



Turkey

The Turkish lira (TRL) was first introduced in 1927 and replaced the Ottoman lira which had been in circulation since 1844. After persistently high inflation from the 1970s to the 1990s, the lira was replaced by 'the New Turkish Lira' (TRY) on 1st January 2005 at a rate of 1 TRY = 1,000,000 TRL. Following a four-year transition period, the 'new' marking was removed and its official name has again become 'the Turkish lira'. A three-year disinflation program was launched in 2000 which envisaged two different FX regimes. The first was a fixed exchange rate regime that incorporated daily announcement of a currency basket (formed of USD and EUR) until June 2001. The second regime, implemented between July 2001 and December 2003, entailed introduction of a crawling peg regime against the same basket. However, the program had to be abandoned during the 2001 crisis and the lira is now a fully floating currency with no target levels.

The primary objective of the Central Bank of the Republic of Turkey (CBRT) is to achieve and maintain price stability, while the Bank also considers financial stability as a vital component for achieving its objective. Furthermore, as long as not in conflict with the primary objective of price stability, the CBRT also supports the growth and employment policies of the government. The CBRT adopted inflation targeting first implicitly between 2002 and 2005, and then formally since 2006. The target for 2015 and 2016 is 5.0% (+/- 2%). The CBRT is organized as follows: the Bank is led by a board, which consists of a Governor and six members. The Board oversees the Monetary Policy Committee (MPC), which consists of seven members, and is led by the Governor of the Central Bank. The Committee meets 8 times a year to set the policy rates.

The CBRT intervenes directly or through flexible auctions in the market, in case of unhealthy price formation. The Bank purchased FX through daily auctions until July 2011, with the aim of building up reserves. Since August 2011, the CBRT sold FX at daily auctions with the aim of supporting the lira. At times of severe market stress the CBRT directly intervene by selling USD to the market. Since December 2014, the CBRT has been selling FX directly to BOTAS, the state energy importer, on a monthly basis to avoid undue volatility in the FX market. Since January 2017, the Bank has also been conducting one-week FX swap auctions to release FX liquidity to the system. CBT has also launched TRY-settled forward FX sale auctions since November to support FX hedging efforts of the corporate sector. The lira is fully convertible and deliverable. Spot is generally quoted in USD/TRY, but EUR/TRY is regularly traded and other crosses such as TRY/ZAR and TRY/ILS are also quoted and traded..

