

## Chronology of Events of the CBC in 2007

*Jan.*

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The Bank financed the Chinese Bank through the discount window to meet an emergency need of liquidity.

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The Bank provided a special lending facility to the Central Deposit Insurance Corp., Ltd. (CDIC) for taking over the Chinese Bank from Jan. 6.

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In line with the practice of anti-money laundering, the Bank amended the *Regulations Governing the Establishment and Administration of Foreign Currency Exchange Bureaus* to enhance the management of such bureaus.

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The Bank allowed securities firms to engage in the foreign exchange derivatives business linked to equities, bonds or interest rates.

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The Financial Supervisory Commission (FSC) and the Bank allowed those enterprises which managed futures to conduct discretionary foreign currency margin trading.

*Feb.*

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The Bank amended the *Directions Governing the Central Bank of the Republic of China (Taiwan) Special Financial Accommodations to the Central Deposit Insurance Corp., Ltd.* to revise terms of accommodations and to simplify application procedures.

*Mar.*

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The Bank set up the Financial Stability Assessment Committee.

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The FSC and the Bank allowed foreign privately placed mutual funds and unit trusts to borrow securities.

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The Bank approved Deutsche Bank, Taipei Branch to engage in structured products which linked NT dollar time deposits to the dbx-Diversified Alpha Index with adjustable ratios for the three underlying hedge funds by using a constant proportion portfolio insurance (CPPI) technique.

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The Bank raised the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral by 12.5 basis points to 2.875 percent, 3.25 percent and 5.125 percent, respectively.

*Apr.*

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The FSC and the Bank allowed foreign investors to engage in OTC equity-linked derivatives. Each foreign investor's related premiums, aggregated with its investment in short-term money market instruments, shall not exceed 30 percent of its net inward remittance.

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The Bank allowed authorized banks to conduct foreign exchange derivatives business linked to domestic equities.

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The Bank promulgated the *Regulations Governing Foreign Exchange Business of Insurance Enterprises* to regulate foreign exchange business conducted by insurance companies.

*May*

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The Bank amended the *Regulations Governing the Audit and Adjustment of Deposit and Other Liability Reserves of Financial Institutions* to revise reserve adjustment procedures and to add penalties for financial institutions that do not comply with the Bank's legal requirements. The amendment took effect on June 1, 2007.

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The Bank approved the Bankers Association's revision of the *Operating Guidelines for Banks Conducting NT Dollar Loans to Aliens without Residence in Taiwan*, which conformed the credit limits, terms and collaterals of such loans to the *Banking Act* and other related laws. The amendment took effect on July 12, 2007.

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The FSC and the Bank exempted the Taiwan 50 Index component stocks from the restriction that the short sale price may not be lower than the previous day's closing price.

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The Bank incorporated the funds transfers involved in transactions from the Taiwan Stock Exchange (TSE) and the GreTai Securities Market (GTSM) into the CBC Interbank Funds Transfer System, effective on July 23, 2007.

*Jun.*

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The FSC and the Bank allowed foreign investors to borrow securities from securities finance enterprises.

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1. The Bank raised the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral by 25 basis points to 3.125 percent, 3.5 percent and 5.375 percent, respectively.
2. The Bank raised the required reserve ratio on foreign currency deposits from 0.125 percent to 5 percent.

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The FSC and the Bank eased the remittance caps on foreign investors' earnings from NT dollar-denominated futures. The former caps of NT\$100 million and NT\$200 million for direct and omnibus accounts were both raised to NT\$300 million. In addition, a foreign investor may convert up to NT\$5 million of its foreign exchange capital into NT dollars to pay the net difference upon settlements, futures brokers' commissions, and taxes.

*Jul.*

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The FSC, the Ministry of Finance, and the Bank issued a joint directive, requiring the CDIC to raise the maximum coverage for the depositors of covered institutions from NT\$1 million to NT\$1.5 million.

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The Bank allowed Taiwan's OBUs to accept NT dollar collaterals for extending foreign currency loans. This does not apply to cross-Strait loans, which are governed by the

*Regulations Governing Approval of Banks to Engage in Financial Activities between the Taiwan Area and the Mainland Area.*

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The FSC and the Bank allowed foreign investors to consign their domestic investments to securities investment trust enterprises, securities investment consulting enterprises, trust enterprises, and securities firms.

*Aug.*

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1. Reserve requirements were extended to apply to all outstanding amounts of foreign currency deposits.
2. The Bank amended the *Directions Governing Banking Enterprises for Operating Foreign Exchange Business* to ease regulations on remitters' information and settlement methods of indirect trade between Taiwan and Mainland China.

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The Bank amended the *Directions for the Central Bank of the Republic of China (Taiwan) to Regulate the Acceptance of Re-Deposits from Banks*. The interest rate on the redeposits should be a fixed rate or a floating rate, and may be determined by the issuing interest rate on certificates of deposit for the Bank's open market operations, effective on July 11, 2007.

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1. The FSC and the Bank allowed the short sale or the sale of borrowed stocks below the previous day's closing price for the component stocks of the Taiwan Mid-Cap 100 Index and the Taiwan Technology Index.
2. The Bank required banking enterprises to verify the settlement information and to provide related reports on a monthly basis when handling foreign exchange settlements related to overseas portfolio investments by domestic investors. The regulation took effect on January 2, 2008.

*Sep.*

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The Bank amended the *Directions for Issuance of Certificates of Deposit by the Central Bank of the Republic of China (Taiwan)* and the *Directions for Bidding Certificates of Deposit issued by the Central Bank of the Republic of China (Taiwan)*.

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The Bank raised the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral by 12.5 basis points to 3.25 percent, 3.625 percent and 5.5 percent, respectively.

Nov.

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The Bank allowed borrowers of preferential mortgage loans to extend the maturity to 30 years.

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The Bank amended the *Regulations Governing the Central Bank of the Republic of China (Taiwan) Administration of Accommodations Extended by Banks to Securities Finance Companies or Securities Firms*. The amendment raised the cap on the aggregate outstanding financing from all banks in support of a securities firm's margin trading services from 1.5 times of the securities firm's net worth to 2.5 times of it.

Dec.

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The Bank approved Deutsche Bank, Taipei Branch to conduct structured products composed of foreign currency loans linked to the Diversified Municipal Arbitrage (DMA) Index.

The Bank set the intermediate M2 growth target zone for 2008 at 3 to 7 percent.

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The Bank raised the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral by 12.5 basis points to 3.375 percent, 3.75 percent and 5.625 percent, respectively.

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The Bank amended the *Directions for Auditing Liquidity of Financial Institutions* to revise relevant rules on qualified liquid reserve assets and to incorporate cash flow management into liquid reserve asset management. The amendment took effect on July 1, 2008.