China will raise reserve requirement ratio for foreign currency deposits to 7% - ChinaKnowledge

Jun 01, 2021 (China Knowledge) - The People's Bank of China (PBOC) has just announced that beginning June 15, the reserve requirement ratio (RRR) for foreign currency deposits will be raised to 7%, up 2% from the current 5%.

PBOC said in an online statement that the move aims to strengthen the liquidity management of foreign currencies in financial institutions.

Analysts estimate around USD 20 bln in foreign currencies would be affected by the new measure. The rise would force banks to freeze more of those dollars, slowing the RMB's pace of appreciation by deterring foreign currency inflows over the longer term.

The foreign exchange RRR is one of the tools used by the PBOC to control RMB appreciation, having raised it to 3% in 2005, 4% in 2006, and finally 5% in 2007.
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