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PRESS RELEASE ON REQUIRED RESERVES

The fact that maturities of liabilities are shorter than those of assets in the Turkish banking sector exposes the sector to liquidity and interest rate risk, which increases the sensitivity of the banking system to shocks. In this regard, the Turkish lira required reserve ratio, which is currently at 6 percent, is differentiated according to the maturity structure of deposits and set as;

- 8 percent for demand deposits, notice deposits, private current accounts, deposits/participation accounts up to 1-month maturity and liabilities other than deposits/participation accounts,
- 7 percent for deposits/participation accounts up to 3 and 6-month maturity,
- 6 percent for deposits/participation accounts up to 1-year maturity,
- 5 percent for deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts.

It is considered that in this way, the maturity structure of liabilities would be lengthened and the maturity mismatch would be reduced, which would contribute to financial stability.

Moreover, to ensure the effectiveness of the policy, a regulation has been introduced, which stipulates that interest rate on demand deposits shall not exceed 0.25 percent annually. In addition, the reserve requirement base has been expanded to include funds received by banks through repurchase agreement (repo) transactions from abroad and domestic customers, except for those funds received from repo transactions with the Central Bank and those among domestic banks.

By differentiating the required reserve ratios according to the maturity structure and expanding the coverage of the liabilities subject to reserve requirement by including funds from repo transactions of the banks with their customers, according to current data, the market liquidity will be reduced by approximately TL 7.6 billion and USD 200 million, hence monetary conditions will be tightened. In addition, a separate study is planned for the next year to promote longer maturities of Turkish lira liabilities other than deposits as deemed appropriate.

On the other hand, to promote longer maturities for foreign exchange (FX) deposits and other FX liabilities, differentiation of required reserve ratios for FX liabilities according to maturities might also be considered in the upcoming period.