatility in the foreign exchange rate was being supervised and that there always existed the possibility of a direct intervention in case there emerged an excessive volatility in both directions in the markets.

As a matter of fact, an increasing volatility has been observed in the foreign exchange rates due to the political uncertainty in the last few days. Our assessment of these developments has been detailed in our press release dated June 28, 2002. As it was stated in the mentioned press release, the current economic program has been designed having considered the probability of shocks and uncertainties not originating from within the economy, and the structural reforms that have been implemented within the framework of the program up till now have decreased the vulnerability of the economy to uncertainties and external shocks. The institutional arrangements carried out under the scope of the program assure that the autonomous institutions will pursue their current policies. In other words, besides its legal responsibility of maintaining the price stability, as a supportive objective, the Central Bank will continue to supervise the financial stability in cooperation with other authorized institutions.

As of today, the gradually increasing political uncertainty perceptions in the markets caused the volatility in the foreign exchange rate and interest rate to gain a new momentum not hinging on economic fundamentals.

Therefore, with the aim of containing the excessive volatility in the foreign exchange rate, the Central Bank has directly intervened in the foreign exchange market.