

Finance

PRESS RELEASE

K.S. RAJAH'S ADDRESS TO THE COURT THIS MORNING, THURSDAY, 8TH MAY, 1969

The purpose of requiring banks to maintain minimum liquidity ratio of 20% of their total deposits in Singapore is to ensure that banks pursue sound banking principles in their operations. As is well-known much of a bank's liabilities to the public are easily withdrawn on demand or at short notice by depositors. Because of this volatile nature of deposits banks normally maintain sufficient liquid funds to meet day to day transactions which should also provide for unexpected withdrawals.

The law has therefore seen to it that banks keep a certain percentage of liquid assets in order to protect the depositors' interests in any given situation. This provision would also prevent unrestrained credit expansion which can gravely jeopardise the interests of the depositors.

The Banking Ordinance, therefore, provides for orders to be issued under the Banking Ordinance by the Commissioner of Banking specifying what liquid assets banks must maintain such as cash, balance with the Accountant-General, balance with other banks in Singapore, as well as Government securities, etc. and also what the minimum ratio to total deposits shall be to ensure that depositors' interests are protected at all times by assets that are easily convertible to cash at short notice without any significant loss. You may think that in the above circumstances the word "liquid" is a singularly appropriate term.

Perhaps I should add that the depositors are usually Singapore citizens and the law very properly takes into consideration their interests and welfare.

Where a bank fails to maintain this minimum requirement of 20% of liquid assets in respect of their total deposit liabilities, then a grievous incision is made into the safeguards provided by law and a situation arises where the depositors' interests are placed in jeopardy and an offence is committed. At a later stage the prosecution will go into the details as to the amounts involved and you may think Sir with that explanation that the charge may now be read and a plea entered.