

13 June 2003

THE CBRT PRESS RELEASE

The Central Bank of Turkey (CBRT) continues to hold foreign exchange buying auctions in the month of June as well, again in line with the principles set forth in the press release of 5 May 2003. The said auctions were made public with press releases on the 5th and 29th of May 2003, in connection with the excess foreign exchange supply resulting from the reverse currency substitution process, also upon having considered that a strong foreign exchange reserve position by the CBRT would help boost market confidence in the current program.

It is decided to discontinue the practice of “the maximum bid price” as of 16 June 2003, all other rules of the foreign exchange buying auctions being the same. The rationale behind this decision, which was taken according to the uninterrupted communication process with the market participants, is explained below, in line with ‘the principle of transparency’ in monetary and exchange rate policy implementations.

As it is known, ‘the maximum bid price’ used to be calculated on the basis of ‘the average value of the averages of the buying and selling rates as quoted by banks in the interbank foreign exchange market for 1 USD’, in accordance with ‘The Rules for Determining the Indicative Exchange Rates’ that were announced by our press release no. 2002-25, dated 28 March 2002. Since the maximum price obtained as such happened to be somewhat lower than the market price from time to time, it was observed that the bid amounts were rather low especially in June, despite the foreign exchange supply. In fact, the total amount of bids for 7 auctions out of 10 auctions held in June remained below the announced maximum amount. The maximum bid price fixed in all those 7 auctions remained below the best foreign exchange selling prices of banks that offered price quotations in the bidding period of auction, and therefore the planned amount of foreign exchange buying could not be achieved in some days. With this amendment, it is aimed to buy the planned daily amount of foreign exchange.

Moreover, as announced in our press release of 5 May 2003, 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 due to an external shock or unpredictable developments and excessive volatility is observed.