

Lowering the required reserve ratios

From 18 September 2008 onward, the CBC lowered the required reserve ratios on demand deposits and time deposits by 1.25 and 0.75 percentage points, respectively, releasing around NT\$200 billion of funds with a view to increasing the momentum of bank lending.

Expanding the scope of Repo facility operations

To provide financial institutions with sufficient liquidity, the Board of the CBC reached the decision to expand the scope of Repo facility operations in its meeting on 25 September 2008. The monetary policy decisions included: (1) expanding eligible counterparties to include securities firms and insurance companies; (2) extending the term of Repo facility operations to within 180 days from 30 days; (3) expanding eligible instruments to include CDs issued by the CBC; and (4) allowing financial institutions to apply for the CBC's approval for Repo facility operations based on their funding demand, in addition to the operations announced by the CBC.

6.2 Measures to stabilize the financial system

In order to stabilize financial markets, improve market confidence, as well as assist individual and corporate funding, the government also implemented a number of measures to stabilize the financial system as follows:

Adopting an interim blanket deposit guarantee

The government announced that it would guarantee all deposits in insured financial institutions (both banks and community financial institutions) by their full amount until the end of 2009. Additional deposits to be guaranteed included foreign currency-denominated deposits, inter-bank deposits and lending, and financial bonds issued before or on 23 June 2005. This measure effectively stabilized the market and restored the confidence of depositors.

Initiating approaches for stabilizing stock markets

The impact of global financial turmoil resulted in acute slumps in the local stock markets. In order to stabilize domestic equities prices, the government launched the following measures: (1) temporarily resuming the ban on short-selling 150 listed shares below the previous day's closing price, suspending borrowed and margin stocks from short-selling, and narrowing the

percentage fall limits of share prices; (2) encouraging companies to buy back their own stocks as treasury stocks or company directors to purchase their companies' stocks; and (3) encouraging state-owned financial institutions and the four government-managed funds to purchase low-priced stocks of well-performing companies.

Increasing securities market momentum and expanding capital market size

To increase market momentum, the short-selling of borrowed and margin stocks at or above the closing price on the previous trading day was permitted from 28 November 2008 onwards. As a result, the trading volume in the stock market increased substantially in December 2008. Moreover, after the government resumed the short-selling of 150 listed shares below the closing price on the previous trading day and lifted the limits on the total volume of short-selling for borrowed and margin stocks, starting from 5 January 2009, market liquidity increased. In addition, the FSC released a new regulation on 30 April 2009, which gave the green light to Qualified Domestic Institutional Investors (QDIIs) from China wishing to invest in Taiwan's securities and futures. It was expected to expand the scale of the local capital market so as to promote its internationalization and competitiveness.

Coordinating corporate financing support

In order to assist corporations to weather the current economic downturn and to tackle their business difficulties, the government introduced several projects, including: (1) organizing a Special Task Force on Facilitating Enterprises to Obtain Operational Funds to help small and medium enterprises (SMEs) and large corporations find financing support; (2) releasing two self-disciplined mechanisms by the Bankers' Association allowing corporations that face financial difficulties but still operate normally and pay loan interest as scheduled to extend loans by six months if their expiry date is before the end of 2009, and temporarily loosening collateral requirements on margin loans to ease selling pressure from margin calls; (3) extending the settlement period for dishonored checks; (4) implementing the Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises, which is expected to increase SMEs' lending by NT\$300 billion from July 2008 to the end of 2009; (5) providing NT\$600 billion in loans to large corporations⁶⁶ under the Directions for the Provision of Special Loans and Credit Guarantees to Non-SMEs; and (6) loosening the qualification requirements for credit guarantees, lowering guarantee fees and expanding authorized guarantee coverage by the Small and Medium Enterprise Credit Guarantee Fund

⁶⁶ Effective until the end of 2010.

of Taiwan (Taiwan SMEG)⁶⁷.

In order to help corporations raise funds from capital markets, the government also implemented several related measures, including: (1) relaxing the lower limit of offering prices for equity offerings; (2) allowing issuers of convertible bonds which are due before the end of 2009 to set additional conversion price reset provisions or modify terms, such as extending the due date, after reaching the final decision at shareholders' meetings and negotiating with bondholders; (3) allowing companies to issue new corporate bonds to pay off previous bond indentures; and (4) allowing public-issuing companies to repay corporate bonds using the residual funds of previous bond issues.

Assisting individuals to get loans from banks

In order to assist individuals to get loans from banks and to reduce the interest burden for homebuyers, the government introduced several measures, which included: (1) providing a total of NT\$400 billion in preferential mortgage loans in September 2008 and April 2009, respectively; and (2) allowing borrowers of preferential mortgage loans to extend the expiration date or defer principal repayment of loans if applicable, and allowing involuntarily unemployed workers to defer principal payments of their mortgage loans.

Temporarily adjusting the risk-based capital system of the insurance industry

In view of the impact of the global financial crisis and to maintain the function of the risk-based capital (RBC) system as well as the stability of the domestic insurance market, the FSC promulgated a new regulation in November 2008 to allow insurance companies to raise funds through issuing bonds with a capital nature. Furthermore, the FSC amended the risk-based capital system of the insurance industry in October and November 2008, respectively. The main amendments were: (1) the issuance of bonds with a capital nature can be included in eligible capital, and the maximum limit of bonds with a capital nature and preferred stock of a liability type being included in eligible capital was raised; (2) except for the cross investments among insurance companies, the funds invested in bonds with a capital nature or preferred stock of a liability type need not be deducted from eligible capital; (3) the special reserve for major events and part of unrealized gains or losses arising from investments on stocks, exchange-traded funds (ETFs) and mutual funds can be included in eligible capital. The above amendments are to be in effect until the end of 2009.

⁶⁷ Effective until the end of 2009.