

## 4. Money Market

Due to a slack recovery of the economy, the demand for funds in the private sector was not strong. The interbank overnight call loan rate remained broadly stable at a low level. As a result, total turnover in both the interbank call loan market and short-term bills market increased for the year.

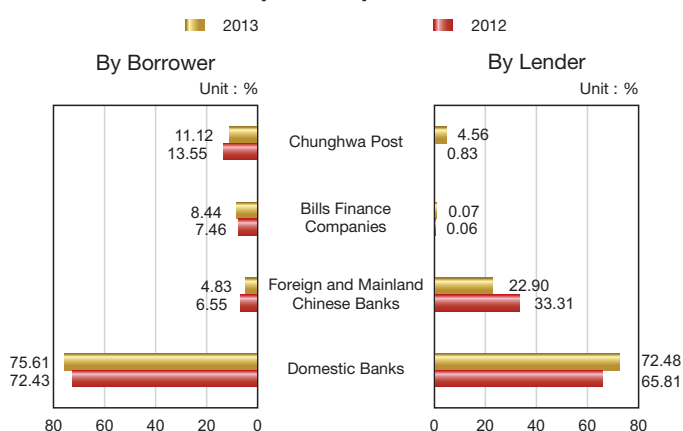
### Increase in Interbank Call Loans

In 2013, total annual turnover of interbank call loans amounted to NT\$39,843.1 billion, showing an increase of 14.24 percent when compared with the previous year. This was mainly because of stronger demand for funds by banks, in response to their uneven fund allocation, and by bills finance companies, to fund increased short-term bills trading at lower rates. The outstanding amount of interbank call loans amounted to NT\$380.7 billion in December 2013, recording a substantial increase of 53.34 percent from the previous year end.

With regard to borrowers, domestic banks were still the largest player during the year, accounting for 75.61 percent of total transactions, followed by the Chunghwa Post, bills finance companies, and foreign and Mainland Chinese banks, with shares of 11.12 percent, 8.44 percent and 4.83 percent, respectively. The amount borrowed by domestic banks increased by NT\$4,862.5 billion or 19.25 percent compared with the previous year because the interbank overnight rates remained broadly stable at a low level. The amount borrowed by bills finance companies increased by NT\$759.4 billion or 29.17 percent during the year because of their stronger demand for funds, which was associated with the transactions in short-term bills. However, the borrowed amount of the Chunghwa Post and foreign and Mainland Chinese banks decreased by NT\$295.0 billion or 6.24 percent and NT\$360.0 billion or 15.76 percent, respectively.

With respect to lenders, domestic banks continued to be the largest supplier of funds, accounting for 72.48 percent of total transactions in 2013. Those with smaller proportions were foreign and Mainland Chinese banks, the Chunghwa Post and bills finance companies, with respective shares of 22.90 percent, 4.56 percent and 0.07 percent. The amount lent by domestic

**Composition of Interbank Call Loan Market by Participant**



Source: Financial Statistics Monthly, CBC.

banks increased by NT\$5,925.7 billion or 25.82 percent compared with the previous year as domestic banks had stable sources of deposits and could provide sufficient funds for lending. Meanwhile, the Chunghwa Post supplied more funds to the interbank call loan market because of statutory restrictions on its lending business. As a result, the amount lent by the Chunghwa Post increased by NT\$1,528.8 billion or 630.03 percent compared with the previous year. In contrast, owing to the transfer of business from the Taipei Branch of ANZ Bank to the newly launched ANZ Bank (Taiwan), the amount lent by foreign and Mainland Chinese banks decreased by NT\$2,492.9 billion or 21.46 percent, with the share declining from 33.31 percent in the previous year to 22.90 percent.

In terms of maturity, interbank overnight call loans remained the most actively traded instrument in the market with a predominant share of 64.07 percent, down by 2.87 percentage points from that of the previous year. Second were those with a maturity of 1 week, accounting for 29.24 percent, down by 0.12 percentage points from that of the previous year. However, the share of loans with a 2-week maturity rose to 5.40 percent from 2.97 percent in the previous year because the interbank overnight call loan rate remained broadly stable. Shares for the trading of interbank call loans with maturities of 3 weeks, 1 month, 2-6 months, and above 6 months were negligible.

### Increased Transactions in Short-Term Bills

In 2013, newly issued short-term bills totaled NT\$9,809.0 billion. Of the new issues, commercial paper continued to account for the lion's share of 90.0 percent. Second were negotiable certificates of deposit with a share of 6.45 percent, followed by treasury bills with a share of 3.31 percent. Bankers' acceptances made up a marginal share of 0.24 percent. Because market interest rates remained at low levels, private and government enterprises were more willing to issue commercial

### Short-Term Bills Market

Unit: NT\$ Billion

Year	Total		Treasury Bills		Commercial Paper		Bankers' 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
2004	6,888.8	1,316.5	130.9	130.9	5,642.7	775.6	35.2	7.6	1,080.0	402.4
2005	7,121.0	1,168.1	115.0	45.0	5,690.4	747.0	31.1	7.7	1,284.5	368.5
2006	7,004.0	1,092.4	45.0	25.0	5,879.8	717.6	36.1	8.1	1,043.1	341.7
2007	6,495.1	925.3	88.0	28.0	5,577.2	664.8	38.2	8.4	791.7	224.0
2008	6,948.6	969.8	240.0	106.8	6,074.7	690.2	33.3	4.9	600.6	167.8
2009	6,293.4	1,043.1	435.0	215.0	5,397.7	651.3	21.9	4.9	438.8	171.9
2010	7,140.8	1,167.5	365.0	240.0	5,903.4	686.1	33.1	6.2	839.3	235.2
2011	7,424.0	1,192.6	321.2	180.3	6,270.5	735.2	30.1	5.7	802.2	271.5
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
2012-2013 Change	1,621.3	196.2	59.6	19.6	1,515.8	175.6	-0.7	-0.1	46.6	1.2
Growth Rate (%)	19.8	13.5	22.5	10.0	20.7	17.2	-3.1	-2.0	8.0	0.5

Source: Financial Statistics Monthly, CBC.

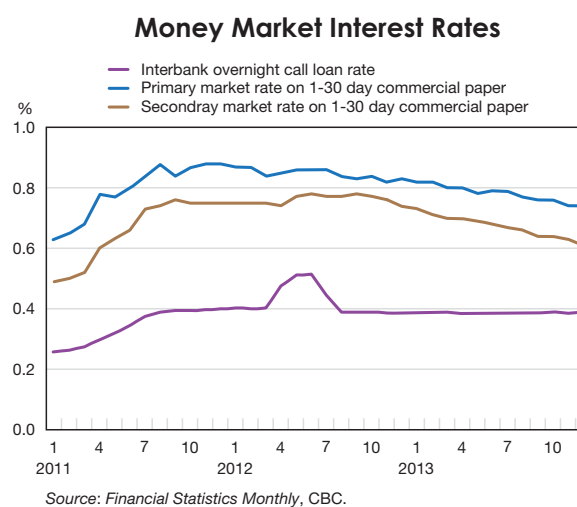
paper instead of borrowing from banks. As a result, compared with the previous year, the amount of commercial paper issued increased by NT\$1,515.8 billion. As of the end of 2013, total outstanding short-term bills amounted to NT\$1,650.2 billion, 13.50 percent more than that of the previous year end.

The total turnover of short-term bills in 2013 decreased by 5.52 percent to NT\$36,554.5 billion. Of the total transactions, commercial paper still made up the largest share of 92.29 percent, representing an increase of 0.66 percentage points compared with the previous year. It was followed by negotiable certificates of deposit with a share of 5.30 percent, representing an increase of 1.04 percentage points over 2012. Treasury bills and bankers' acceptances made up a negligible share of transactions. With respect to market participants, private enterprises were the largest player in the market with a share of 47.54 percent, followed by banks with a share of 23.70 percent.

### Stable Money Market Rates

In 2013, export growth continued to be dampened by weak external demand, and private consumption also showed lackluster growth. The CBC has continued to manage market liquidity to maintain excess reserves of banks at an appropriate level. The interbank overnight call loan rate remained broadly stable between 0.386 and 0.387 percent each month. It averaged 0.386 percent for the whole year, slightly lower than the 0.428 percent registered in the previous year.

The primary market rate on commercial paper with maturities of 1-30 days moved downward from 0.82 percent in January of 2013 to 0.74 percent in December of the same year. The secondary market rate on commercial paper with maturities of 1-30 days also descended slightly from 0.73 percent to 0.61 percent during the same period.



### Increase in Money Market Funds

At the end of 2013, there were a total of 47 money market funds in Taiwan with total assets reaching NT\$815.0 billion, an increase of NT\$101.8 billion or 14.27 percent over the previous year. With regard to portfolio composition, the largest use of the funds was bank deposits with a share of 72.64 percent at the end of the year, followed by short-term bills with a share of 13.78 percent, up by 5.28 percentage points over the previous year. This was primarily because the profits from short-term bill transactions increased owing to the decline in short-term bill rates. Meanwhile,

repurchase agreements accounted for 13.54 percent of total money market funds, down from 17.24 percent in the previous year. However, the bond holding ratio of all money market funds was negligible.

### Portfolio Composition of Money Market Funds

Unit: %; NT\$ Billion

Year/Month End	Total	Bank Deposits		Repurchase Agreements		Short-Term Bills		Bonds	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
2011	755.7	501.8	66.41	155.0	20.51	92.2	12.20	6.7	0.89
2012	713.2	527.7	73.98	123.0	17.24	60.6	8.50	1.9	0.27
2013	815.0	592.0	72.64	110.4	13.54	112.3	13.78	0.3	0.04
2013 / 1	768.3	549.8	71.55	156.4	20.36	60.1	7.82	2.0	0.26
2	785.7	559.8	71.24	160.8	20.46	63.4	8.07	1.8	0.23
3	743.0	563.6	75.85	122.7	16.51	55.0	7.40	1.7	0.23
4	810.8	577.1	71.18	145.8	17.98	86.2	10.63	1.7	0.20
5	821.8	594.8	72.37	131.1	15.95	94.6	11.51	1.4	0.16
6	829.8	591.1	71.23	142.3	17.14	95.2	11.47	1.3	0.15
7	850.3	613.8	72.18	130.9	15.40	105.1	12.34	0.5	0.05
8	869.1	612.1	70.42	135.0	15.53	121.5	13.98	0.6	0.07
9	784.2	592.9	75.61	102.9	13.12	87.8	11.20	0.6	0.07
10	823.0	605.2	73.54	119.3	14.49	98.0	11.91	0.5	0.05
11	833.9	588.5	70.57	118.9	14.26	126.2	15.13	0.3	0.04
12	815.0	592.0	72.64	110.4	13.54	112.3	13.78	0.3	0.04

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