

12 September 2011

**PRESS RELEASE ON REQUIRED RESERVES, REDISCOUNT CREDIT  
IMPLEMENTATIONS  
AND FOREIGN EXCHANGE SELLING AUCTIONS**

The Monetary Policy Committee (the Committee) at the interim meeting on August 4, has laid out the ground for a timely, controlled and effective provision of liquidity to the market in case of a possible financial turmoil that may be triggered by global developments and decided the implementation of a comprehensive package of measures gradually according to conditions.

The Committee at the meeting on August 23, given the uncertainties regarding the global economy, has indicated the importance of monitoring all developments closely and delivering the required policy response in a timely manner.

Since the last two meetings, the data announced for the advanced economies and the recent developments have led to increased concerns regarding sovereign debt problems in some European countries and the global growth outlook. In this context, not only in order to meet the Turkish lira liquidity needs of the banking system in a more permanent way and lower cost, but also support and use Central Bank's foreign exchange reserves timely, controlled and effectively, the implementation of the following additional measures has been decided.

1) With the Communiqué No. 2011/10 that changes Communiqué About Reserve Requirements, the facility that up to 10 percent of reserve requirements for Turkish lira liabilities can be maintained in US dollar and/or euro has been provided to banks, being effective as of the calculation period of 16 September 2011. Therefore, a maximum of 3.9 billion US dollars against 6.8 billion TL corresponding to 10 percent of Turkish lira reserve requirements can be maintained in foreign currencies as of the maintenance period of 30 September 2011.

2) With the same Communiqué, gold deposit accounts, showing a rapid increase in recent periods, have also been included in the coverage of the reserve requirements. On the other hand, as a new flexibility provided to the banking system, the facility of

maintaining reserves requirement as "standard gold" at the accounts of Central Bank against the total amount of reserve requirement maintained for the precious metal deposit accounts and up to 10 percent of reserves requirement for foreign currency liabilities excluding precious metal deposit accounts, has been provided.

As of the calculation period of 14 October 2011, about 685 million US dollars shall be maintained for gold deposit accounts which becomes subject to required reserves. As of maintenance period of 28 October 2011, a maximum 2.7 billion US dollars of gold can be maintained in Central Bank to fulfill the whole reserve requirement held against the precious metal deposit accounts and up to 10 percent of required reserves for foreign currency liabilities excluding precious metal deposit accounts. However, considering current gold stocks of banks, 1.3 billion US dollars of gold can be maintained.

3) The Regulation on Rediscount and Advance from the Central Bank of the Republic of Turkey has been amended and the conditions of lending export rediscount credits provided within the framework of this Regulation have been eased. In this context, the duration of fulfilling the export commitment has been raised from 4 months to 6 months. During the first eight months of 2011 approximately 1.5 billion US dollars worth of export rediscount credits have been used from Central Bank's funds and the outstanding balance of these credits is 870 million US dollars. A rise in the demand for these credits, which has already been seen from the second half of 2011 onwards, is expected to accelerate as a result of aforementioned easing of the conditions for the use of credit. Therefore the overall limit of export rediscount credits has been increased from 2.5 billion US dollars to 3 billion US dollars. These credits are provided in Turkish lira and their repayments are made in foreign currency.

Accordingly, the increase in the use of these credits will also result in an increase in Central Bank's foreign exchange reserves.

4) Regarding the foreign exchange selling auctions, preserving the other clauses announced at the press release dated August 4, 2011, starting from today, on the days when the Central Bank decides to sell foreign exchange, based on daily market developments, the selling amount announced on Reuters page CBTQ at 11:00 a.m. will be the maximum daily amount that could be sold. After receiving the offers, when deemed necessary, the Central Bank could sell less than the determined maximum selling amount for that day.