

## THE CBRT PRESS RELEASE

### A) FOREIGN EXCHANGE BUYING AUCTION PROGRAM FOR SEPTEMBER

Considering that strong reserve position would boost the market's confidence in the current program and observing the excess foreign exchange supply, the Central Bank of Turkey (CBRT) started to hold foreign exchange buying auctions, on 6 May 2003.

Daily auctions that had been announced as USD 20 million in May were increased to USD 30 million in June, to USD 40 million at the start of July, and to USD 50 million on 17 July 2003, with the prospects of the progressively increasing trend in excess foreign exchange supply due to the seasonal factors. Through foreign exchange buying auctions, the CBRT bought USD 3.010 billion in total in the period between 6 May and 29 August 2003. Moreover, USD 2.083 billion in total was bought by means of four outright buying interventions aiming at preventing excessive volatility in exchange rates. Hence, total amount of USD 5.093 billion was bought through foreign exchange buying auctions and foreign exchange outright buying interventions in the May – August period.

Although it is predicted that the excess foreign exchange supply observed in the May-August period should continue also in September, it has been decided to determine the total amount of daily foreign exchange buying through the auctions with a more flexible method, considering the volatility in excess supply that might occur due to seasonal factors. This decision has been taken upon uninterrupted communication with market players. Accordingly, the total amount of daily foreign exchange buying will be USD 40 million, and a selling option based on the average price realized in the auction will be granted exclusively to those institutions (banks and special finance houses) that are eligible to sell foreign exchange in that auction. The maximum amount of the optional selling that an institution can utilize will be limited to 50 percent of what it has sold in that auction. Therefore, the maximum daily auction can amount to USD 60 million, by the utilization of the optional selling of USD 20 million. On the other hand, in the event that there is no bid, or no optional selling, there will be no foreign exchange buying in the subsequent auctions in order to compensate the unsold amounts. Accordingly, foreign exchange buying auctions are to be held on 21 working days throughout the September, except for September 1<sup>st</sup>, 2003, which is public holiday in USA, and it is planned that the maximum amount to be bought should be USD 1.260 billion.

Those institutions wishing to utilize the optional foreign exchange selling after the auction is completed, have to declare the amounts that they wish to utilize to phone numbers (312) 309 19 66-89 at Foreign Exchange and Banknotes Markets Division before 03:30 p.m. The total amount of optional selling by institutions after the auction will be announced on the Reuters CBTQ page.

As were announced by previous press releases, the CBRT may, with a prior notice, suspend the auctions before the end of the period in the cases where the depth of foreign exchange market is lost and excessive volatility is observed in exchange rates due to an external shock or unpredictable developments. In addition, the CBRT may make changes in

the amounts of daily auctions by announcing it in advance, due to unexpected significant and enduring changes in the excess foreign exchange supply.

As usual, the CBRT will continue to closely monitor the volatility in exchange rates and will directly intervene in the market in case of an excessive volatility in both directions.

#### **B) THE TL DEPOSIT BUYING AUCTION PROGRAM FOR SEPTEMBER**

The CBRT will continue to conduct Turkish Lira buying auctions in September 2003 with a standard four-week maturity that was initiated in April 2002 as a supplement to its existing instruments in the Interbank Money Market with the aim of enhancing the effectiveness of its efforts to sterilize the excess Turkish lira liquidity in the system.

Turkish lira buying auctions will be held every week on Wednesday and Friday as before, and the maximum amount to be bought in every auction will be TL 100 trillion.