

DECISION OF THE MONETARY POLICY COMMITTEE

Meeting Date: August 4, 2011

Participating Committee Members

Erdem Başçı (Governor), Turalay Kenç, Necati Şahin, M. İbrahim Turhan,
Abdullah Yavaş, Mehmet Yörükoğlu.

The Monetary Policy Committee (the Committee) has decided to set the short term interest rates as follows:

- a) One-week repo rate (the policy rate) has been decreased from 6.25 percent to 5.75 percent,
- b) Overnight Interest Rates: Borrowing rate has been increased from 1.50 percent to 5 percent, lending rate has been kept at 9 percent, the interest rate on borrowing facilities provided for primary dealers via repo transactions has been kept at 8 percent,
- c) Late Liquidity Window Interest Rates (between 4:00 p.m. – 5:00 p.m.): Borrowing rate has been kept at 0 percent, while lending rate has been kept at 12 percent.

Concerns regarding sovereign debt problems in some European economies and the global growth outlook have continued to intensify, increasing the risks highlighted in the July Committee meeting. In order to limit the potential downside volatility in the short-term interest rates, the Committee has decided to narrow the interest rate corridor by significantly increasing the overnight borrowing rate. In addition, the Committee has approved a technical adjustment to increase the efficiency of the central bank liquidity management and to facilitate a more balanced provision of liquidity across the system.

Moreover, the Committee has delivered a measured policy rate cut to reduce the risk of a domestic recession that may be caused by the heightened problems in the global economy.

The Committee has agreed to closely monitor the developments, and if necessary, take measures to provide foreign exchange liquidity via appropriate methods and instruments.

It should be emphasized that any new data or information may lead the Committee to revise its stance.

The summary of the Monetary Policy Committee Meeting will be released within five working days.