

# Press Release on Reserve Requirements

23 April 2022

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**In line with its main objective of price stability and in the scope of efforts towards supporting financial stability and encouraging liraization, the Central Bank of the Republic of Türkiye has strengthened its macroprudential policy toolkit and revised the reserve requirement regulation.**

As stipulated in Article 4 of the Law No.1211 on the Central Bank of the Republic of Türkiye, one of the fundamental duties of the Central Bank is to introduce reserve requirements on appropriate on- and off-balance sheet items of banks and other financial institutions. With this new regulation, reserve requirements, which used to be applied to the liability side of balance sheets, will also be applied to the asset side of balance sheets in order to strengthen the macroprudential policy toolkit.

In this context, banks' and financing companies' TL-denominated commercial cash loans shall be subject to reserve requirements, excluding the following loans:

- Loans extended to businesses that are under the scope of SMEs
- Tradesmen loans
- Export and investment loans
- Agricultural loans
- Loans extended to institutions and organizations, state economic enterprises and their establishments, subsidiaries and affiliates included in tables (I), (II), (III) and (IV) in the annex of the Law No.5018 on Public Finance Management and Control Law
- Commercial credit cards
- Loans extended to financial institutions

Accordingly, it has been decided that:

- Commercial loans, which have been extended in four-week periods since 1 April 2022, shall be subject to a reserve requirement of 10% of the said loans during the maintenance periods of four-week.
- For banks with a loan growth rate above 20% by 31 May 2022 compared to 31 December 2021: the difference between their outstanding loan balances on 31 March 2022 and 31 December 2021 shall be subject to reserve requirements of 20% of this difference, for a period of 6 months.

Moreover, it has been decided to differentiate FX deposit/participation fund reserve requirement ratios according to the conversion rate of real person's FX accounts to TRY accounts, and accordingly, based on this conversion rate, it has been decided to implement an additional reserve requirement of:

- 500 basis points for banks with a conversion rate below 5%, and

- 300 basis points for banks with a conversion rate between 5% and 10%.

This application will be effective from the calculation date of 27 May 2022 with the maintenance period starting on 10 June 2022.

Meanwhile, reserve requirement ratios of financing companies, which were 0%, have now been set at the same level as banks, and their liabilities to domestic banks have been included in the scope of reserve requirements. This amendment will be effective from the calculation date of 29 April 2022 with the maintenance period starting on 13 May 2022.

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