

# Clarification on Statutory Reserve Requirement Reduction

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Bank Negara Malaysia clarified today that the recent announcement of the reduction in the Statutory Reserve Requirement (SRR) from 10% to 8% effective 1 July 1998 did not reflect a change in its current monetary policy stance. The Bank Negara Malaysia 3-month intervention rate remains unchanged at 11%. The reduction in SRR was aimed at reducing the cost of funds to banking institutions while maintaining liquidity for the system as a whole unchanged. However, the measure will improve the distribution of liquidity among individual banking institutions.

Similar to the previous SRR reduction in February this year, Bank Negara liquidity operations will ensure that the additional liquidity released by the reduction will be absorbed to maintain the 3-month interbank rate at the current level. This move was prompted by the latest statistics for the month of May issued on 26 June 1998 which showed that both monetary (M3) and loan growth has decelerated significantly. M3 growth slowed down from 21.8% in June 1997 to 9.6% at end-May 1998, while loan growth of the banking system slowed down from 30.4% to 12% over the same period.

**Bank Negara Malaysia**  
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