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**PRESS RELEASE**

**The interest rate on TL required reserves is decreased to 16 percent, by cutting 3 percentage points, to be effective from 26 December 2003.**

With the aim of contributing to the efficient and effective functioning of banks by alleviating their financial intermediation costs, TL required reserves and FX required reserves have begun to be remunerated starting from 8.8.2001 and from 24.5.2002 respectively, in order to reduce the funding costs of required reserves maintained in the Central Bank without being remunerated.

The interest rate applied to TL required reserves was decreased recently to 19 percent with a cut of 2 percentage points to be effective from 15.10.2003 and it was announced that the interest rate applied to TL required reserves is held in the range between 75 to 80 percent of the simple weighted average interest rate for Turkish lira denominated deposits and determined in line with the changes in interest rates applied by banks on deposits.

The interest rate applied to TL required reserves has been set as 16 percent, with a cut of 3 percentage points, to be effective from 26 December 2003, by taking into consideration the declines in interest rates applied by banks for Turkish lira denominated deposits since 15.10.2003, influenced also by the reduction in borrowing rates applied by CBRT.

As before, the interest rate applicable to FX required reserves shall continue to be determined weekly, and shall be equivalent to the interest rate on 2-days notice FX deposits that the banks hold as free deposits with the Central Bank.