

# RESERVE BANK OF FIJI



## *PRESS RELEASE*

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### **RESERVE BANK INCREASES STATUTORY RESERVE DEPOSIT REQUIREMENT FOR COMMERCIAL BANKS IN FIJI**

The Reserve Bank of Fiji Board approved at its meeting of 29 October 2009 to increase the Statutory Reserve Deposit requirement to 7 percent.

All licensed commercial banks in Fiji are required under Section 40 of the Reserve Bank Act to hold a proportion of their deposits and similar liabilities with the Reserve Bank. This requirement is known as the Statutory Reserve Deposit (SRD).

The SRD currently stands at 5 percent. Effective from 07 December 2009, the SRD requirement will be increased to 7 percent.

The Governor of the Reserve Bank of Fiji, Mr. Sada Reddy, noted that there has been a significant build-up in system liquidity since April 2009. "The amount of liquidity in the banking system has been on an upward trend, rising significantly in the September quarter by around \$170 million to around \$350 million from levels of below \$30 million in early April."

Raising the SRD is expected to supplement recent measures taken by the Bank to ensure that liquidity in the banking system is maintained at an acceptable level while safeguarding Fiji's foreign reserves. With bank liquidity expected to remain above \$200 million, the Governor said this should not put any upward pressure on interest rates. Mr. Reddy urged banks to utilise the ample funds available, to lend to priority sectors which will support growth, exports and investment.

The Reserve Bank will continue to monitor the situation closely and introduce further measures when necessary.

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