

3. Money Market

For the year 2021, the total turnover in the interbank call loan market and short-term bills market increased by 12.78% and 1.66%, respectively, over the previous year. With respect to money market rates, as the Bank kept policy rates on hold during the year, the interbank overnight call loan rate fluctuated in a narrow range and bills market rates broadly displayed a downtrend before moving up later in the year.

Growth in Interbank Call Loans

With the global economy gradually recovering in 2021, exports registered solid growth and private investment showed robust expansion. Against this backdrop, bank loans and investments continued expanding year on year, leading to stronger demand for interbank call loans. Total annual turnover of interbank call loans stood at NT\$31,684.2 billion, increasing by NT\$3,591.1 billion or 12.78% over the previous year.

In terms of borrowers, domestic banks still made the largest contribution to total transactions with a share of 81.52%, followed by bills finance companies, foreign and Mainland Chinese banks, and Chunghwa Post, with shares of 8.92%, 6.84%, and 2.71%, respectively.

The amount borrowed by domestic banks grew by NT\$3,993.7 billion or 18.29% from the year before. The increase was mainly because banks' demand for interbank borrowing grew as they tried to meet liquidity management needs against a backdrop of uneven distribution of funds despite ample liquidity in the banking system.

On the other hand, as corporations and banks had greater demand for bills, bill transactions increased, thereby reducing bills finance companies' demand for funds. The amount borrowed by bills finance companies recorded a year-on-year decrease of NT\$738.8 billion or 20.72%.

Meanwhile, the amount borrowed by foreign and Mainland Chinese banks dropped by NT\$113.4 billion or 4.97% over the previous year owing to their softer funding needs. The amount borrowed by Chunghwa Post rose substantially by NT\$449.6 billion or 109.51% compared with the previous year because of a lower base effect.

With respect to lenders, domestic banks remained the largest supplier of funds, contributing to 67.19% of total transactions in 2021. Foreign and Mainland Chinese banks came in second with a share of 31.44%, followed by Chunghwa Post and bills finance companies making up 1.25% and 0.13% of total transactions, respectively.

To channel excess available funds at hand resulting from surging deposits boosted by continued growth in exports, domestic banks increased interbank lending by NT\$2,680.5 billion or 14.41% over the previous year.

As foreign and Mainland Chinese banks often carry out the custodian business for foreign investors, the resulting net foreign capital inflows created a sufficient source of funds. Therefore, the amount of call loans made by this group went up by NT\$1,648.4 billion or 19.83% over the previous year.

On the contrary, the amount of call loans made by Chunghwa Post fell by NT\$744.9 billion or 65.36% from a year before. The decrease was primarily because its investments in short-term bills or bonds with higher yields led to less available funds at hand.

As for bills finance companies, the amount lent by this group expanded by NT\$713.6 billion or 21.44% over the previous year on account of sufficient funds at their disposal.

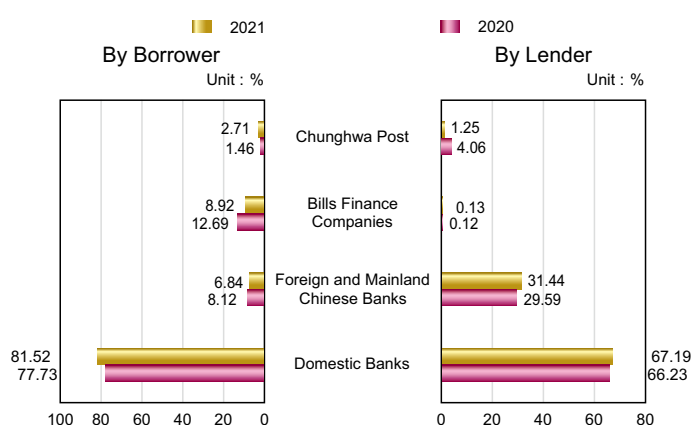
In terms of maturity, interbank overnight call loans remained the most actively traded instrument in the market with a predominant share of 51.82%, up by 11.42 percentage points from that of the previous year. The second were those with a maturity of one week, sliding by 6.02 percentage points to 33.98% over the previous year, while the share of loans with a two-week maturity also slipped by 2.91 percentage points to 10.22%.

Rise in Short-Term Bill Transactions

For the year 2021, newly issued short-term bills stood at NT\$17,254.0 billion. Commercial paper made up a dominant 93.35% of the new issues, followed by negotiable certificates of deposit (NCDs) with a share of 4.69%.

The growth in the volume of newly issued short-term bills was mainly attributable to increased issuance of commercial paper with an amount of NT\$1,282.8 billion because government

Composition of Interbank Call Loan Market by Participant



Source: *Financial Statistics Monthly* (February 2022), CBC.

enterprises and private enterprises issued commercial paper to raise funds amidst a persistently low interest rate environment. The second largest contributor were banker's acceptances with a rise of NT\$4.9 billion over the previous year.

However, issuance of NCDs contracted by NT\$22.2 billion from the previous year. This was because, when part of the NCDs reached maturity, some banks did not renew the issuance of NCDs after assessing their own funding conditions or corporate holders did not renew their purchases in order to free up funds for other purposes. Meanwhile, the amount of treasury bills shrank by NT\$16.6 billion from a year before, primarily on account of a decrease in issuance to support fiscal funding needs.

Overall, the amount of the total issuance of short-term bills was greater than that of the total repayments for short-term bills. Therefore, the outstanding of short-term bills reached NT\$2,911.2 billion as of the end of 2021, representing an increase of NT\$164.0 billion or 5.97% from that of the previous year end.

Short-Term Bills Market

Unit: NT\$billion

Year	Total		Treasury Bills		City Treasury Bills		Commercial Paper		Banker's Acceptances		Negotiable Certificates of Deposit	
	Issues	Year-End Outstanding	Issues	Year-End Outstanding	Issues	Year-End Outstanding	Issues	Year-End Outstanding	Issues	Year-End Outstanding	Issues	Year-End Outstanding
2012	8,187.7	1,454.0	265.0	195.0	-	-	7,311.6	1,023.6	24.2	4.3	586.9	231.1
2013	9,809.0	1,650.2	324.6	214.6	-	-	8,827.4	1,199.2	23.5	4.2	633.5	232.3
2014	10,840.6	1,641.2	244.9	130.0	10.0	0.0	9,919.5	1,306.8	24.1	4.3	642.2	200.2
2015	11,512.8	1,677.7	233.7	90.0	-	-	10,426.0	1,346.6	20.8	3.5	832.3	237.6
2016	12,778.5	1,873.5	217.3	90.0	-	-	11,371.3	1,480.1	18.3	4.1	1,171.6	299.4
2017	14,878.5	2,154.5	220.0	25.0	-	-	13,077.8	1,709.0	19.4	4.2	1,561.3	416.4
2018	14,971.9	2,223.1	160.0	30.0	-	-	12,965.0	1,760.6	18.5	4.0	1,828.5	428.5
2019	14,927.3	2,353.2	314.0	65.0	-	-	13,613.6	2,034.1	14.0	2.6	985.7	251.5
2020	16,005.2	2,747.2	336.6	125.0	-	-	14,824.7	2,344.3	13.0	2.8	830.9	275.1
2021	17,254.0	2,911.2	320.0	115.0	-	-	16,107.5	2,560.1	17.8	4.5	808.7	231.6

Source: *Financial Statistics Monthly* (February 2022), CBC.

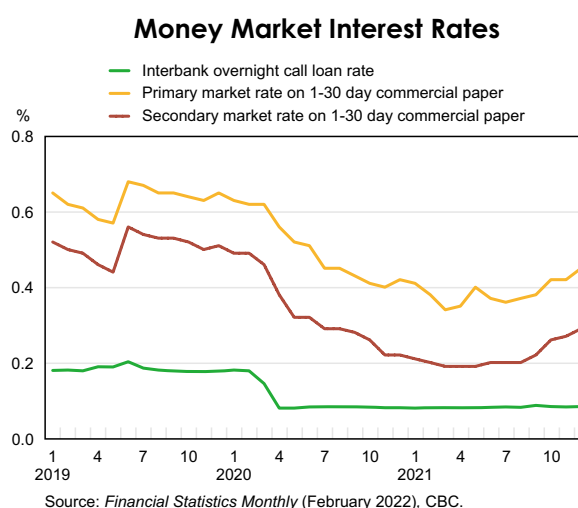
The total turnover of short-term bills in 2021 went up by NT\$731.3 billion or 1.66% to NT\$44,872.2 billion. Of the total transactions, commercial paper still made up the lion's share of 95.81%, up by 0.6 percentage points from a year earlier. The second were NCDs with a share of 3.51%, 0.48 percentage points lower than the previous year. As for market participants, private enterprises were still the largest player in the market with a dominant share of 47.59%, followed by banks and bills finance companies with shares of 28.15% and 14.32%, respectively.

Slightly Fluctuating in Money Market Rates

In 2021, the weighted average interbank overnight call loan rate remained at low levels, reflecting ample market liquidity. For the first eight months, the rate slightly fluctuated between 0.079% and 0.082%. In September, the Mid-Autumn Festival holidays and the quarter-end effect led to greater market demand for funds. The interbank overnight call loan rate modestly trended up to 0.086%.

From October onwards, the Double Tenth Day holidays and enterprises' dividend payouts pushed up funding needs, yet market liquidity remained sufficient, and foreign investors net bought on the Taiwan Stock Exchange (TWSE) for two consecutive months from November to December, leading to net capital inflows. Therefore, the weighted average interbank overnight call loan rate slightly fluctuated between 0.082% and 0.083% in the fourth quarter.

The primary market rate on commercial paper with a maturity of 1-30 days fell from 0.42% in December 2020 to 0.34% in March 2021, and later rebounded to 0.45% in December 2021. Meanwhile, the secondary market rate on commercial paper with a maturity of 1-30 days also slipped from 0.22% in December 2020 to 0.19% in March 2021, and rose back up to 0.29% in December 2021.



Slide in Money Market Funds

In the year 2021, the size of money market funds experienced volatile changes. This was because the TAIEX swung up, attracting more capital to flow into the TWSE. As a result, money market funds, where institutional investors used to park short-term capital, recorded a smaller size. At the end of 2021, there were a total of 36 money market funds in Taiwan and the total assets stood at NT\$851.4 billion with a decrease of NT\$169.6 billion or 16.61% from the end of the previous year.

In respect of portfolio composition, the largest use of funds was bank deposits with a share of 51.35% at the end of the year. Following bank deposits were short-term bills and repurchase agreements, accounting for 38.50% and 10.11% of the total money market funds, respectively.

Portfolio Composition of Money Market Funds

Unit: NT\$billion

Year/Month End	Total	Bank Deposits		Short-Term Bills		Repurchase Agreements		Bonds	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
2019	793.7	457.5	57.64	233.7	29.45	100.6	12.67	1.9	0.24
2020	1,021.0	556.1	54.47	346.4	33.93	117.1	11.47	1.4	0.14
2021	851.4	437.2	51.35	327.8	38.50	86.1	10.11	0.4	0.04
2021/ 1	1,081.7	569.5	52.65	386.3	35.71	124.4	11.50	1.5	0.13
2	1,096.9	574.6	52.38	393.2	35.85	127.3	11.60	1.8	0.16
3	1,072.6	574.7	53.59	393.6	36.70	102.7	9.58	1.5	0.14
4	1,089.8	602.1	55.25	383.0	35.14	102.9	9.44	1.9	0.17
5	1,007.2	581.8	57.77	340.8	33.84	82.2	8.17	2.3	0.22
6	957.5	556.6	58.13	318.2	33.23	80.8	8.44	1.9	0.20
7	984.7	551.6	56.02	340.3	34.56	90.9	9.23	1.9	0.19
8	994.5	557.6	56.07	346.8	34.87	89.1	8.96	1.0	0.10
9	920.4	534.4	58.06	316.1	34.35	69.0	7.49	0.9	0.10
10	877.0	499.8	56.99	298.0	33.97	78.9	8.99	0.4	0.04
11	869.7	477.6	54.92	309.4	35.58	82.3	9.46	0.4	0.04
12	851.4	437.2	51.35	327.8	38.50	86.1	10.11	0.4	0.04

Source: Securities Investment Trust & Consulting Association of the R.O.C.