New Monetary Policy Frame and Tools of the Central Bank in Turkey

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ABSTRACT

The excessive expansionary (quantitative easing) monetary policy implemented by developed countries' central banks in order to overcome 2008 financial crisis has adversely affected the financial stability of developing economies on a large scale.

This new conjuncture that emerged after the global crisis has led the said central banks to search for a new monetary policy. In this context, the Central Bank of the Republic of Turkey (The CBRT) has designed and implemented a new monetary policy framework since the end of 2010.

Here, being mainly a descriptive and compilation study, the general framework of the monetary policy implemented by the CBRT after targeting price stability as well as financial stability are explained. In addition, what kind of monetary policy instruments developed by the CBRT with the aim of controlling the effects of the quantitative easing policies in developed countries threatening economy of Turkey will be analysed and it will be explained for which purposes and how these instruments are used..

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Türkiye'de Merkez Bankası'nın Yeni Para Politikası Çerçevesi ve Araçları

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ÖZET	MAKALE BİLGİSİ
2008 küresel krizinden çıkabilmek için gelişmiş ülke merkez bankalarının izlediği aşırı parasal genişleme (niceliksel/miktarsal gevşeme) politikaları, gelişmekte olan ülkelerin finansal istikrarını önemli ölçüde olumsuz etkilemiştir. Küresel kriz sonrası ortaya çıkan bu yeni konjonktür, gelişmekte olan merkez bankalarını yeni para politikası arayışlarına itmiştir. Bu çerçevede Türkiye Cumhuriyet Merkez Bankası (TCMB) da 2010 yılının sonlarından itibaren yeni bir para politikası çerçevesi tasarlayarak uygulamaya koymuştur. Temelde betimleyici ve derleme nitelikte olan bu çalışmada, TCMB'nin fiyat istikrarı ile birlikte finansal istikrarı da hedeflemesi sonrası uyguladığı para politikasının genel çerçevesi tanıtılmaktadır. Ayrıca gelişmiş ülkelerdeki niceliksel gevşeme politikalarının, Türkiye ekonomisini tehdit eden etkilerini kontrol etmeye yönelik olarak TCMB tarafından geliştirilen para politika araçlarının neler olduğu ve bu araçların hangi amaçla ne yönde kullanıldığı açıklanmaktadır. **Anahtar Kelimeler:** Para politikası, Türkiye Cumhuriyet Merkez Bankası (TCMB), faiz koridoru, zorunlu karşılık oranı (ZKO), rezerv opsiyonu mekanizması (ROM). **JEL sınıflama kodu:** E52, E58, G21.	

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Introduction

The crisis environment in financial markets which emerged with the mortgage crisis in 2007 in the US has evolved into a global crisis with the bankruptcy of Lehman Brothers Investment Bank in 2008. After the global crisis started in 2008, liquidity has been extensively injected into financial markets by central banks of developed countries which has begun to threaten macroeconomic and financial stabilities of developing economies. These expansive policies carried out in developed countries have resulted significant reflections on developing economies, including Turkey (TCMB, 2013b: 17). In this scope, the CBRT has started to target not only price stability but also financial stability.

As a result of aiming both price and financial stabilities, the central banks have needed to use a wide variety of complex monetary policy tools. Therefore, the monetary authorities of the countries have begun to use unusual (unconventional) monetary policy instruments, which are inevitably caused by their own internal dynamics.

In this descriptive and compilation study, firstly, the general framework of the monetary policy implementations developed by the CBRT after targeting financial stability as well as price stability will be introduced, then interest rate corridor and innovative and multi-faceted regulations on required reserves, and new policy instruments such as Reserve Option Mechanism (ROM) which have been put into effect since 2010 will be identified.

1. General Framework of the Monetary Policy Implementations After the Financial Stability Target of the CBRT

Before the 2008 global financial crisis, it was stated by central banks and academia circles that price stability would be sufficient for financial stability (Issing, 2003: 17-18). However, this idea has been changed following the crisis. The most fundamental change is to abandon the view that in the case of price stability, financial stability will be achieved automatically at the same time. The view that price stability is the only and essential condition to provide, financial stability has been abandoned by central banks with crisis conditions (Serel, Özkurt, 2014: 57).

The FED has realised major changes related to monetary policy after the crisis that began in Lehman Brothers in August 2007 (Gertler, Karadi, 2011: 17). The CBRT has also started to work on these evaluations since the end of 2010. The aim of the new policy instruments that the CBRT is trying to design in parallel with cyclical developments is to control the current account deficit and volatility of capital flows besides the financial instruments such as exchange rate, domestic credit volume, and so on (Başçı, Kara, 2011: 4-8).

High current account deficit and volatility of capital flows cause the economy to be more fragile. It is important to limit the current deficit and to balance the external financing in order to ensure macroeconomic stability and sustainable growth. The severe recession in economic activities in the crises of 1994, 2001, and 2008 occurred with a sudden stop in capital flows. This observation points to the need to increase the resilience of the economy against sudden changes in global risk appetite in a situation where financing is very short-term and volatile; at the same time, it emphasises the significance of a more flexible approach to monetary policy. Thus, the new policy framework adopted by the CBRT needs to be evaluated mainly within this context (Kara, 2012: 4).

In the implementation of monetary policy in Turkey, some additions have been done to the previous approach after the global crisis. The reason of that is the possible impact of global crisis and international economic developments on financial stability. Accordingly, in the (traditional) approach applied before 2010, while the main objective of the monetary policy was price stability, this new financial stability has been added to the new (non-traditional) approach. In this context, it is aimed to ensure financial stability without compromising price stability (Başçı, Kara, 2011: 4-5).

The main instruments and transfer mechanism that the CBRT uses to reach its ultimate goal in monetary policy, price and financial stabilities, in the new policy framework are shown in Table 1.

Table 1. *Old and New Monetary Policy Frameworks of the CBRT*

	Instruments	**Objectives**
Old Framework	Policy Interest One-week repo rate	Price stability

New Framework	Interest rate corridor
	
	   One-week repo rate
	
	   Liquidity management
	
	Reserve requirements
		Price stability
		
		Financial stability

Source: *TCMB, 2013b: 12.*

The first column of the Table refers to the instruments of monetary policy that have diversified with the new approach: while in the old approach, one interest rate (one week repo rate), also called 'policy interest', was used in the framework of interest corridor application; the basic tools of the new policy are (i) more than one interest rate indicator as a result of a flexible liquidity management policy with (ii) the Leverage-Based Reserve Requirement which is a different form of application of reserve requirements and the ROM.

The existence of monetary policy instruments that are likely to conflict with one another in the context of achieving price and financial stabilities requires the diversity of instruments aiming at achieving both goals at the same time. In the period which financial fragility and instability emerged as a result of global liquidity abundance and increased risk appetite, with the intensification of international capital inflows to Turkey, in policies applied to prevent the issues such as the expansion of the domestic credit volume and the overvaluation of the TL, the indicators used as intermediate variables were credit volume and exchange rate (Kara, 2012: 6-7).

In other words, domestic loans and exchange rate variables refer to the channels of practice in which instrumental variables are used to achieve monetary policy objectives. As seen in Table 1, monetary transmission mechanism is aimed to operate through exchange rate and credit channels: mobility in foreign capital flows is felt at domestic financial markets mainly through changes in credit volume and fluctuations in exchange rates (Başçı, Kara, 2011: 4-5).

In developing countries as Turkey, the credit growth of the banking sector can also accelerate in line with the demands of firms that are affected positively by the rapid

appreciation of the domestic currency. In this case, on one hand, the appreciation observed in the domestic currency, on the other hand rapid credit growth disrupt the effectiveness of the resource allocation in the economy and can cause macroeconomic instability because the increase it creates in domestic demand also (together) increases the demand in import. Moreover, the rapid depreciation of the domestic currency and a sudden contraction process which may be observed in credit volume can also affects financial stability negatively. For this reason, the CBRT has developed a new monetary policy framework since 2010 that also includes financial stability in order to reduce the adverse effects which may arise from capital flows, to provide loans to grow at reasonable rates and to prevent the fluctuations in exchange rate from affecting adversely economic stability (TCMB, 2012a: 3-4).

2. New Monetary Policy Instruments of the CBRT

The CBRT, instead of using a short-term single interest rate (policy interest) instrument; a wide (symmetrically or asymmetrically adjustable) interest rate corridor implementation, regulations on reserve requirements, and new instruments such as the ROM have been developed (TCMB, 2012a: 4).

2.1. Innovative Approach in the Implementation of the Interest Rate Corridor

Interest rate corridor and One-week repo rate are among the main elements used in the new monetary policy. Here, information about them are given.

Interest Rate Corridor

During the day, the CBRT can raise funds at overnight lending rates, in the interbank money market against the collaterals, to the banks which are in liquidity shortage on the condition that being limited with their sources. Again, the CBRT can borrow overnight at the borrowing rate on the money market (Eğilmez, 2015: 1).

The overnight lending rate of the the CBRT is called as 'ceiling (upper bound of the interest rate corridor)' and borrowing rate is expressed as 'base (lower bound of the interest rate corridor)'. The interval between these two is named as 'interest rate corridor'. Overnight market rates are realised in the BIST Repo-Reverse Repo Market, within the interest rate corridor between the above ceiling and base rates (Figure 1).

This wide 'interest rate corridor' implemented by the CBRT as of 2010 has been different from both its former policies and those of other central banks. The difference between the base and ceiling rates has been determined as a wide interval contrary to usual implementations. However, depending upon the normalisation in the global monetary policies, the CBRT announced in August 2015 that it would implement a new policy. In this context, the 'interest rate corridor' would both be narrowed and be arranged more symmetrically around one-week repo rate. This new policy assessed not as 'expansion or contraction' but 'simplification' process. Thus, for example, Monetary Policy Board launched narrowing interest rate corridor by decreasing overnight interest rate in the period March-July 2016. The main aims here were to increase predictibility in the liquidity policy and to provide eficiency in the implementation of liquidity management by the banks (Tiryaki, 2016: 1).

Figure 1: *Operational Framework of the CBRT Interest Rate Corridor*
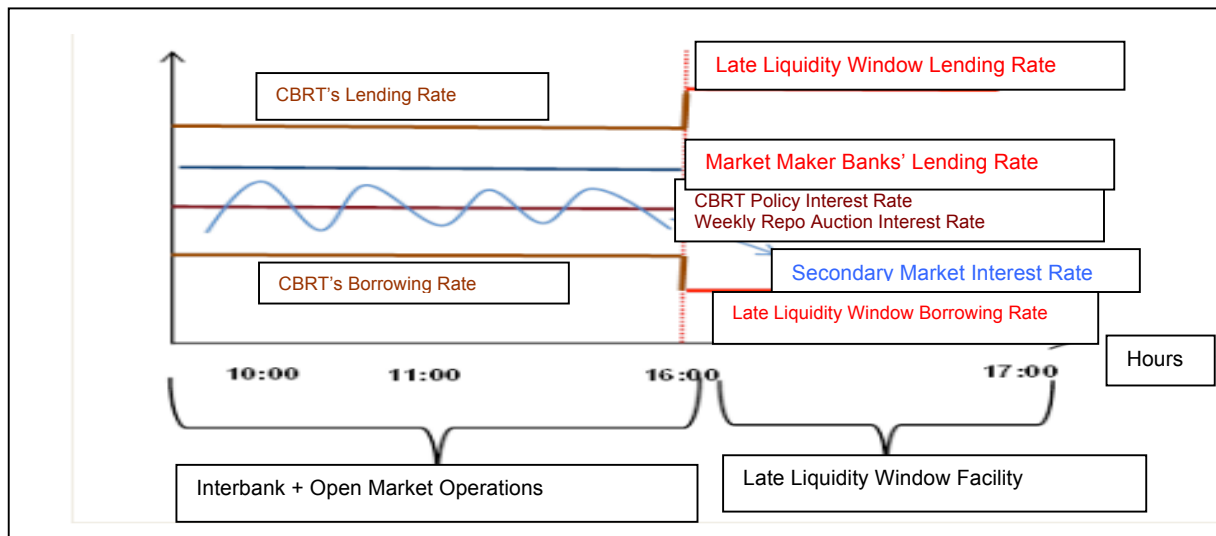
Source: *TCMB, 2013b: 14.*
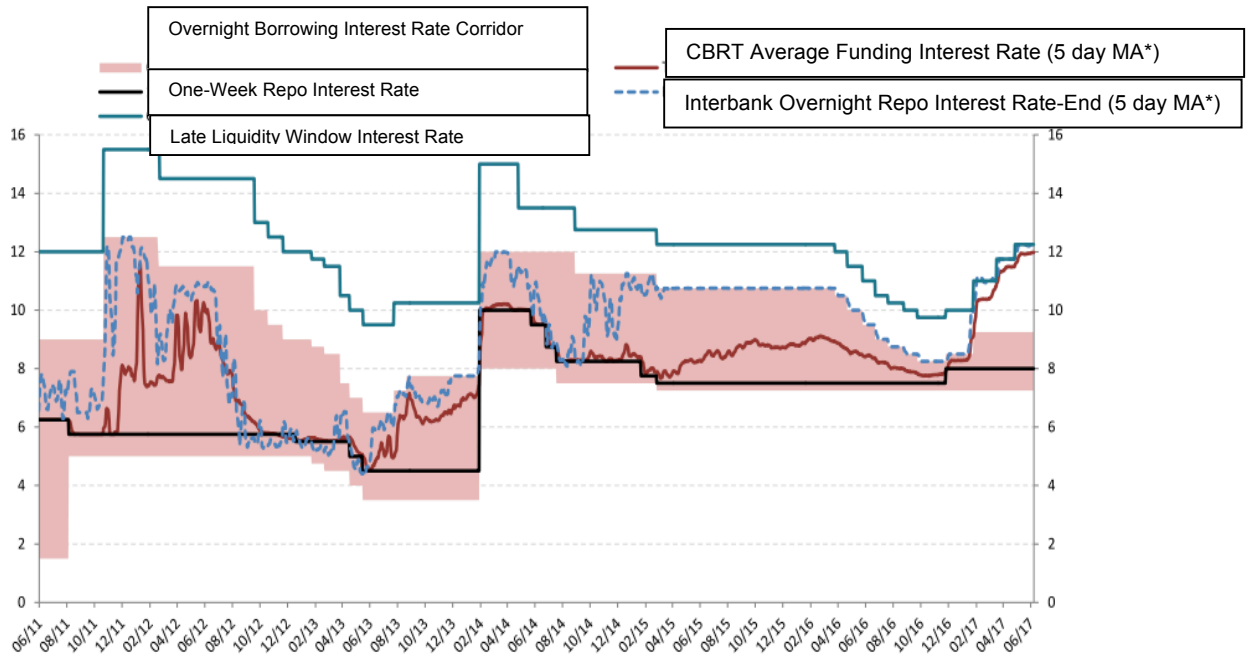
One-Week Repo Rate (Policy Rate)

Within the framework of liquidity management, one of the funding tools of the CBRT is repo auctions with a one-week maturity. The banks sell their bonds and bills to the CBRT and receive cash by assigning repurchase (repo) agreements with the CBRT and take back their papers by paying the required amount at the end of the maturity period (Eğilmez, 2015: 1). One-week repo auction is carried out by quantity auction method (TCMB, 2013b: 14).

The liquidity requirement of the market is met with flexibility within the framework of the CBRT's changing liquidity management objectives. Although the CBRT meets its liquidity need primarily through a one-week maturity repo auction, marginal funding over the upper limit of the interest rate corridor can also be implemented when necessary. In this situation, depending on the changing liquidity management practices, the average cost (Weighted Average Interest Rate / Cost) of the TL financing provided by banks from the CBRT varies. Through one-week repo auctions that meet a certain part of the liquidity requirement, overnight interest rate can be realised in the interest rate corridor and at the levels determined by the Monetary Policy Board (Eğilmez, 2015: 1).

In this system, the interest rate corridor should be narrowed and expanded in some periods by the CBRT in order to render the corridor effective as the result of capital movements over the macroeconomic risks such as exchange rate volatility and loan growth. In this scope, interest rate corridor can affect macroeconomic variables in markets via credits and exchange rate channels. Widening the interest rate corridor upwards and additional tightening with liquidity operations can have effects on the loans. Banks generally act towards the upper bound of the corridor while pricing interest risk. Hence, the CBRT, where it is the lender of last resort, can affect credit growth by raising the upper limit of the corridor (TCMB, 2013b: 13).

Figure 2 shows the development of the CBRT's interest rate corridor and BIST's overnight interest rates between 2011-17.

Figure 2: *CBRT's Interest Rate Corridor and BIST's Overnight Interest Rates*

* MA: Moving Average

Source: *TCMB, 2017: 77.*

In the Figure 2, the difference between overnight borrowing and lending rates shows the interest rate corridor, the one-week repo rate shows the policy rate determined by the CBRT, the overnight repo interest rate shows the short-term interest rate on the market, and the average funding rate indicates the weighted average interest rate of the liquidity borrowed by the CBRT to the markets.

When the interest rate corridor is widened downwards, the loans lended in the market as well as the short-term capital movements can also be limited. On the contrary, in the periods when capital outflows are experienced, global capital flows slow down, and currency volatility rises upwards, the exchange rate volatility may be reduced by widening the interest rate corridor upwards (Kara, 2012: 11).

In order to mitigate the pressure of capital movements on the exchange rate, the CBRT can make funding less than the market needs when it deems it necessary. Thus, institutions that provide lower liquidity from the CBRT sell foreign currency (FX) to meet liquidity deficits. This case limits the effect of the capital outflows on the exchange rate (TCMB, 2013b: 14).

Unlike the monetary policy with one instrument, there have been basically two gainings of the interest rate corridor (Serel, Özkurt, 2014: 61):

a) The possibility of using credit and exchange rate channels in different directions for price and financial stability purposes.

b) An implementation flexibility for the acquisition of the CBRT which can be adjusted on a daily frequency.

The CBRT can affect; the short-term interest rates in the secondary market, the exchange rates and the growth rate of the credits through the interest rates applied to the

overnight transactions constituting the upper bound of the interest rate corridor, and the interest rates applied to the weekly repo transactions.

The CBRT, interestingly, gave up the exceptionality of 'late liquidity window facility' and determined it as a 'rule' instrument by assuming other instruments as 'exceptional' starting from January 2017. As of midst of January 2017, the CBRT has never lended through one-week repo auction. Thus, it stopped this method called as 'policy interest rate' used before intensively. From that on, 'new policy interest rate' of the CBRT has been the one used for 'late liquidity window facility' (Eğilmez, 2017: 1)

2.2. Reserve Requirement Ratios

The reserve requirement ratios (RRR) are one of the most applied tools the CBRT uses to ensure financial stability. The RRRs represent a certain proportion of the deposits kept by banks that they are legally obliged to hold at the central banks. The CBRT effectively manages the reserve requirements in order to reduce the volatility in short-term interest rates (to increase the effectiveness of the interest rate corridor) and to affect the credit supply. The RRRs affect loan supply on two channels, namely direct cost and liquidity channels (Başçı, Kara, 2011: 6).

In the case of increasing the RRR, since the banks have to hold a larger part of their liquidity in the CBRT, the amount of liquidity they can use to lend decreases and an increase in resource costs is observed. The CBRT aims to affect the loan supply of the commercial banks as well as to reduce the volatility of the short-term interest rates by using the RRRs. When the Turkish Lira (TL) liquidity decreases in the economy, the CBRT reduces the RRRs of TL. It may also reduce the RRRs for the FX in order to increase its liquidity. The RRRs can be increased if the causes that lead to the problem of TL and FX liquidity are eliminated (Demirhan, 2013: 580).

The reserve requirement implementation is used both to regulate the amount of loan supply and short-term interest rates of banks and to reduce the maturity mismatch between banks' assets and liabilities. As the deposits which have an important place among the resources of the banks are short-term and the loans are long-term, it causes a maturity mismatch that may lead to liquidity and interest risks. This results in financial instability (Eroğlu et al., 2016: 70). In this context, the RRRs can be kept low in favour of long-term liabilities (Table 2). The CBRT has increased the RRRs applied in 'demand, 1 and 3 month deposits' in different periods.

Table 2: *Reserve Requirement Ratios (RRR) (%)*

Turkish Lira (TRY)		
Deposits and Participation Funds (Excluding deposits/participation funds obtained from banks abroad)	Ratios	
- Demand, notice, up to (and including) 1 and 3-month maturity	10.5	
- Up to (and including) 6-month maturity	7.5	
- Up to 1-year maturity	5.5	
- 1-year and longer maturity	4	
Borrower funds of investment banks	10.5	
Other Liabilities (Including deposits/participation funds obtained from banks abroad)	Ratios	
- Up to 1-year maturity (including 1-year)	10.5	
- Up to 3-year maturity (including 3-year)	7	
- Longer than 3-year maturity	4	

Foreign Currencies (FX)		
Deposits and Participation Funds (Excluding deposits/participation funds obtained from banks abroad)		
- Demand, notice, up to (and including) 1-3-6 month maturities and up to 1-year maturity	12	
- 1-year and longer than 1-year maturity	8	
Borrower funds of investment banks	12	
Other Liabilities (Including deposits/participation funds obtained from banks abroad) (**)	Current Ratios (*)	New Ratios (*)
- Up to (and including) 1-year maturity	19	24
- Up to (and including) 2-year maturity	13	19
- Up to (and including) 3-year maturity	7	14
- Up to (and including) 5-year maturity	6	6
- Longer than 5-year maturity	5	4

(*) New RRRs will be applied to the liabilities after 28 August 2015, as of the maintenance period dated 23 October 2015. The current ratios will continue to be applied to stock of liabilities on 28 August 2015 until the end of their original maturities.
(**) Deposits/participation funds obtained from banks abroad will be subject to the new ratios for flow liabilities.
Source:
http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+EN/TCMB+EN/Main+Menu/MONETARY +POLICY/Reserve+Requirement+Ratios/, (Access date: 05.12.2017).

The CBRT's reserve requirement liabilities were expanded. According to this policy, financing companies are also included in the implementation of the reserve requirement. The main reason of this is that monitoring of the credit channels out of banking sector is significant for the financial stability. In this context, financing institutions are obliged to hold required reserves in the CBRT over the rates currently applicable to the banks in the framework of their liabilities. One of the new regulations aimed at ensuring financial stability of the CBRT is the leverage-based reserve requirement system that seeks to restrict the level the indebtedness of the banks and put into effect for monitoring purposes in 2013. The leverage ratio is commonly expressed as the ratio of assets to equity. The high ratio is considered as a situation that could result in financial crises. This is due to the fact that high leverage ratios mean that most of the assets in the financial system are financed by debt, thus financial risks increase (Demirhan, 2013: 581-582).

One of the most important lessons learned from the 2008 global crisis is that the financial system running with high leverage will lead to economic disruption in the middle and long periods. For this reason, in order to avoid the risks that might arise from working with high leverage, leverage-based reserve requirement system has been put into effect aiming to apply the additional reserve requirement to the bank which excessively increases the leverage ratio compared to the current situation (Tuna et al., 2015: 223-224).

2.3. Reserve Option Mechanism (ROM)

The ROM has given a new perspective to the implementation of reserve requirements. The ROM is an application that allows banks to set up a certain percentage of TL reserve requirements in FX and gold. Since 2012, the CBRT has begun to use the ROM as a policy tool to limit the effects of excess capital flow volatility on financial stability (TCMB, 2015: 30).

In periods when foreign capital inflows are accelerated, the costs of resources in FX are lower than those of resources in TL. In this case, the cost of borrowing of the banks in FX is decreasing. This encourages banks to benefit more from the ROM (Küçüksaraç, Özel, 2012: 3). Through this flexibility, on one hand foreign currencies are prevented from creating a real appreciation in TL and on the other hand financial stability can be supported by reducing the tendency of banks to give FX loans. If the ROM mechanism is not available, the need to sterilise the increased liquidity may arise when the FX entering the country as a result of capital inflows is bought by the CBRT. The need for sterilisation is also reduced with the ROM (TCMB, 2012c: 2).

During periods when capital inflows are slow, the cost of the FX resources is increasing compared to the cost of TL resources. In this case, the cost of borrowing of the banks in FX is increasing. Banks try to obtain the currency they need by reducing the ROM usage (Küçüksaraç, Özel, 2012: 3). Thus, the excessive depreciation of TL is also prevented. As a result, in both cases the ROM plays a role in balancing the liquidity of FX and the value of TL. Thus, a balance is provided in FX price without the necessity of the CBRT to sell FX or open sales auction. In addition, the ROM can reduce the sensitivity of loans to capital flows (TCMB, 2012c: 3).

Another advantage that the ROM provides to the banking sector is the short-term TL-Swap transactions: banks can meet their TL liquidity needs through short-term FX transactions. The ROM reduces the need for such swaps and reduces the potential adverse effects of short-term capital flows -by reducing volatility- on financial markets (Serel, Özkurt, 2014: 65). In order for the ROM to be able to take place as an automatic balancer on the

market and to achieve its intended objectives, this mechanism must first be used by banks. In Turkey, banks seem to use this mechanism highly and in a stable manner. (TCMB, 2012d: 61).

Reserve Option Ratio (ROR) sets the upper bounds to what extent this mechanism can be used. The coefficients that determine the amount of FX or gold that can be held per unit of TL required reserve are defined as the Reserve Option Coefficient (ROC) (TCMB, 2012c: 2). Of the required reserves for TL liabilities; up to 60 percent in FX, and up to 30 percent in standard gold can be held (http://www.tcmb.gov.tr/wps..., 18.07.2017). Table 3 includes Reserve Option Slices and Coefficients for FX.

Table 3: Reserve Option Slices and Coefficients for FX

FX Possibility Slices (%)	Coefficient
0-30	1.00
30-35	1.50
35-40	1.90
40-45	2.30
45-50	2.70
50-55	3.10
55-56	3.90
56-57	4.10
57-58	4.30
58-59	4.50
59-60	4.70

Source:
http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+TR/TCMB+TR/Main+Menu/Para+Politika si/ZK/, (Access date: 18.07.2017).

As can be seen in the Table 3, the more FX Possibility Slices increases the more Coefficients for FX raises.

Figure 3: *ROM Creation Process*
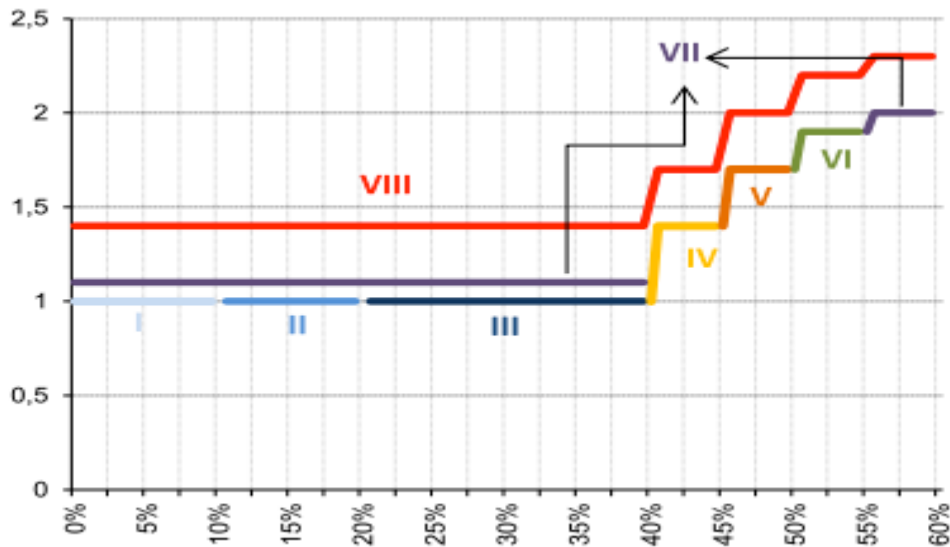
Source: *Alper et al., 2012: 6.*

In the Figure 3 formed by Alper et al. (2012: 6), the ROM creation process is shown in 8 steps. The construction phase of the ROM started in September 2011. At the beginning, the reserve option ratio was set at 10 percent (I). This rate was raised to 20 percent in October (II) and to 40 percent in the following month (III). The differentiation of coefficients in the reserve option has been started in the middle of 2012. At that time, a 5 percent slice was added to the reserve option ratio of 40 percent and a ROK of 1.4 was declared for the added slice (IV). In the following period, the reserve option ratio increased to 55 percent by adding two 5 percent slices (V, VI), which ROK was determined as 1.7 and 1.9 respectively. When the reserve option ratio reached 60 percent, in the decision that the coefficient was determined as 2 for the last 5 percent slice, the reserve option coefficient for the first 40 percent slice was also increased from 1 to 1.1 (VII). In September and October 2012, the coefficients were increased by 0.2 and 0.1 points.

The ROM provides banks to hold TL required reserves up to a certain ratio besides providing them FX. In Table 4, the golden opportunity slices and coefficients applied by the CBRT in the last period are given.

To what extent the banks will benefit from this mechanism is related to their reaction to foreign capital inflows. Banks, as mentioned above, can establish TL reserve requirements in the CBRT as FX as well as gold. A bank that has to hold TL required reserves in the CBRT can hold up to 30 percent of this amount in gold in the current framework. The banks who want to benefit wholly, deposit gold against the amount of TL calculated with 1.4 ROK determined for the first 15 percent slice, and for each subsequent 5 percent slice, respectively; standard gold is held in the CBRT against TL calculated using 2.0 and 2.5 ROK.

Table 4: *Reserve Option Slices and Coefficients for Gold*

Golden Opportunity Slices (%)	Coefficients
0-15	1.4
15-20	1.5
20-25	2.0
25-30	2.5

Source:
http://www.tcmb.gov.tr/wps/wcm/connect/TCMB+TR/TCMB+TR/Main+Menu/Para+Politika si/ZK/, (Access date: 18.07.2017).

In the context of monetary policy implementations, in general, the CBRT aims to avoid the fluctuations in TL interest rates with the application of interest rate corridor, and seeks to prevent the destruction that may occur as a result of rapid entry and exit of capital flows with the application of the ROM.

Conclusion

The CBRT has designed a new framework of monetary policy by using different policy instruments complementary to each other in order to minimise the effects of the global crisis on Turkey (Başçı, Kara, 2011: 1).

In the new framework, it has become possible to respond to volatility in the global risk appetite on time and 'fine tunings' have been achieved by affecting the credit and the exchange rate channels separately. Through the active use of interest rate corridor, reserve requirements and other liquidity management instruments, unlike the traditional monetary policy, it has become possible for the CBRT to influence loans and exchange rate channels separately.

In the period when rapid credit growth is not desired but at the same time the strengthening of the TL is not requested, for instance, the high RRRs and the increasing upward uncertainty about the cost of funding can permit achieving this goal to a great extent. On the other hand, it is not possible to give such a separating reaction in the traditional monetary policy with one interest rate.

As in the traditional inflation targeting, the CBRT considers inflation to be compatible with the target while taking monetary policy decisions; however, unlike the past, macro-financial risks such as excessive growth or slowdown in loans, deviation of exchange rate from economic bases, current account balance and deterioration of financing are also taken into consideration. In practice, this is a more flexible inflation targeting which means that price and financial stabilities are evaluated together (TCMB, 2013a: 22).

It is also important that the applied policy demonstrates that capital flows can be stabilised without resorting to capital controls by means of complementary, unconventional monetary policy instruments designed by the CBRT in country and period-specific manners.

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