

Additional Measures by BNM

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The recently announced measures now accord greater flexibility for domestic economic and financial policies. As part of the measures to contain the severity of the economic contraction experienced by Malaysia and to give priority to support the economic recovery process, monetary policy is eased further. Important considerations in determining the extent of the easing are the medium term outlook for inflation and the need to ensure that depositors continue to earn a positive real rate of return.

Bank Negara Malaysia announces the following measures.

1. With immediate effect, the Bank Negara Malaysia intervention rate (3-month interbank rate) will be reduced to 8% from 9.5%. With this reduction in the intervention rate, the maximum BLR of the commercial banks and finance companies is expected to moderate to 9.06% and 10.76%, respectively.
2. As part of the policy measures under the stabilisation package announced in March 1998, a new liquidity framework for the banking institutions was issued in July 1998. The new framework, which is currently under a 6-month parallel run, has now been in operation for two months. To facilitate the transition into the new framework, the present liquid asset ratio requirement will be reduced in stages. With effect from 16 September 1998, the liquid asset ratio requirement of commercial banks is reduced from 17% to 15% of total eligible liabilities. The reduction in the liquid asset ratio requirement will also contribute towards reducing the holding cost of liquid assets currently borne by banking institutions. The liquid asset ratio requirement of finance companies and merchant banks will, however, continue to be retained at 10% for those not issuing negotiable instruments of deposits and 12.5% for those issuing negotiable instruments of deposits. To accelerate this process, banking institutions which have been assessed by Bank Negara Malaysia to be ready to implement the new framework will be allowed to cross over to the new framework immediately.
3. With effect from 3 September 1998, commercial banks will no longer be required to maintain vostro balances of foreign banking institutions with Bank Negara Malaysia.

All queries regarding these and other recent BNM policy measures should be directed to the Communication Centre (Tel: 2932330, 2928736, 2943991, 2915741, 2914827, 2916951, 2916511, 2916545, 2916473, 2916539). These lines will be open between 8:30 a.m. and 12 midnight Malaysian time. Overseas inquiries outside of these hours may be sent by facsimile to (603) 2912990, 2933791 or 2936919.

Bank Negara Malaysia
03 September 1998

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