

No: 2006 - 12

March 15, 2006

Dear Press Members,

Pursuant to the Central Bank Law No. 1211, I was given the mandate of the Acting Governor by the Board, which met yesterday evening at the end of the business hours, to fill the vacancy in the Governor's post due to the retirement of Mr. Süreyya Serdengeçti. I would like to extend my gratitude to the Board of the Bank for their trust and kindness.

I have been holding the Vice Governor position at the Central Bank of the Republic of Turkey since October 2003. As you have been closely following, we have all together accomplished many achievements in recent years that will always be remembered as the turning points in our economic history.

The first ones to come to mind are the removal of six zeros from our currency, the point we have reached with regard to transparency and accountability in monetary policy decision-making processes, and the transition to formal inflation targeting at the start of 2006.

I could comfortably say that, as a result of these developments, the Central Bank of the Republic of Turkey has attained world standards in terms of independence, transparency and accountability, and become one of the most appreciated central banks of the world.

Of course, the ultimate objective of these three principles is to achieve and maintain price stability. In 2006 – the 75th anniversary of the establishment of our Bank, we can say with great pleasure that we have gone a long way on the road to price stability.

Each and every member of the Bank has made significant contributions in this process.

Dear Press Members,

As you know, Mr. Süreyya Serdengeçti, who played a critical role in the planning and management of “disinflation” process under the “implicit inflation targeting” regime implemented between 2002 and 2005, has retired as of yesterday evening. Among other members of the Executive Committee, Ms. Sedef Ayalp has retired as of 8 March 2006, and Prof. Fatih Özatay has submitted his petition for retirement to be effective as of 4 April 2006. Hence, Prof. Özatay will be able to participate in the Monetary Policy Committee meeting to be held on 23 March 2006.

On behalf of myself and of the staff of the Central Bank, I would like to extend my most sincere gratitude, appreciation and respect to each of my colleagues.

Distinguished members of the press,

Being decision organs of the Bank, the Executive Committee needs the votes of at least three members to take a decision, and the Monetary Policy Committee needs the presence of at least five members to convene.

While the appointment process is underway for the three very important positions vacated by retirement, it is necessary to ensure that the meetings are held and the decision-making mechanism operate without any interruptions. Therefore, Mr. Rifat Günay, the Executive Director of Banking and Financial Institutions Department of the CBRT is appointed as the Acting Vice Governor as of 15 March 2006 for the Vice Governor position vacated by Ms. Sedef Ayalp by retirement, upon our recommendation and with the approval of State Minister Mr. Ali Babacan. Mr. Günay will assume his duty as the Acting Vice Governor in the shortest time possible.

You can have a copy of Mr. Günay's resume from the Communication Department.

Dear Press Members,

Our monetary policy will continue as detailed in "The General Framework of Inflation Targeting Regime and Monetary and Exchange Rate Policy for 2006" announced in December 2005.

Accordingly, we published our first Inflation Report, which contained the medium-term inflation expectations and a policy perspective, on 31 January 2006. Preparations are underway for the second Inflation Report that will be published on 28 April 2006. Meanwhile, we have been publishing another important communication instrument of the Bank, the Summary of the Monetary Policy Committee Decisions, every month since January 2006. The Monetary Policy Committee has started to make decisions by vote as of January 2006 as well.

For the first time in Turkey's history, the Central Bank of the Republic of Turkey has set inflation targets for a three-year period jointly with the Government. These targets are: 5 percent for 2006; 4 percent for 2007 and 4 percent for 2008 and we have focused on achieving these targets.

As you all know, we announced the uncertainty band as 2-percentage point around the target-consistent path for the year 2006. Hence, the accountability principle stated in the Article 42 of the Central Bank Law was applied concretely.

The floating exchange rate regime is a sine qua non for "inflation targeting". Therefore, our efforts for the widespread recognition of the "risk awareness" in the public and more frequent use of "risk management principles and tools" in both public and private sectors will continue under the floating exchange rate regime.

In this framework, we have planned and started preparations of an international conference to be held in fall 2006 that will address the topics of "dollarization" and the resulting "fear of float".

I have the pleasure in expressing that the Central Bank of the Republic of Turkey has taken many important steps in the past few years. The best examples of these steps include the re-denomination of Turkish Lira, the achievement of lowering inflation to single digits after a period of 30 years and the adoption of the inflation-targeting regime in order to reduce the inflation to the levels of "price stability" and to keep it there.

Dear Press Members,

I have a strong belief that every new step that we will make from now on will lead both the Central Bank and the Turkish Economy to a better footing compared to the previous position.

Thank you for your participation.