

## 4. Money Market

In 2015, the total turnover in the interbank call loan market increased by 1.59%, whereas that in the short-term bills market decreased by 6.76%. Interest rates in both markets remained broadly stable in the first half of the year, but then had exhibited a downtrend as the CBC lowered policy rates in the third quarter.

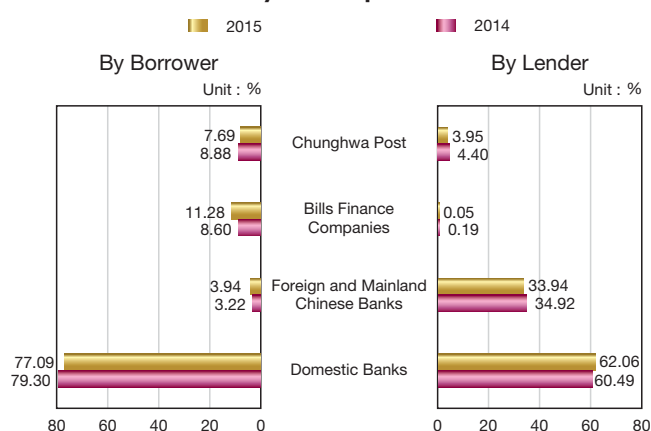
### Slight Increase in Interbank Call Loans

For the year 2015, as the domestic economy slowed down, growth in bank loans and investments moderated, weakening banks' demand for call loans. Therefore, total annual turnover of interbank call loans for 2015 only slightly increased by NT\$762.1 billion, or 1.59%, to NT\$48,696.6 billion.

With regard to borrowers, domestic banks were still the largest player during the year, accounting for 77.09% of total transactions, followed by bills finance companies, Chunghwa Post, and foreign and Mainland Chinese banks, with shares of 11.28%, 7.69% and 3.94%, respectively. The amount borrowed by domestic banks decreased by NT\$474.0 billion, or 1.25%, compared with the previous year, mainly because banks had ample liquidity, which reduced their funding needs. On the other hand, the amount borrowed by bills finance companies increased by NT\$1,369.1 billion or 33.22% during the year because of their stronger demand for funds, which was associated with increased profits from short-term bill transactions resulting from lower bills market rates. However, the borrowed amount of Chunghwa Post decreased by NT\$509.9 billion, or 11.98%, while that of foreign and Mainland Chinese banks increased by NT\$376.9 billion or 24.45%.

With respect to lenders, domestic banks continued to be the largest supplier of funds, accounting for 62.06% of total transactions in 2015. Following domestic banks were foreign and Mainland Chinese banks, Chunghwa Post and bills finance companies with respective shares of 33.94%, 3.95% and 0.05%. The amount lent by domestic banks increased by NT\$1,229.3 billion, or 4.24%, compared with the previous year because the amount lent to bills finance companies rose, reflecting their higher funding needs. With a decline in net foreign capital inflows, the lending amount of foreign and

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



Source: Financial Statistics Monthly, CBC.

Mainland Chinese banks decreased by NT\$212.8 billion or 1.27%. The amount lent by Chunghwa Post fell by NT\$188.7 billion, or 8.94%, compared with the previous year, attributable to an increase in its holdings of government bonds.

In terms of maturity, interbank overnight call loans remained the most actively traded instrument in the market with a predominant share of 63.72%, up by 5.34 percentage points from that of the previous year. Second were those with a maturity of 1 week, accounting for 29.62%, down by 5.11 percentage points from that of the previous year. The share of loans with a 2-week maturity decreased by 0.30 percentage points to 5.37%. Shares for the trading of interbank call loans with maturities of 3 weeks, 1 month, 2-6 months, and above 6 months were negligible.

### Rise in Short-Term Bill Issuance, yet Decrease in Transactions

In 2015, newly issued short-term bills totaled NT\$11,512.8 billion. Of the new issues, commercial paper continued to account for the lion's share of 90.56%. Second were negotiable certificates of deposit with a share of 7.23%, showing an increase of 1.31 percentage points over the previous year. The growth was largely because banks started to issue foreign currency-denominated negotiable certificates of deposit in August in order to increase foreign currency funding channels, to diversify investment tools for corporate and individual investors, and to expand the domestic market of foreign currency bills. As market interest rates remained at low levels, private and government enterprises were more willing to issue commercial paper instead of borrowing from banks. Consequently, compared with the previous year, the amount of commercial paper issued grew by NT\$506.4 billion. On the contrary, the Ministry of Finance decreased the issues of treasury bills by NT\$11.2 billion owing to increased tax revenue. Meanwhile, the amount of city treasury bills and bankers acceptances

### Short-Term Bills Market

Unit: NT\$ Billion

Year	Total		Treasury Bills		City 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	Issues	Year-end Outstanding
2006	7,004.0	1,092.4	45.0	25.0	-	-	5879.8	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
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	0.0	0.0	10,426.0	1,346.6	20.8	3.5	832.3	237.6
2015-2014 Change	672.2	36.5	-11.2	-40.0	-10.0	0.0	506.4	39.8	-3.3	-0.7	190.2	37.4

Source: Financial Statistics Monthly, CBC.

decreased by NT\$10.0 billion and NT\$3.3 billion, respectively, compared with the previous year. As of the end of 2015, total outstanding short-term bills amounted to NT\$1,677.7 billion, 2.22% more than that of the previous year end.

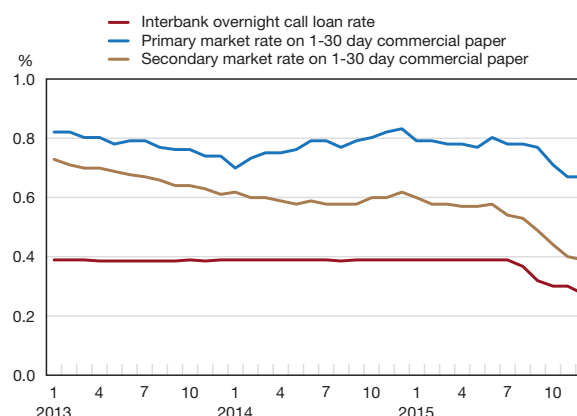
The total turnover of short-term bills in 2015 decreased by 6.76% to NT\$33,263.3 billion. Of the total transactions, commercial paper still made up the largest share of 93.79%, representing an increase of 0.99 percentage points compared with the previous year. It was followed by negotiable certificates of deposit with a share of 5.41%, representing a decrease of 0.69 percentage points over 2014. 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 49.32%, followed by banks with a share of 25.29%.

### Downtrend in Money Market Rates

In 2015, as the domestic economy posted slower growth, the CBC continued to manage market liquidity to maintain excess reserves of banks at an appropriate level. On September 25 and December 18, the CBC lowered policy rates twice by a total of 25 basis points, guiding the weighted average interbank overnight call loan rate to gradually move downward from 0.387% to 0.275%.

The primary market rate on commercial paper with a maturity of 1-30 days trended down from 0.79% in January of 2015 to 0.67% in December of the same year. The secondary market rate on commercial paper with a maturity of 1-30 days also descended from 0.60% in January to 0.39% in December of the same year.

**Money Market Interest Rates**



Source: Financial Statistics Monthly, CBC.

### Growth in Money Market Funds

At the end of 2015, there were a total of 45 money market funds in Taiwan with total assets reaching NT\$993.5 billion, an increase of NT\$252.1 billion or 34.00% over the previous year. With regard to portfolio composition, the largest use of the funds was bank deposits with a share of 65.95% at the end of the year. The second largest was repurchase agreements, with a share of 16.67%, a 4.48 percentage points increase resulted from a need by institutional investors, a major client group, to boost their financial performance. Meanwhile, short-term bills made up 16.23% of total money market funds. In addition, the bond holding ratio of all money markets funds slightly increased from 0.29% in January to 1.14% in December of the same year.

## 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 (%)
2013	815.0	592.0	72.64	112.3	13.78	110.4	13.55	0.3	0.04
2014	741.4	512.6	69.14	136.2	18.37	90.4	12.19	2.3	0.30
2015	993.5	655.2	65.95	161.2	16.23	165.6	16.67	11.4	1.14
2015/ 1	814.6	557.5	68.44	141.0	17.31	113.7	13.96	2.4	0.29
2	814.1	566.0	69.52	130.7	16.05	114.9	14.11	2.6	0.32
3	769.1	548.3	71.28	121.3	15.77	97.4	12.67	2.1	0.28
4	860.4	592.4	68.85	149.6	17.38	116.6	13.55	1.9	0.22
5	869.0	594.0	68.35	142.9	16.44	130.4	15.01	1.7	0.20
6	791.3	558.1	70.54	125.8	15.90	105.9	13.39	1.4	0.17
7	842.8	592.8	70.34	118.7	14.08	129.0	15.30	2.3	0.27
8	879.1	626.1	71.22	106.4	12.10	143.6	16.33	3.1	0.36
9	890.4	644.5	72.38	105.7	11.87	136.8	15.36	3.5	0.39
10	994.9	677.9	68.13	128.3	12.89	181.3	18.22	7.5	0.76
11	1,061.2	678.7	63.96	157.7	14.86	213.4	20.11	11.4	1.07
12	993.5	655.2	65.95	161.2	16.23	165.6	16.67	11.4	1.14

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