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PRESS RELEASE
ON THE FOREIGN EXCHANGE INTERVENTION
OF THE CENTRAL BANK

The Central Bank has announced through several press releases that, under the floating exchange rate regime, the level of exchange rate is determined by supply and demand conditions in the currency markets, the volatility in the exchange rate is closely observed by the Central Bank, and the Central Bank may directly intervene in the markets in the event of an excessive volatility that might occur in either directions.

Since the excessive volatility in exchange rates has recently been observed due to the reduced foreign exchange liquidity arising from the price volatility in foreign exchange assets of banks and the reverse currency substitution process, the Central Bank has directly intervened in the markets today by selling foreign currency. As was also the case in the previous buying or selling interventions, today’s intervention should not be interpreted as if the Central Bank were uneasy at the actual level of the Turkish lira.

Moreover, in relation to temporary foreign exchange liquidity needs mentioned above, the interest rate applicable to one-week maturity foreign exchange deposits provided for banks within their borrowing limits in the Foreign Exchange and Banknotes Markets operating at the Central Bank, has been cut to 6 percent from 10 percent starting from today.