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Press Release Relating to Dual Currency Deposit (DCD)

Lately, in certain media there included news relating that banks are realizing transactions under the name of Dual Currency Deposit as an alternative to currency investment

The said transaction is transactions known as “dual currency deposit” in international markets; and “option preferred deposit”, “dual currency deposit” or “alternatively foreign exchange transactions” in our country. In the transaction type thereof in which the bank is option dealer and the depositor is option writer, the depositor is selling the right of emption the amount to be accrued in the deposit account, on a definite rate of exchange pre-concerted upon a definite premium, to the bank; and the bank, in return for the right of emption purchased, is possessing the right to make payment in one of the currency unit by making comparison of market ratio and agreement ratio by the maturity date. In the said transaction, there exists foreign exchange risk due to differentiation of foreign exchange types subject to market conditions; the risk thereof has a possibility of loss in principal capital. In the said transactions the depositor in option writer position is undertaking all exchange risk. Accordingly, the banks were warned by our Agency through Banks Association of Turkey, in 2005 in which the transactions thereof were initiated to be made, relating to informing their depositors concerning all risks and loss they may be exposed.

Within the scope of that, the depositors to be party to those kinds of transactions should know the fact that they carry all the risk and may not be collecting all of the principle capital they invested