

Asset Requirement Ratio

In order to facilitate liquidity adjustments among financial institutions the Bank of Thailand announces the following measures to help increase the supply of such securities and to alleviate the problem of uneven distribution of liquidity in the financial system:

(1) Reducing the liquid asset ratio on deposits at commercial banks and BIBFs (1 year or more in maturity) from 7 percent to 6 percent, while the component requirement remains the same as before:

- Deposits at the Bank of Thailand : at least 2 percent of the above deposit base.
- Cash in hand : at most 2.5 percent of the above deposit base.
- The rest may be unobligated eligible securities.

(2) Reducing the liquid asset requirement ratio on finance companies' domestic and foreign borrowing with 1 year or more in maturity, from 7 percent to 6 percent, with the following component requirement:

- Deposits at the Bank of Thailand : at least 0.5 percent of the above borrowing base.
- Unobligated eligible securities: at least 4.5 percent of the above borrowing base. (The previous ratio was 5.5 percent.)
- The rest may be deposits at commercial banks, loans on demand to commercial banks and the Financial Institutions Development Fund (FIDF), and Certificates of Deposits issued by commercial banks.

In line with the above measures, the Bank of Thailand is also reducing the liquid asset requirement ratio on commercial banks', BIBFs', and finance companies' non-resident deposits or foreign borrowing with less than 1 year in maturity, from 7 percent to 6 percent in the form of deposits at the Bank of Thailand.

The above measures become effective on September 8, 1997, for commercial banks and BIBFs, and on September 12, 1997, for finance companies.

Bank of Thailand
September 8, 1997