

State Bank decides to increase SLR for Islamic Banks from June 3

The State Bank of Pakistan (SBP) has decided to increase the Statutory Liquidity Requirement (SLR) for Islamic Banks/ Islamic Banking Branches by 5 percent with effect from June 03, 2011. At present, the SLR for Islamic Banks/ Islamic Banking Branches is 14% (excluding Cash Reserve Requirement) of Total Demand Liabilities (including Time deposits with tenors of less than 1 year).

A circular (DMMD Circular No.3) issued today said that in exercise of the powers conferred upon the State Bank of Pakistan under section 36 of the State Bank of Pakistan Act, 1956, and section 29 of the Banking companies Ordinance, 1962 it has been decided to increase the Statutory Liquidity Requirement (SLR) for Islamic Banks/ Islamic Banking Branches with effect from June 03, 2011, as under:

1. 19% (excluding CRR) of Total Demand Liabilities (including Time deposits with tenors of less than 1 year).
2. Time Liabilities (including Time deposits with tenor of 1 year and above) will not require any SLR.

With this decision, the SLR for conventional and Islamic Banks will be the same i.e. 19%.

It may be pointed out here that the SLR can be maintained in the form of cash in hand, balance with NBP in current account, balance with SBP in current account and Un-encumbered Approved Securities as notified by SBP from time to time.

Moreover, all holdings of GOP Ijara Sukuk (GIS) will be fully counted for SLR purpose. Holdings of 'SBP approved' SLR eligible 'Public Sector' Sukuks will also be counted up to 7% of total time and demand liabilities for SLR purpose.
