

# **NEW TURKISH LIRA: YTL**

**(six zeros to be deleted  
from TL on 1 January  
2005)**

**FX Joint Standing Committee  
Operations Sub group**

**Bank of England  
London, 9 September 2004**

**Can Okay  
London Representative  
Central Bank of Turkey**

## Content of the Presentation

- Introduction
- The law for YTL
- Implementation
- Various Questions and Answers

# INTRODUCTION

## New Currency Unit: YTL (ISO code "TRY 949 2")

- Name of new currency is **YTL** ("Y" stands for "Yeni" ("New" ) in Turkish)
- The law for **YTL** was published in the Official Gazette No. 25363 dated 31 January 2004
- Conversion: **1 YTL=1,000,000 TL**, i.e. Six zeros are dropped from TL
- **YTL** is to be effective from 1.1.2005
- The subunit of **YTL** is **YKr** ("Yeni Kuruş"),

$$1 \text{ YTL} = 100 \text{ Ykr}$$

# NEW TL: DENOMINATIONS

- YTL Banknotes:

1, 5, 10, 20, 50 and 100 YTL

- YTL Coins:

1, 5, 10, 25, 50 New Kuruş and  
1 New Lira

- Both TL and TYL banknotes and coins will be in physical circulation in 2005, for one year
- “Old” TL banknotes will be withdrawn from circulation as of 1 January 2006 (after this date CB will convert them to new banknotes for a period of 10 years)
- After few years “New” will be dropped from the name of currency and YTL will be called “TL” again.

# THE LAW FOR YTL

# LAW ON THE CURRENCY UNIT OF THE REPUBLIC OF TURKEY LAW NO: 5083, ENACTMENT: 31.01.2004

- **The currency unit of the Republic of Turkey**

**Article 1-** The currency unit of the Republic of Turkey is the New Turkish Lira. The hundredth part of the New Turkish Lira is the New Kuruş. One New Turkish Lira (YTL) is equivalent to a hundred New Kuruş (YKr). The Council of Ministers is empowered to remove the expression of "New" used in the "New Turkish Lira" and the "New Kuruş" and to establish the principles on its application.

- **Conversion rate between the Turkish Lira and the New Turkish Lira**

**Article 2-** When the Turkish Lira values are converted into the New Turkish Lira; one million Turkish Lira (1,000,000 TL) shall be equivalent to one New Turkish Lira (1 YTL). *On the transaction results and at the payment stages of conversion transactions of the Turkish Lira values to the New Turkish Lira and the transactions to be conducted in terms of the New Turkish Lira, a half New Kuruş and the values higher than a half New Kuruş shall be rounded off to one New Kuruş. The values lower than a half New Kuruş shall not be taken into account (Amended by Law dated 16/7/2004 Number 5228)*

- **Amendment in references to Turkish Lira**

**Article 3-** All references made to Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to New Turkish Lira at the conversion rate specified in Article 2.



# **LAW ON THE CURRENCY UNIT OF THE REPUBLIC OF TURKEY**

## **LAW NO: 5083, ENACTMENT: 31.01.2004**

- **Reproducing and publishing of pictures and images of banknotes**

**Article 4-** Reproducing and publishing conditions related to dimension, colour, material, resolution, expression to be written on the banknotes and other related conditions for the banknotes currently in circulation, or withdrawn from circulation, or to be put into circulation shall be set by the Central Bank of the Republic of Turkey and announced in the Official Journal. Persons who fail to comply with the conditions to be announced shall be charged with a heavy fine starting from one billion five hundred million Turkish Lira up to five billion Turkish Lira, unless it related to a more serious crime.

- **Provisions repealed**

**Article 5-** The Law No. 3290 on the Mandatory Use of Lira in the Central Government Accounts dated 24 December 1937 has been repealed.

- **Concurrent circulation and institutions entitled to make regulations to execute this law**

**Provisional Article 1-** The Turkish Lira banknotes and coins that are currently in circulation shall be circulated along with the New Turkish Lira banknotes as well as the new coins to be issued between 1 January 2005 and 31 December 2005.

The regulations on the concurrent circulation and conversion of these banknotes shall be determined by the Central Bank of the Republic of Turkey, while the regulations on the concurrent circulation and conversion of coins shall be established by the Prime Ministry, the Undersecretariat of Treasury.

# **LAW ON THE CURRENCY UNIT OF THE REPUBLIC OF TURKEY LAW NO: 5083, ENACTMENT: 31.01.2004**

**The Minister responsible for the Undersecretariat of Treasury** shall be entitled to remove the doubts with respect to the execution of the Law hereby and make necessary regulations; **the Ministry of Finance, the Ministry of Industry and Trade, the Undersecretariat of Treasury, the Central Bank of the Republic of Turkey, the Capital Market Board, the Banking Regulation and Supervision Agency** shall be entitled to make regulations in the matters that fall within the scope of their duties.

- **Exemption from tax, duty, fee and other liabilities by 31 December 2005**

**Provisional Article 2-** If any and all kinds of legal transactions and documents issued in terms of Turkish Lira producing legal effects are converted into the New Turkish Lira before 31 December 2005 (including that date) by taking the conversion rate into account as stipulated in Article 2 of the Law hereby, transactions and the documents shall be exempt from any and all kinds of tax, duty, fee and other liabilities.

- **In 2005, price labeling in both TL and YTL**

**Provisional Article 3-** Between 01 January 2005 and 31 December 2005, the prices of all goods and services shall be expressed in terms of both the Turkish Lira and the New Turkish Lira on the lists of labels and tariffs to be arranged within the framework of Article 12 of the Law on the Protection of Consumers, No. 4077.

Those who do not fulfill this requirement shall be subject to the penalty stipulated in the second paragraph of Article 25 of the Law, No. 4077.

# **LAW ON THE CURRENCY UNIT OF THE REPUBLIC OF TURKEY LAW NO: 5083, ENACTMENT: 31.01.2004**

- **Enforcement**

**Article 6-**

a) Article 4, the second and third paragraphs of provisional Article 1 of this Law shall enter into force on their enactment dates,

b) The other Articles shall enter into force on 1 January 2005.

- **Execution**

**Article 7-** The provisions of this law shall be executed by the Council of Ministers.

# IMPLEMENTATION

## **YTL IMPLEMENTATION: Main Areas**

- IT and Payment Systems
- Accounting and Statistical Information
- Banknote Issue, Circulation Planning and Secure Banknote Provision
- Training, PR, Press
- Overall coordination of the project

## **YTL IMPLEMENTATION: Payment Systems**

- Representation of Amount Fields shall be **15.2** (It is now 18 digits without decimals)

## **YTL IMPLEMENTATION: Statistical Data**

- Unit for statistical data shall be “Thousands YTL” (it is now “Billions TL”)

# YTL IMPLEMENTATION: FX Rates

The exchange rates announced daily by Central Bank of Turkey for YTL will be similar to the following (with 5 significant digit):

**Example :**

<b>Currency</b>	<b>Buying</b>	<b>Selling</b>
<b>1 USD</b>	<b>1.4260</b>	<b>1.4329</b>
<b>1 Danish Krone</b>	<b>0.23814</b>	<b>0.23931</b>
<b>100 Japanese Yen</b>	<b>1.3245</b>	<b>1.3333</b>

## **CROSS RATES**

<b>1 USD</b>	<b>1.3591 Australian Dollars</b>
<b>1 USD</b>	<b>107.47 Japanese Yen</b>

# YTL IMPLEMENTATION: Accounting

- All documents will be prepared in TL and accounting records will be in TL until 31.12.2004. These records and documents will be kept as they are.
- Accounting data will be converted to YTL on 1.1.2005, and the new data will be the first accounting record for the new year.
- From 1.1.2005 onwards, all documents and accounting data will be in YTL, regardless of the fact that both TL and YTL will be in circulation physically during 2005.
- The invoices, declarations, etc after 1.1.2005, which refer to periods before 1.1.2005 will also be arranged and recorded in YTL.
- Balance Sheet dated 31.12.2004 will be reorganized for YTL on 01.01.2005. The conversion will be done starting with sub accounts. The new balance sheet will be the first entry for the year 2005.



## **YTL IMPLEMENTATION: Securities**

- **Securities will be printed in 1, 5, 10, 50, 100, 500, 1,000, 10,000, 50,000, 100,000, 500,000, 1,000,000 denominations.**
- **“Kuruş” will not be used in nominal values; on the other hand, YTL values may include “Kuruş”.**
- **The current face value of 100,000 (TL based) will be changed to 100 and there will be three digits after the decimal point.**
- **Face value of the FX based will be 1 as it is at present and there will be a maximum of 5 digits after the decimal point, like in exchange rates (all in five significant digits)**
- **The minimum bid amount “250,000,000 TL” for the auctions will be changed to 100 YTL and increments will be 1 YTL (which is 5,000,000 TL now)**
- **ISIN Codes will be the same**

# CRITICAL MILESTONES FOR CBT...

<u>Project</u>	<u>Completion Date</u>
• TIC-RTGS & ESTS software and overall testings	26.11.2004
• Arrangements at the CB branches for banknote	31.10.2004
Processing, collection and payment	
• Launching a comprehensive publicity campaign	1.09.2004
• Harmonisation of banknote processing systems	30.11.2004
• IT Infrastructure ready	30.11.2004
• Grouping of statistical data in TL and YTL	31.12.2004
• Conversion of all TL denominated accounts	31.12.2004
To YTL units (with YKr)	
• Distribution and storage of YTL banknotes	31.12.2004

(For the whole list of milestones please refer to CBT's Web Site)

# **VARIOUS QUESTIONS AND ANSWERS...**

# What is the rationale behind YTL process?

- High inflationary process, which started in Turkey in 70s, had led to the expression of economic values in terms of billions, trillions and even quadrillions...
- Cash demand in economy was met by new banknotes in larger denominations that were put to circulation almost every 2 years since 1981.
- Figures with many zeros lead to problems in accounting and statistical records, IT, payment systems and transactions at the cashiers office.
- Many countries(49) deleted zeros from their currency but so far Turkey did not. A few examples: Brazil deleted 18 zeros in 6 operations; Argentina: 13 zeros in 4 operations; Israel: 9 zeros in 4 operations; Poland: 4 zeros and Greece: 3 zeros in one operation...
- In conclusion, YTL process has been a technical necessity...

## **Why 1 January 2005?**

- In the process of transition to single digit inflation, year 2005 is believed to be the best time for managing expectations.
- The redenomination of TL will be effective as 1 January 2005, beginning of the new fiscal year, in order to avoid a dual-record system, and not to cause an extra burden of preparing interim financial statements for those real persons and legal entities that are obliged to keep books.

## Can redenomination cause inflation?

- Unlike fractional conversion rates used in transition to Euro, the operation in Turkey is simply a zero-removal process.
- The impact of Euro in the first 6 months has not exceeded 0.2% in Euro zone.
- No considerable inflationary effect of redenomination is expected.

## How will the daily indicative values of Government Debt Instruments be announced by CBT after conversion to YTL ?

### Example:

#### TL based...

ISIN Code	Present Value	
	TL	YTL
TRT250505T19	80,644	80.644
TRB210704T13	91,511	91.511

#### FX based...

ISIN Code	Present Value	
TRT130705F17	1,395,056	1.3951

# **How will the settlement of T-bills and bonds booked in 31 Dec 2004 with value Date 3 Jan 2005 be made ?**

- As of 1st Jan 2005 New Turkish Lira (TRY) will be used in payment systems, therefore the settlement will be executed in TRY with value 3 Jan 2005.



## How will the settlement of forward FX transactions be made ?

- Derivative agreements made in 2004 with the maturity in 2005 will be settled with the rules of New Turkish Lira by law.
- And as mentioned before, starting from 2005 central bank will announce indicative exchange rates with five significant digits.

# **Some Information on Turkey's Payment Systems ?**

**PAYMENT SYSTEMS IN TURKEY TODAY - OVERVIEW**  
**YTL changes are coordinated by CBT and related institutions**  
**Platforms are to be ready by the end of November 2004**

Cross Border



**E  
P  
M  
/  
T  
A  
R  
G  
E  
T**

**C  
B  
T**

Domestic Payment Systems

BCC, CARDS  
RTT, DNS

ACHs,  
CHECK TRUN.  
RTT, DNS

ISE, STOCK  
EXCHANGE  
RTT, DNS

TAKASBANK  
VTS, ISE CSD  
RTT, DNS

EFT EMKT

**T T**  
**I I**  
**C C**  
**- -**  
**R E**  
**T S**  
**G T**  
**S S**

**Banks**

INTERNET

**EDDS**

**EDEX**

**AMS**

**CBT Branch**

**CBT Branch**

**SAOS**

**CBT Head Office**

**Final Settlement of Payments and Securites**

- RTT  
- RTGS

**BANKS BROKERS FINANCIAL INSTITUTIONS**

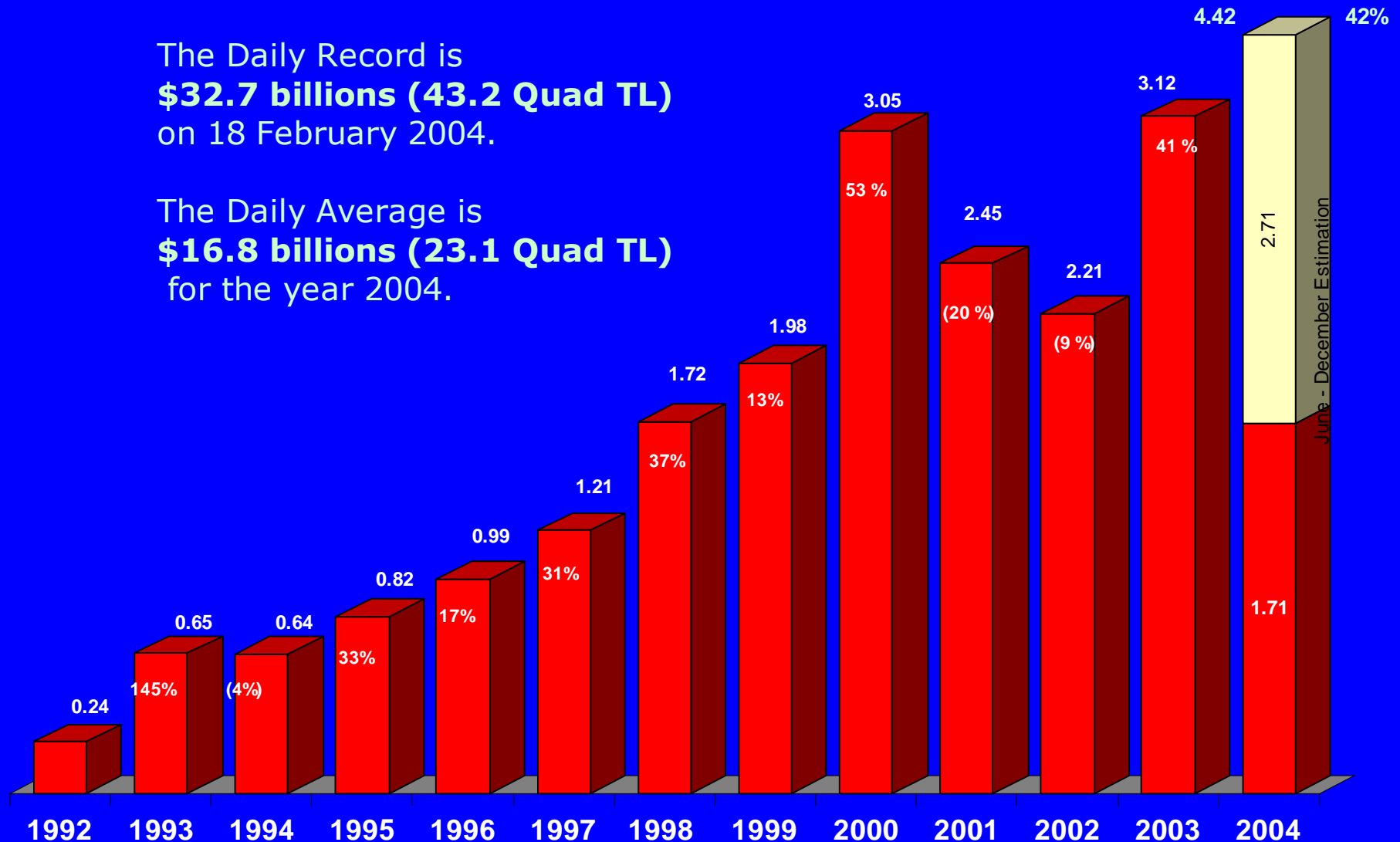
# YEARLY VALUE OF PAYMENTS IN TIC-RTGS SYSTEM

(As of May 2004)

(USD trillions)

The Daily Record is  
**\$32.7 billions (43.2 Quad TL)**  
on 18 February 2004.

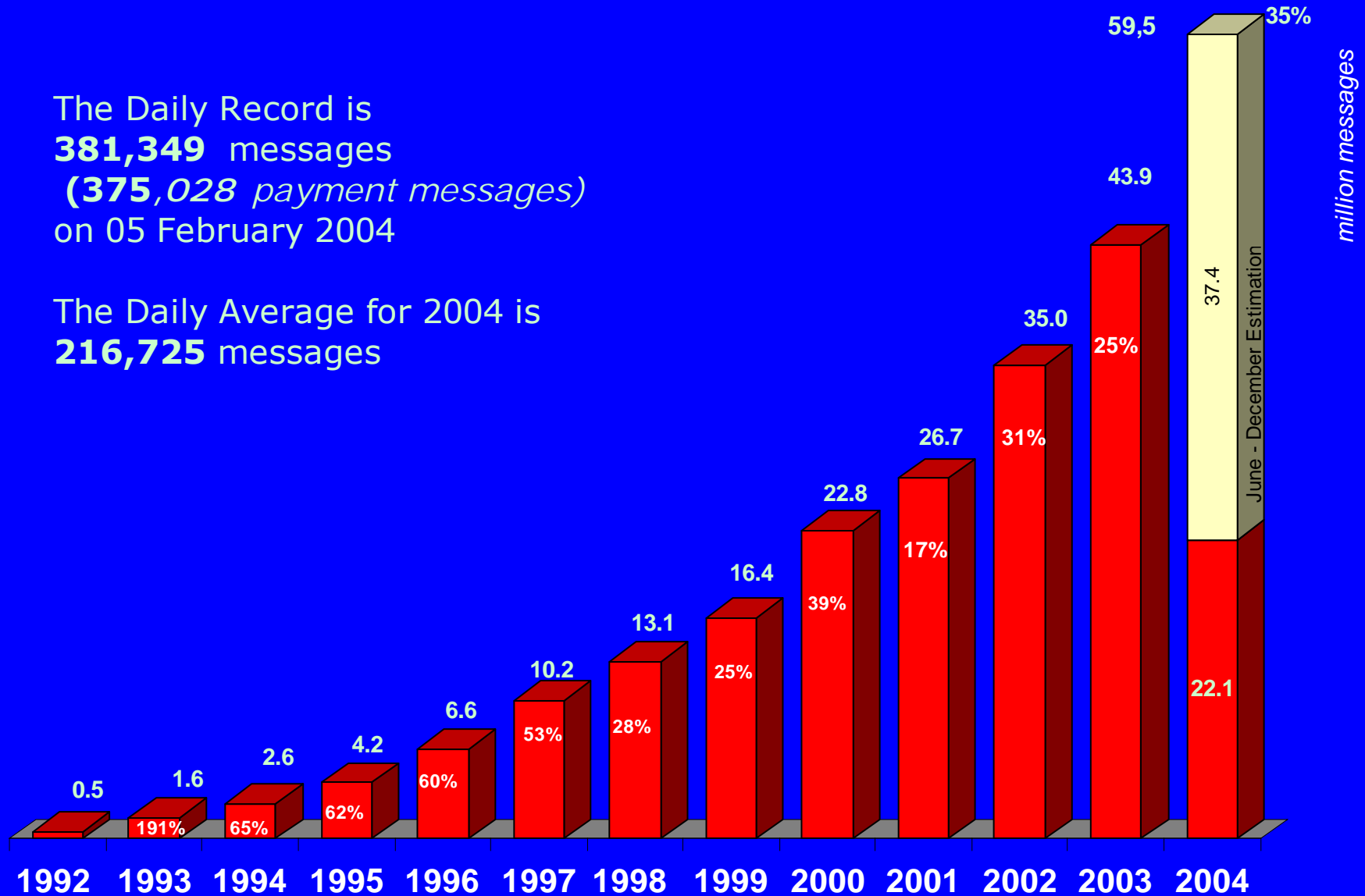
The Daily Average is  
**\$16.8 billions (23.1 Quad TL)**  
for the year 2004.



## TOTAL NUMBER OF MESSAGES IN TIC-RTGS SYSTEM (As of May 2004)

The Daily Record is  
**381,349** messages  
*(375,028 payment messages)*  
 on 05 February 2004

The Daily Average for 2004 is  
**216,725** messages



**For More Information Please refer to  
Central Bank of Turkey Web Site:**

**<http://www.tcmb.gov.tr>**

**YTL Web Site:**

**<http://www.ytl.gen.tr>**