**Minutes of the Monetary Policy Meeting**

March 19, 2020

Central Bank of the R.O.C. (Taiwan)

**Minutes[[1]](#footnote-1) of the Joint Meeting of the Board of Directors and**

**the Board of Supervisors on March 19, 2020**

**Date and Time**: 2:00 p.m., March 19, 2020

**Location:** Room A606, Main Building, Central Bank of the R.O.C. (Taiwan)

**Members Present:**

**Chairman, Board of Directors**: Chin-long Yang

**Executive Directors**:

Jain-Rong Su, Jong-chin Shen, Tzung-ta Yen, Nan-kuang Chen, Chung-dar Lei

**Directors**:

Chi-chung Chen, Jin-lung Lin, Chao-hsi Huang, Shiu-sheng Chen, Chao-yi Chen, Fu-sheng Hung, Yi-ting Li, Shi-kuan Chen, Chien-yi Chang

**Chairman, Board of Supervisors**: Tzer-ming Chu

**Supervisors**: Ching-fan Chung, Sheng-yao Lin, Tien-wang Tsaur, Kuei-hui Cheng

**Staff Present:**

E-dawn Chen, Director General, Department of Banking

Hui-huang Yen, Director General, Department of Foreign Exchange

Tzong-yau Lin, Director General, Department of Economic Research

Chien-ching Liang, Director General, Secretariat

Kuei-chou Huang, Director General, Department of Accounting

Shu-hui Chang, Director, Personnel Office

Kun-shan Wu, Director, Legal Affairs Office

Chih-cheng Hu, Secretary, Board of Directors

**Presiding:** Chin-long Yang

**AGENDA: ECONOMIC AND FINANCIAL CONDITIONS AND MONETARY POLICY DECISION**

* + 1. **Review of economic and financial conditions**

The Department of Economic Research presented the following review:

1. **International Economic and Financial Conditions**

Since the start of the year 2020, the coronavirus (COVID-19) outbreak had disrupted global supply chains and weakened world trade and global demand. As the real economy took a hit, major forecasting institutions slashed their projections on global economic growth for the year. Not only was it difficult to predict the degree of the severity, the ramifications seemed to be multiplying.

As the pandemic raged through the world, most economies saw steep cuts to their domestic growth forecasts, with the United States, the euro area, and Japan recently projected by international forecasters to register negative growth. To shore up economic growth and combat the pandemic’s fallout, major economies such as the US and the United Kingdom reduced policy rates; the euro area and Japan introduced further monetary easing; fiscal expansion was also adopted in major economies.

Devastated by the coronavirus outbreak escalation, major stock markets plunged and the VIX “fear index” spiked to historical highs. While most major currencies weakened against the US dollar, the depreciation in the NT dollar was relatively limited. International oil prices tumbled on supply-demand imbalances and virus-related impacts, weighing down on the global inflation outlook. Inflation forecasts for advanced economies mostly got trimmed, whereas China’s inflation could be driven further upwards by the African swine fever epidemic.

Looking ahead, the global economy faces rising downside risks that would cloud financial market stability and the economic and trade outlook, including (1) negative spillovers from the coronavirus pandemic; (2) an unsettled future of trade talks among major economies; (3) persistent geopolitical conflicts and extreme weather threats.

1. **Domestic Economic and Financial Conditions**

(1) Economic situation

As the virus outbreak hindered supply chains and dampened service sector activity, the indices for “future outlooks” (in the following six months) under Taiwan’s Manufacturing PMI (Purchasing Managers’ Index) and NMI (Non-Manufacturing Index) both dropped sharply, indicating that businesses began to see a gloomier future.

In terms of external demand, emerging technology applications and high-end semiconductor development provided a boost to demand that would keep the export engine running. However, given supply chain disruptions amid the ongoing pandemic, recent slumps in international crude prices, and a drastic drop in the number of inbound travelers, the Bank expected limited real export growth for this year.

In terms of domestic demand, private investment was shored up by machinery equipment investment and government-led initiatives. Nevertheless, considering that investment plans could be interrupted by this pandemic, as well as a higher base effect, the Bank forecasted a moderation in real private investment growth.

As to private consumption, the virus outbreak sapped consumer confidence and the job market. Taiwan’s service NMI plummeted in February, with hospitality and food & beverage services suffering the sharpest fall. The impact on workers’ pay could further weigh on private spending. In this view, the Bank forecasted weak real growth in private consumption.

Overall, the Bank expected the economy to be encumbered by the corornavirus outbreak for the first half of 2020 as manufacturing supply chains and the service sector were hampered. For the second half of the year, assuming a steady recovery in production as global supply chains revive and an increase in some swaths of consumer spending to meet pent-up demand, coupled with government relief and stimulus measures, Taiwan’s exports and private consumption could see faster growth as a result, adding fuel to a rebound in economic growth. The Bank forecasted the domestic economy to expand by 1.92% this year, lower by 0.65 percentage points from the previous forecast in December 2019. The growth projections made by major forecasting institutions for Taiwan this year ranged between 1.05% and 2.37%.

(2) Financial conditions

Domestic short-term interest rates were broadly stable. In recent months, the level of banks’ net excess reserves stayed around NT$45-NT$55 billion.

As the coronavirus pandemic spread further, the US Federal Reserve made significant rate cuts and reinstituted quantitative easing, causing the yield spread between Taiwanese and US bonds to decrease considerably. Based on the experience during the global financial crisis, such a development could increase cross-border capital movements, result in currency pressures and financial turmoil, and disrupt the real economy.

Amid the evolving pandemic, the Bank paid close attention to credit conditions of small and medium-sized enterprises. While 50% to 60% of the 1.47 million SMEs in Taiwan relied on bank lending, they usually had a weaker credit quality and their operations were vulnerable to a virus outbreak like COVID-19. Meanwhile, their funding sources – banks – could be conservative in extending credit to the less credit-worthy SME borrowers, leaving them in straitened circumstances because of limited financing channels. Take for instance electronic parts and components firms, which could easily fall victim to a supply dislocation. With more than 80% of them being SMEs, they could run into financial problems if the virus-induced supply chain disruptions hinder production and sales and erode their revenues. Moreover, the hospitality and food & beverage industries comprise mostly SMEs, whose financial hardship owing to dwindling sales during the outbreak could be exacerbated by decreased funding from banks.

(3) Price trends

The consumer price index (CPI) rose mildly, registering an average annual growth rate of 0.81% for the first two months of the year. As domestic demand was soft and the negative output gap widened, inflationary pressures were subdued. Meanwhile, local consumer demand was impaired as the virus outbreak persisted; some service providers tried to lure customers with lower prices. Moreover, international prices of crude oil and other raw materials trended downward. In this view, the Bank projected the CPI and core CPI annual growth rates to be 0.59% and 0.55% this year, with risks to the inflation outlook tilting to the downside.

In regard to the key determinants of future price trends, upside pressures could stem from (1) a minimum wage hike implemented early in the year, which would drive up prices in services, and (2) faster rises in food prices including fruit and vegetables, owing to a lower base effect from last year’s favorable weather conditions. Sources of downside pressures include (1) the spread of the coronavirus pandemic would suppress international commodity prices and restrain domestic consumer demand; (2) domestic communication service providers continue with fee reduction; (3) the domestic output gap slips into deeper negative territory.

1. **Considerations for Monetary Policy**

(1) A need to help businesses stay in normal operation and to sustain confidence of households and businesses:

The coronavirus pandemic impacted the domestic economy, including production and supply disruptions that affected the manufacturing sector and decreased consumption that hurt some parts of the service sector. SMEs in particular could fare even worse given the deterioration in financing with negative consequences for the job market.

(2) Potential adverse implications for financial stability owing to massive capital movements:

In terms of currency values against the US dollar, the NT dollar showed relative strength recently, whereas currencies of major economies experienced larger depreciations. The yield spread between Taiwan and US bonds became smaller. Under the circumstances, large capital flows could move to Taiwan, carrying adverse implications for the foreign exchange market, financial stability, and the real economy.

* + 1. **Proposition and Decision about Monetary Policy**

1. **Policy Propositions: To establish a Special Accommodation Facility to Support Bank Credit to SMEs (hereinafter the Special SME Accommodation Facility, or the Facility) and to reduce the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral by 0.25 percentage points to 1.125%, 1.5%, and 3.375%, respectively.**
2. Board members reached a unanimous decision for the Special SME Accommodation Facility and the policy rate reduction. The discussions are summarized as follows.

(1) Discussion on domestic and international economic and financial conditions

Several board directors gave views on the impact of the coronavirus pandemic on Taiwan’s macroeconomic and price conditions. One board director pointed out that the first shockwaves hit production lines and, given China’s status as the world’s manufacturing hub, threatened supply chain disruptions. This concern was expected to abate after the end of March since Taiwanese firms had assessed that China would restart production around that time. However, the corornavirus then spread to Europe and the United States, adding consumption strains to the list of virus-related problems. With looming uncertainties, corporate buyers in major advanced economies – the US, Europe, and Japan – became rather cautious in placing orders or even asked their suppliers, including those in Taiwan, to put deliveries on hold. This would affect the operations of domestic firms and even the self-employed.

One board director noted that the coronavirus impact was all-pervasive, battering a myriad of sectors including manufacturing and services. In the manufacturing sector, the industry of electronic parts and components was so closely integrated with the supply chains in China that it could run into a supply bottleneck. Financially strapped SMEs could even be forced to close down. The service sector was experiencing a wider range of repercussions with consumers hesitant to go out and spend. Another board director shared a similar view that this outbreak had dealt a huge blow to Taiwan’s economy in many areas including consumption, investment, and exports.

One board director commented in regard to the virus impact on prices, stating that despite downside pressures from international oil slumps and soft domestic consumer spending, this pandemic could cause upside pressures. As lockdowns and travel bans restricted the movement of goods and people, merchandise costs would increase and commodity exports and imports would be obstructed, both of which could push up domestic prices.

(2) Discussion on the proposed policies

All board directors expressed support for the policy rate reduction and the introduction of the Special SME Accommodation Facility.

One board director pointed to the current environment where Taiwan’s SMEs were having difficulties because of the virus outbreak. The policy rate cut would bring down not only the deposit rates but also the lending rates. Therefore, by lowering the interest rates and deploying the new Facility, the Bank could help the SMEs obtain the working capital needed to continue business operation. This policy was not aimed at spurring consumption or investment, but rather to alleviate pressures for SMEs under stress. Moreover, as households and businesses could both enjoy the benefits of this policy, it would help support business operations and buttress household confidence.

Several board directors gave their opinions regarding the implications and size of rate cuts, as well as future monetary policy space.

With respect to the implications of rate cuts, two board directors, while expressing support for the rate cut, stated that although a rate cut was expected to provide a limited boost to consumption or investment, it carried a much-needed announcement effect. A rate cut would indicate the Bank’s stance on easing and a commitment to ensure ample market liquidity. Another board director remarked that the actual effects of the discount rate policy have long been less than significant, and the announcement effect, if there indeed exists one, also seems to dull gradually.

In regard to the size of cuts and future policy space, one board director observed that, limited effects aside, the fact that many central banks cut their policy rates by a large margin – the Fed’s 1.5 percentage points in particular – gave ground for supporting the proposed 0.25 percentage point reduction. Another board director noted that the market had widely expected a rate cut with this meeting. Notwithstanding the deeper cuts by other central banks, this director favored a rate cut by 0.25 percentage points based on practical considerations. One other board director stated that as major economies implemented rate reductions Taiwan should not lag behind too much, citing also the remaining room for lower rates as well as the announcement effect of the Bank’s policy stance. In addition, a rate cut would also help lighten the interest burdens on households and businesses. Therefore, cutting the policy rates by 0.25 percentage points would be the appropriate action.

One board director pointed out that although the 0.25 percentage point cut was in line with an assessment of the current economic disruption, the Bank could face renewed rate cut pressures if the coronavirus outbreak persists. With the interest rates already at a relatively lower level, the future policy space will be limited. Another board director supported a rate cut given the high uncertainty about how long this pandemic will persist but suggested that a smaller reduction would be helpful in preserving future policy space. The board director also proposed that the Bank form a research group on monetary policy framework to take an all-encompassing view on the matter. Another board director added that the Bank has already set up an inter-department research group for this subject and will continue with related study work and enhance the monetary policy framework.

One board director pointed out that the policy rates had stayed on hold for several years; although market expectation was a 0.25 percentage point reduction, too, it remained important for this rate cut decision to also consider the prospect of further easing or the possibility of deploying other policy tools. Another board director agreed with the rate cut decision, citing a forecast downgrade for domestic economic growth and an uncertain outlook. However, in view of the current low rates and to preserve room for further reductions, it seemed appropriate to consider a reduction of 0.125 percentage points instead.

One board director pointed out that the recent waves of rate cuts by many economies had led to a narrower spread between interest rates in Taiwan and the US, which could give rise to a surge in short-term capital inflows. Moreover, the Bank had bucked the trend for several years by keeping the rates unchanged when other central banks eased. A rate cut decision this time would imply less room for future policy maneuver. Therefore, the cut should be considered in a broader context, including accounting for the aforementioned interest rate spread and short-term capital issues.

Another board director noted that preemptive monetary policies require swift and brave actions. Even though monetary policy space could be smaller after this rate cut, Taiwan will not pursue negative interest rates. Furthermore, the fact that the policy response package encompassed a rate reduction and an accommodation facility revealed the true aim of this cut, which was to relieve the virus-induced stress and to help SMEs ride out the storm rather than to boost consumption or investment.

Several board directors expressed their views about the effects, participating banks, lending rates, and eligible borrowers under the proposed Facility, as well as the procedures to adjust the Facility if needed.

In terms of the effects, one board director pointed out that the gravest difficulty facing businesses now was a cash flow crunch. Therefore, creating a special credit line would bring about much help to businesses. Another board director also agreed that establishing the Special SME Accommodation Facility to provide NT$200 billion in lending was not only rightly warranted but also the right remedy.

In terms of participants, one board director pointed to an inspiring sense of unity in Taiwan during the 2008 global financial crisis, when the government helped banks, banks helped businesses, and businesses helped workers – the kind of inspiration that should be re-created by the banking sector in the current crisis to turn the tide. The director gave support to the Facility but noted that private banks also need to be urged to participate proactively in this effort together, so as to genuinely assure businesses.

Another board director added that the Bank will discuss the implementation details with banks, incorporate private banks into this program, and uses moral suasion. With government helping banks to help businesses, it showed the importance of the corporate sector. At present, some employers had to resort to hour cuts and furloughs, possibly for an extended period of time. By helping them to stay in operation, it would also help underpin the labor market. And though the proposed NT$200 billion Facility was preliminarily designed to run for a short term, an extension or expansion might be considered should the SMEs still remain financially strapped later on.

One board director stated that against a backdrop of SMEs taking the brunt of the virus-induced impacts, state-owned banks are expected to fully cooperate with the Facility to help lift SMEs. Another board director commented that the central bank’s Special SME Accommodation Facility would be a great help. In addition to this Facility, as part of the government’s continued efforts to urge state-owned banks to give full support for SMEs, other central agencies introduced SME aid programs that could also expect keen cooperation from state-owned banks.

With regard to lending rates, one board director gave the view that whether the lenders are state-owned banks or private ones, the aid efforts were not designed to make them take losses. One way to increase banks’ willingness to lend to the distressed SMEs would be to raise the guarantee ratio of the Small and Medium Enterprise Credit Guarantee Fund of Taiwan (SMEG), thereby mitigating lending risks and bringing down funding costs; it also seemed appropriate to allow banks to decide the levels of interest rates on such loans. Another board director urged that the Bank should reconsider the Facility’s ceiling on lending rates; instead of relying solely on moral suasion, the relief scheme should take into account banks’ willingness to lend.

One board director showed support for the Facility but noted that the financial industry itself was also hampered by the coronavirus pandemic; it seemed appropriate if the lending rates are left to the discretion of participating banks. Another board director also remarked on the duration, amount, and loan rate ceiling of the Facility, stating that a lower ceiling on lending rates would make banks less willing to extend credit to SMEs; this director also pointed out that the Facility and the relief loan package by the Ministry of Economic Affairs (MOEA) might have some overlapping features.

With regard to the recipients of the loans, one board director explained that the MOEA’s relief package was aimed for those enterprises suffering more than a 15% contraction in revenues, while the Bank’s Facility would benefit a wider range of corporate borrowers in a way that would make bank credit assistance more inclusive. Another board director gave support to the Facility as this scheme and the MOEA’s package actually targeted different types of enterprises.

Concerning adjustment to the Facility, one board director explained that much of its content (duration, amount, rate ceiling, etc.) was tentative, with flexibility for future changes. The Bank will, after the Facility’s passage at today’s Meeting, invite banks and relevant agencies including the SMEG to discuss the particulars of the Facility’s implementation and formulate practical applications to carry it out. Two board directors agreed that the Governor of the Bank may in his power make adjustments to the Facility, including the lending rates, the amount of accommodation, and other arrangements based on the actual implementation situation without calling a Board Meeting.

Another board director pointed out that during the global financial crisis the Bank held six meetings during the four months of September through December instead of just the two scheduled quarterly meetings. Therefore, the Bank will hold Executive Directors Meetings or emergency Board Meetings outside the regular schedule when deemed necessary.

1. **Monetary Policy Decision:** The board directors reached a unanimous vote to reduce the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral by 0.25 percentage points each to 1.125%, 1.50%, and 3.375%, respectively.
   * 1. **The Press Release**

The board directors and supervisors approved unanimously to issue the following press release in the post-meeting press conference, together with the Supplementary Materials for the Post-Monetary Policy Meeting Press Conference prepared by the Bank.

### Monetary Policy Decisions of the Board Meeting

1. Global economic and financial conditions

Since early this year, the spread of the COVID-19 pandemic has disrupted global supply chains and weakened the growth momentum for international trade and consumption demand. Real economic activities have been widely affected and international financial markets have experienced dramatic volatility. Among international commodities, sharp declines in crude prices have exerted a downward pressure on global inflation. Moreover, factors such as the uncertain prospects for trade deal negotiations among major economies as well as geopolitical conflicts also substantially heighten downside risks to the global economy. International institutions have successively made significant downward revisions to forecasts for global economic growth this year.

Given rising uncertainties surrounding the impact of the virus on global economic and financial conditions, major economies have recently adopted an accommodative monetary policy stance and announced expansionary fiscal policy to shore up economic growth.

1. Domestic economic and financial conditions
2. With the spread of the coronavirus, the global economy is expected to expand at a notably slower pace this year, which may undermine Taiwan's exports. In addition, the number of inbound visitors has drastically decreased, dampening growth in service exports. In terms of domestic demand, as the virus outbreak weighed on domestic consumer confidence and labor market conditions, private consumption expenditure is anticipated to be constrained. On the other hand, while investment plans in the manufacturing sector may also be affected, imports of capital equipment considerably increased in 2019, leading to a higher comparison base. Therefore, private investment is likely to register mild growth.

As the coronavirus is projected to drag down the domestic economy in the first half of the year, the Bank revises down the growth forecast of Taiwan's economy to 1.07% for the first half of the year. If global supply chains gradually resume production in the second half of the year, export growth is likely to regain momentum. In addition, the rebound effect deriving from deferred private consumption, along with the government's relief and stimulus measures to bolster domestic demand, point to a possible pickup in domestic economic growth in the second half of the year. The Bank forecasts the domestic economy to expand by 1.92% in 2020 (Appendix Table 1). The developments of the COVID-19 outbreak will be a key variable for Taiwan's economy this year.

1. For the first two months of the year, the consumer price index (CPI) and the core CPI (excluding fruit, vegetables, and energy items) registered average annual growth rates of 0.81% and 0.48%, respectively. In terms of the inflation outlook, considering the adverse impact on domestic consumption demand caused by the spread of the virus, combined with plunging international oil and raw material prices, the Bank trims the forecasts of the CPI and core CPI annual growth rates for 2020 to 0.59% and 0.55%, respectively (Appendix Table 2).
2. The domestic financial system continues to enjoy ample liquidity and smooth functioning of financial intermediation. For the first two months of the year, the level of banks' net excess reserves stayed around NT$45-NT$55 billion and bank credit steadily increased. Short-term market interest rates generally moved around a lower level while long-term rates trended downwards.
3. Monetary policy decisions

The coronavirus pandemic has caused global economic prospects to deteriorate drastically and international financial markets to fluctuate violently. On the domestic scene, manufacturers could face supply chain disruptions, and some parts of the service sector could run into problems from slowing business. Small- and medium-sized enterprises could particularly suffer if funding access turns limited, which could in turn weigh on employment. Meanwhile, with major currencies experiencing more marked depreciations, the NT dollar has shown relative strength.

Therefore, to help support business continuity and to caution against the adverse implications of massive cross-border capital flows for financial stability, the Board judged that a policy rate cut was necessary. The Board also decided to set in place a special accommodation facility to help the SMEs to get through financial distress. These actions are expected to buttress confidence of households and businesses, to help sustain the smooth functioning of economic activity and to facilitate the Bank's efforts towards the fulfillment of its mandate.

The Board reached the following decisions unanimously at the Meeting today:

1. The discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral will, effective March 20, 2020, be reduced by 0.25 percentage points to 1.125%, 1.50%, and 3.375%, respectively.

The Bank will continue to closely monitor new developments of the coronavirus outbreak and the monetary policy actions by major economies, as well as the resultant effects on the economic and financial conditions at home and abroad. The Bank will, should the situation warrants, hold Executive Directors' Meetings or emergency Board Meetings outside the regular schedule and deploy monetary policy tools to act as appropriate to fulfilling its statutory mandates.

1. Under the special accommodation facility, the Bank will, preliminarily, provide banks with additional funds of a total amount of NT$200 billion and at a rate of one percentage point lower than the policy rate on accommodations with collateral, in order to support credit extensions to SMEs. The interest rate charged on loans extended to SMEs under this facility would, preliminarily, be capped at the aforementioned rate on special accommodations plus one percentage point (Appendix 1). The Bank will regularly review the implementation of the facility and make timely adjustments as needed.
2. Meanwhile, as part of the Bank's efforts to ensure continued availability of liquidity, banks may also use their holdings of the certificates of deposit (CDs) and negotiable certificates of deposit (NCDs) issued by the Bank to request early withdrawal or to take out secured loans. In case of emergency, the Bank's expanded repo facility, introduced in 2008 at the onset of the global financial crisis, could also be utilized to provide sufficient market access to liquidity. Under the broadened scope, securities firms and insurance companies are included as eligible counterparties in addition to banks and bills finance companies (Appendix 2). Banks with ample funds are urged to fulfill their roles as financial intermediaries and extend loans as needed to viable businesses.
3. Taiwan has recently witnessed frequent short-term capital movements with adverse implications for the domestic forex and stock markets. The Bank will pay close attention to cross-border capital flows and act in line with its mandate to maintain an orderly foreign exchange market and safeguard financial market stability.
4. The coronavirus outbreak is causing serious supply and demand shocks to the global economy. While the government has begun to introduce relief measures and stimulus programs, the Bank has also undertaken supportive actions with an easy monetary environment and a special SME accommodation facility. It is expected that the combined efforts would work in concert to promote steady growth for the Taiwan economy.

**Appendix 1: Key Points of the Special Accommodation Facility to Support Bank Credit to SMEs, Implemented by the CBC**

1. To enhance funding access for the SMEs affected by the coronavirus disease (COVID-19) outbreak, and to mitigate the economic and financial impacts of the virus, the CBC launches this special accommodation facility to provide banks with additional funds, so that they may, through secured loans, support the credit needs of the aforementioned enterprises.
2. The key points are as follows (subject to adjustments by the CBC if needed):
   1. Facility Interest Rate: The CBC's rate on accommodations with collateral minus one percentage point
   2. Amount: NT$200 billion
   3. Duration: Six months
   4. Eligible Borrowers: SMEs affected by the virus outbreak (guaranteed by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan, or backed by collaterals)
   5. Loan Purpose: To support business operations for SMEs affected by the virus
   6. Interest Rate Charged on SME Loans under this Facility: Capped at the Facility's rate (as in Point 1) plus one percentage point
   7. SMEs which take out loans under this Facility could also apply for other credit support measures implemented by the government.

**Appendix 2**

**Comparison of the Regular and Expanded Repo Facilities of the CBC**

|  |  |  |
| --- | --- | --- |
|  | **Regular Repo Facility** | **Expanded Repo Facility** |
| **Application** | As announced by the CBC | 1. As announced by the CBC 2. Financial institutions may also participate by applying to the CBC. (Applicable in case of emergency needs for funding) |
| **Eligible counterparties** | 1. banks 2. bills finance companies 3. Chunghwa Post 4. securities firms (that are designated dealers for the CBC's open market operations)   (The above-listed are all eligible to conduct repo transactions with the CBC directly.) | 1. banks 2. bill finance companies 3. Chunghwa Post 4. securities firms 5. insurance companies   (For securities firms that are not designated OMO dealers, and for insurance companies, they may conduct repo transactions with the CBC through a designated dealer; the rest of the above-listed may conduct repo transactions with the CBC directly.) |
| **Tenor** | Within 30 days | Within 180 days |
| **Rate** | Variable rates based on market rates and the issuing rates of the CBC's CDs | Variable rates based on market rates and the issuing rates of the CBC's CDs |
| **Eligible collateral** | As stipulated in Articles 26 and 27 of *The Central Bank Act*, but mainly the CBC-issued CDs and NCDs and government bonds | As stipulated in Articles 26 and 27 of *The Central Bank Act*, but mainly the CBC-issued CDs and NCDs and government bonds |

Note: In response to the impact of the global financial crisis, the CBC announced on September 26, 2008, that it would broaden the scope of the repo facility to provide sufficient liquidity for financial institutions.

1. This English translation is provided for information purposes only; the Chinese version shall prevail in case of discrepancies. [↑](#footnote-ref-1)