



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Statutory Reserve Requirement

Applicable to:

1. Licensed banks
2. Licensed investment banks
3. Licensed Islamic banks

Issued on: 15 May 2025

BNM/RH/PD 029-41

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PART A OVERVIEW

1. Objective

- 1.1. The Statutory Reserve Requirement (SRR) is a monetary policy instrument available to Bank Negara Malaysia (the Bank) for purposes of liquidity management. Effectively, banking institutions are required to maintain balances in their Statutory Reserve Accounts (SRA) equivalent to a certain proportion of their eligible liabilities (EL)¹, this proportion being the SRR rate.
- 1.2. The SRR is a monetary policy instrument available to the Bank to manage liquidity and hence credit creation in the banking system. The SRR is used to withdraw or inject liquidity when the excess or lack of liquidity in the banking system is perceived by the Bank to be large and long-term in nature.

2. Scope

- 2.1. This requirement applies to—
 - (a) licensed banks and licensed investment banks, as defined under the Financial Services Act 2013; and
 - (b) licensed Islamic banks except for licensed international Islamic banks, as defined under the Islamic Financial Services Act 2013,which shall be collectively referred to as “banking institutions” for purposes of this policy document.

3. Legal Provision

- 3.1. Section 26(2)(c) and section 26(3) of the Central Bank of Malaysia Act 2009 (CBA) require reserves to be held by financial institutions at the Bank in accordance with the terms and conditions as may be determined by the Bank.
- 3.2. Penalties on the non-compliance of the SRR will be imposed on banking institutions, pursuant to section 26(3)(b) of the CBA.

¹ As defined in paragraph 6.

PART B POLICY REQUIREMENTS

4. Statutory Reserve Requirement Rate

- 4.1. Effective 16 May 2025, the SRR rate for banking institutions is 1.0% of EL.
- 4.2. Adjustments to the SRR rates are listed in **Appendix 1**.

5. Maintenance of Balances in Statutory Reserve Accounts

- 5.1. In principle, banking institutions must maintain in their SRA at the Bank, balances that are at least equal to the ratio prescribed in paragraph 4.1.
- 5.2. Banking institutions observe the SRR based on the average daily amount of the EL² over a fortnightly period (the base period). Each month will have two base periods (i.e. Base Period A and Base Period B):
 - (a) Base Period A is the average daily amount of EL from the 1st to the 15th day (inclusive); and
 - (b) Base Period B is the average daily amount of EL from the 16th to the last day of the month (inclusive).

For the reserve maintenance period from the 1st to the 15th day of any month, the SRR will be based on the average EL of Base Period A of the preceding month, while for the reserve maintenance period from the 16th to the last day of any month, the SRR will be based on the average EL of Base Period B of the preceding month.

- 5.3. Maintenance of balances in the SRA is nevertheless flexible, with a daily variation from the SRR within a band, which currently stands at $\pm 20\%$ of the prevailing SRR rate. This band, within which the balances of each banking institution are allowed to fluctuate on any day, allows banking institutions the flexibility in managing their liquidity while ensuring that no banking institution behaves imprudently by allowing its reserves on any given day to fall too far.
- 5.4. As such, banking institutions are required to comply with the SRR at two levels:
 - (a) On a fortnightly basis (1st to the 15th and 16th to the last day of a month), the average daily balances maintained in the SRA must be at least equal to the SRR rate; and
 - (b) On a daily basis, balances maintained in the SRA must be within the 20% daily variation band around the prevailing policy rate (balances below the band are not permitted, while balances in excess of the band's ceiling will not be recognised in meeting the average fortnightly requirement).
- 5.5. The SRR computation and compliance is illustrated in **Appendix 2**.

² It should be noted that in computing the average EL over a base period, negative EL should be zeroised and not netted off against positive EL.

6. Eligible Liabilities

- 6.1. The eligible liabilities (EL) base consists of ringgit denominated deposits and non-deposit liabilities, net of interbank assets and placements with the Bank.
- 6.2. Additional adjustments made to the EL base:
 - (a) Exclusion from EL base:
 - (i) The entire proceeds amount of Tier 1 housing loans/financing sold to Cagamas Berhad; and
 - (ii) 50% of the proceeds of Tier 2 housing loans/financing sold Cagamas Berhad.
 - (b) Deduction from EL base:
 - (i) Banking institutions are allowed to deduct from the EL base holdings of RM marketable securities (defined in **Appendix 3**) in their trading book; and
 - (ii) Principal Dealers (PD) and Islamic Principal Dealers (i-PD) are allowed to deduct from their EL base the daily holding of specified RENTAS securities in their trading and banking books.
- 6.3. The detailed EL is listed in **Appendix 4**.
- 6.4. A deduction from the EL base can however only be effected after the banking institution has undertaken the following:
 - (a) Submission of Trading Book Policy Statement (TBPS) by the banking institution as specified under the market risk component of the policy documents on *Capital Adequacy Framework (Basel II – Risk-Weighted Assets)* and *Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets)* and confirmation by the Bank that the TBPS is in order; and
 - (b) Confirmation by the banking institution that the segregation of RM marketable securities between the banking book and trading book, controls and all other requirements as specified under the policy documents on *Capital Adequacy Framework (Basel II – Risk-Weighted Assets)* and *Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets)* have been put in place.
- 6.5. Banking institutions must ensure that the amount of RM marketable securities deducted from EL is reflective of the actual amount as reported in the trading book. As such, a verification report must be signed-off either by the internal auditor or compliance officer on a quarterly basis and retained by the banking institution. Should there be any discrepancies, banking institutions are required to submit the concerned verification report to the Bank upon detection of the discrepancy. A sample of the verification report is in **Appendix 5**.

7. Penalties

- 7.1. Any banking institution which fails to comply with the minimum SRR requirement shall be liable to pay a penalty. The penalty payable is determined as the sum of the **scaled penalty amount** and the **monetary benefit**, as defined in paragraphs 7.3 and 7.4 below, subject to the **maximum penalty (MP)**, as described in paragraph 7.2 below.
- 7.2. The computation of the **maximum penalty**, as provided pursuant to section 26(3) of the CBA, is as follows:

$$\text{maximum penalty} = \frac{1}{10} \times \frac{1}{100} \times \text{shortfall} \times \text{number of days}$$

- 7.3. The **scaled penalty amount** is calculated as a percentage of the maximum penalty dependent on the number of non-compliances committed by the banking institution, defined as the higher of i) the average number of offences in the last three complete calendar years; and ii) the total number of offences in the current incomplete calendar year:

Number of non-compliances	Scaled penalty amount
One	25% of MP
Two	50% of MP
Three	75% of MP
Four or more	100% of MP

- 7.4. The **monetary benefit** arising from the non-compliance is computed as follows:

$$\text{monetary benefit} = \text{shortfall} \times \text{average interbank overnight rate or Islamic reference rate}$$

The monetary benefit shall be computed on a daily basis for every day during which the deficiency continues.

8. Operational Requirements

- 8.1. Banking institutions should refer to circulars and guidelines issued by Jabatan Pengurusan Data dan Statistik and Jabatan Pemantauan Pembayaran on reporting and other operational requirements.

APPENDICES

Appendix 1: Adjustments to the Statutory Reserve Requirement Rates

SRR Rate	Effective Date	Variation	Effective Rate
1%	16 May 2025	0.8%-1.2%	+/- 20% of SRR Rate 1 May 1998
2%	20 March 2020	1.6% - 2.4%	
3%	16 November 2019	2.4% - 3.6%	
3.5%	1 February 2016	2.8% - 4.2%	
4%	16 July 2011	3.2% - 4.8%	
3%	16 May 2011	2.4% - 3.6%	
2%	1 April 2011	1.6% - 2.4%	
1%	1 March 2009	0.8% - 1.2%	
2%	1 February 2009	1.6% - 2.4%	
3.5%	1 December 2008	2.8% - 4.2%	
4%	16 September 1998	3.2% - 4.8%	
6%	1 September 1998	4.8% - 7.2%	
8%	1 July 1998	6.4% - 9.6%	
10%	16 February 1998	9.5% - 10.5%	+/- 0.5% from SRR Rate 1 January 1989
13.5%	1 June 1996	13% - 14%	
12.5%	1 February 1996	12% - 13%	
11.5%	1 July 1994	11% - 12%	
10.5%	16 May 1994	10% - 11%	
9.5%	3 January 1994	9% - 10%	
8.5%	2 May 1992	8% - 9%	
7.5%	16 August 1991	7% - 8%	
6.5%	16 January 1990	6% - 7%	
5.5%	16 October 1989	5% - 6%	
4.5%	2 May 1989	4% - 5%	
3.5%	1 January 1989	3% - 4%	

Appendix 2: Illustration

Computation of EL in Base Period A and Base Period B

An illustration on the computation of EL in Base Period A and Base Period B in the month of January 2009 is as follows:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
202	197	208	210	205	205	196	194	195	194	195	199	200	200	200

16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
205	214	215	214	217	230	208	207	205	230	240	245	236	241	244	249

EL Base Period A = $(202+197+\dots+200+200) \div 15 = \text{RM}200\text{m}$

EL Base Period B = $(205+214+\dots+241+244+249) \div 16 = \text{RM}225\text{m}$

Computation of the SRR

SRR compliance period	1 to 15 February 2009
Corresponding EL base	1 to 15 January 2009
EL Base Period A	RM200m
Prevailing SRR rate during the period 1 to 15 February 2009	2%
(For illustrative purposes only)	
Variation band	1.6% to 2.4%

The minimum daily balance to be maintained in the SRA from 1 to 15 February 2009 = RM3.2m (1.6% of EL Base Period A)

Suppose the banking institution's balances in the SRA from 1 to 15 February 2009 are as follows:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
3.8	4.0	3.6	4.4	4.5	4.6	4.8	4.8	4.4	4.4	4.4	4.3	4.4	4.8	6.4

The maximum amount in the account balance that is recognised is capped at 2.4% of EL Base A, in this case RM4.8m. Therefore, on 15 February, although the account balance was RM6.4m, only RM4.8m will be recognised for the SRR computation.

Therefore, the average reserve balance for 1 to 15 February 2009:

$$= (\text{Sum of daily SRR balance} \div 15 \text{ days}) \div \text{EL Base Period A}$$

$$= [(3.8 + 4.0 + 3.6 + \dots + 4.4 + 4.3 + 4.4 + 4.8 + 4.8) \div 15] \div 200$$

$$= 2.2\%$$

Only RM4.8m is recognised although actual balance was RM6.4m.

Appendix 3: Holdings of Selected Securities Deductible from EL Base

Holdings of all RM marketable securities in the trading book of all banking institutions are eligible for deduction from the EL base for the purpose of SRR computation, except where:

- (a) securities are sold under repo/sell-and-buy-back agreement (SBBA); and
- (b) securities are lent or securities that have been used as collateral under securities borrowing and lending (SBL).

The RM marketable securities that are deductible from the EL base computation comprise the following:

- (a) Specified RENTAS securities issued through the Principal Dealer (PD) and Islamic Principal Dealer (i-PD) network;
- (b) All private debt securities including Cagamas securities;
- (c) RM securities issued by Multilateral Development Banks (MDBs) and Multilateral Financial Institutions (MFIs);
- (d) ABF Malaysia Bond Index Fund (18 July 2005); and
- (e) Any other securities as specified by Bank Negara Malaysia.

In addition, PDs and i-PDs may also deduct holdings of all specified RENTAS securities³ issued through the PD and i-PD network in the banking book, except where:

- (a) securities are sold under repo/SBBA; and
- (b) securities are lent or securities that have been used as collateral under SBL.

³ Specified RENTAS securities refers to Islamic/Conventional short term and long term scripless securities issued by the Government, Bank Negara Malaysia, Bank Negara Malaysia Sukuk Berhad and any other instrument that may be specified by Bank Negara Malaysia.

Appendix 4: Eligible Liabilities

Eligible Liabilities for SRR Next Month - Day i (A - B + C - D)

A RM Eligible Liabilities

RM Demand Deposits Accepted
 RM Savings Deposits Accepted
 RM Fixed Deposits Accepted
 RM Specific Investment Deposits Accepted
 RM General Investment Deposits Accepted
 RM Commodity Murabahah
 RM Short-Term Deposits Accepted
 RM Investments Linked to Derivatives Offered
 RM Other Deposits Accepted
 RM NIDs Issued
 RM Repurchase Agreements
 RM Special Deposits (Withholding Tax)
 RM Housing Development Account Deposits
 RM Amounts Due to Designated Financial Institutions
 RM Borrowed Funds
 RM Interest Payable to Non-Residents
 RM Bills Payable to Non-Residents
 RM Miscellaneous Other Liabilities Due to Non-Residents
 Less: RM Subordinated Debt Capital
 Exempt Subordinated Debt Capital
 RM Subordinated Debt Capital with Special Approval from BNM
 RM Recourse Obligation on Loans/Financing Sold to Cagamas

B RM Eligible Assets Deductible from Eligible Liabilities

RM Balances in Current Accounts with Domestic Banking Institutions
 RM Fixed Deposits Placed with Domestic Banking Institutions
 RM Specific Investment Account Placed with Domestic Banking Institutions
 RM General Investment Account Placed with Domestic Banking Institutions
 RM Money at Call with Investment Banks
 RM Other Deposits Placed with Domestic Banking Institutions
 RM Reverse Repos with BNM
 RM Reverse Repos with Commercial Banks
 RM Reverse Repos with Islamic Banks
 RM Reverse Repos with Investment Banks
 RM Overdrawn Vostro A/C of Commercial Banks
 RM Overdrawn Vostro A/C of Islamic Banks
 RM Nostro A/C with Commercial Banks
 RM Nostro A/C with Islamic Banks
 RM Surplus in SPICK
 RM Interbank Placements with BNM
 RM Interbank Placements with Commercial Banks
 RM Interbank Placements with Islamic Banks
 RM Interbank Placements with Investment Banks
 RM Interbank Placements with Cagamas
 RM Loans/Financing and Advances to Domestic Banking Institutions
 RM Loans/Financing and Advances to Cagamas
 RM Negotiable Instruments of Deposits Held
 Negotiable Instruments Deposits Held Under Repurchase Agreements
 Eligible RM Cagamas Bonds - Tier-2
 SRGF Loans
 SRGF-2 Loans

C Eligible Tier 2 Loans Sold to Cagamas - Day i

D Holdings of selected securities - Day i

Appendix 5: Verification Report on Holdings of RM Marketable Securities in the Trading Book

Form JP1/JP2/2EL/2009

Pengarah
 Jabatan Penyeliaan Konglomerat Kewangan (JP1) / Jabatan Penyeliaan Perbankan (JP2)
 Bank Negara Malaysia
 Jalan Dato' Onn
 50480 Kuala Lumpur

Date: _____

Verification Report on Holdings of RM Marketable Securities in the Trading Book⁴ (For deduction from Eligible Liabilities (EL) base)

Name of Banking Institution: _____

Period for the holdings of
 marketable securities

From: dd/mm/yy

To: dd/mm/yy

(Please tick where applicable)

I hereby confirm that the RM figure reported under the trading book, for EL deduction is accurate and in line with our institution's policies.

There are discrepancies in the RM figures reported for EL deduction⁵. Details are indicated below:

 Reporting Date

 Company Stamp

 Signature

Name: _____

Designation: _____

Telephone No.: _____

Email Add: _____

⁴ Based on the Definition of Trading Book as indicated under the market risk component of the policy documents on *Capital Adequacy Framework (Basel II – Risk-Weighted Assets)* and *Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets)*.

⁵ The verification report must be submitted to JP1/JP2 immediately upon detection of any discrepancies. Where there are no discrepancies, banking institutions should retain the report for supervisory review purposes.