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Reserve Option Mechanism from Monetary Policy Instruments Being Implemented in Turkey / Türkiye’de Uygulanan Para Politikası Araçlarından Rezerv Opsiyon Mekanizması (ROM)

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ABSTRACT

Developing countries, together with the increase in risk appetite after all the world under the influence of global financial crisis beginning in the US in the last months of 2008, faced with speculative capital movements. Short-term capital volatility is of particular importance for countries that has current account deficit. The volatile short term capital flows that contribute to finance the current account deficit cause financial fragilities. Central Bank of the Republic of Turkey (CBRT) began looking for a new monetary policy tools to take control of volatile capital flows, to increase the economy’s strength, to external financial shocks and to respond quickly to this shocks. In solving these problems, CBRT has built two own policy tools. They are the Interest Rate Corridor and Reserve Option Mechanism (ROM). In this study, ROM, implemented as a new monetary policy in Turkey by CBRT is introduced examined in detail, impacts of the ROM on variables such as bank balance sheets, consumer credits, interest rates, exchange rates are examined both descriptively and with econometric analysis, thus the new instrument is valued.

KEYWORDS Central Bank of the Republic of Turkey (CBRT); Reserve Option Mechanism (ROM); Reserve Requirements