

# Measures to Enhance Liquidity Management

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Bank Negara Malaysia announces today the implementation of measures to improve efficiency in the management of liquidity by banking institutions. As announced in the March 25 stabilisation package, BNM will undertake measures to enhance transparency and improve liquidity flows in the interbank market. The measures introduced today form part of a series of measures affecting liquidity management that are being implemented during the course of 1998:

## **I. Revision of the Permissible Daily Variation Band for the Statutory Reserve Requirement (SRR)**

Effective from 1 May 1998, the band for the permissible daily variation in the average balances that are required to meet the Statutory Reserve Requirement (SRR) will be widened to (2% of the prescribed SRR rate from the current rate of (0.5%. This is based on a 20% variation on the prescribed SRR rate. The SRR for all banking institutions will continue to be observed on the basis of the average amount of statutory reserve held by each institutions during a fortnightly reserve maintenance period. The widening of the SRR band would accord banking institutions greater flexibility in managing their daily liquidity operations.

## **II. BNM Money Market Operational Procedure**

Beginning today, BNM will announce information on its daily operations in the money market as part of its efforts to enhance transparency. Information on a daily liquidity operations will promote a better understanding of the BNM's money market operations and its impact on domestic liquidity. The information which will be provided include the daily cashflow projections of the financial system, BNM's liquidity operations and the announcement of money market tender results.

BNM liquidity operations will be conducted through either a competitive bidding system or a non-competitive bidding system depending on the circumstances. The non-competitive bidding will reflect the interest rate policy stance of BNM. All tenders will be conducted through the Principal Dealers.

**Bank Negara Malaysia**

**30 April 1998**

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