

# Press Release on Reserve Requirements

27 November 2020, No: 2020-71

In line with its main objective of price stability, the Central Bank of the Republic of Turkey revised the reserve requirement regulation to improve the effectiveness of monetary transmission mechanism.

To enhance transparency, predictability and effectiveness of the monetary policy, with [the Monetary Policy Committee Decision](#) of 19 November 2020, the operational framework of the liquidity management was changed to provide all short-term funding through the policy rate, and the monetary policy was tightened through an increase in the policy rate in line with the main objective of price stability.

This time, the CBRT decided to simplify the reserve requirement regulation to increase the effectiveness of the monetary transmission mechanism. Accordingly, it has been decided;

- i) to repeal the reserve requirement practice that links the reserve requirement ratios and remuneration rates to real loan growth rates,
- ii) to apply the same reserve requirement ratios and remuneration rates to all banks,
- iii) accordingly, to set Turkish lira and FX reserve requirement ratios as follows:

Turkish Lira Reserve Requirement Ratios	
<b><i>Deposits and Participation Funds (Excluding deposits/participation funds obtained from banks abroad)</i></b>	
- Demand, notice, up to (and including) 1 and 3-month	6%
- Up to (and including) 6-month maturity	4%
- Up to 1-year maturity	2%
- 1-year and longer maturity	1%
<b><i>Borrower Funds of Investment Banks</i></b>	6%
<b><i>Other Liabilities (Including deposits/participation funds obtained from banks abroad)</i></b>	
- Up to 1-year maturity (including 1-year)	6%
- Up to 3-year maturity (including 3-year)	3,5%
- Longer than 3-year maturity	1%

FX Reserve Requirement Ratios
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<b>Deposits and Participation Funds (Excluding deposits/participation funds obtained from banks abroad and precious metal deposit accounts)</b>	
- Demand, notice, up to (and including) 1 - 3 - 6 months maturities and up to 1-year maturity	19%
- 1-year and longer than 1-year maturity	13%
<b>Precious Metal Deposit Accounts</b>	
- Demand, notice, up to (and including) 1 - 3 - 6 months maturities and up to 1-year maturity	22%
- 1-year and longer than 1-year maturity	18%
<b>Borrower Funds of Investment Banks</b>	19%
<b>Other Liabilities (Including deposits/participation funds obtained from banks abroad)</b>	
- Up to (and including) 1-year maturity	21%
- Up to (and including) 2-year maturity	16%
- Up to (and including) 3-year maturity	11%
- Up to (and including) 5-year maturity	7%
- Longer than 5-year maturity	5%

- iv) to apply remuneration rate of 12% to the TL-denominated required reserves of all banks ,
- v) and to decrease the commission rate applied to the reserve requirements maintained against USD-denominated deposit / participation fund liabilities to 0% from 1.25%.

As a result of these changes, required reserves of the banking system is expected to increase by approximately TRY 12.3 billion and USD 5.7 billion in FX and gold, should the reserve option utilization rates remain unchanged.

On the other hand, intermediation costs will decrease as a result of the changes in remuneration and commission rates.

Changes in remuneration and commission rates will be effective from the maintenance period starting on 27 November 2020, while the changes in Turkish lira and FX reserve requirement ratios will take effect from the calculation date of 11 December 2020 with the maintenance period starting on 25 December 2020.

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## Contact

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