## *ABSTRACT*

*This paper present research that is associated with the banking sector and macroeconomic variables. The case about how liquidity coverage ratio and reserve requirement influence banking sector conditions, specifically in liquidity provision. The LCR promotes the short-term resilience of a bank's liquidity risk profile. It does this by ensuring that a bank has an adequate stock of unencumbered high-quality liquid assets (HQLA). It uses dynamic stochastic general equilibrium model (DSGE) as a model with financial friction and data calibration for Indonesia. The results show that LCR and reserve requirements have similar effects on lending and output. However, lowering both of them have different consequences on government bonds, taxes, household deposits, and bank profit. On the other side, countercyclical liquidity policy rules can improve welfare and reduce the volatility of bank loans.*



*Keywords : Liquidity, Liquidity Coverage Ratio, Reserve Requirement, DSGE.*