

PRESS RELEASE

The interest rate on TL required reserves of banks is decreased to 19 percent, by cutting 2 percentage points, to be effective from 15 October 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 August 2001 and from 24 May 2002 respectively, in order to reduce the funding costs of required reserves maintained in the Central Bank (CBRT) without being remunerated.

The interest rate applied to TL required reserves was decreased recently to 21 percent with a cut of 2 percentage points to be effective from 19 September 2003 and it was announced that the interest rate applied to TL required reserves would be held in the range between 75 to 80 percent of the simple weighted average interest rate for Turkish lira denominated deposits and be 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 19 percent, with a cut of 2 percentage points, to be effective from 15 October 2003, by taking into consideration the declines in interest rates applied by banks for Turkish lira denominated deposits since 19 September 2003, influenced also by the reduction in borrowing rates applied by the 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 CBRT.