

## Chronology of Important Events of the Central Bank of China in 2005

Date	Events
Jan. 3	The Bank shifted to a negative list approach for the regulation of banks' foreign exchange derivatives business.
12	The Bank allowed domestic companies to transfer their DBU credit lines secured by domestic stocks, real estate or other NT dollar assets to their related enterprises for applying foreign currency loans from OBU.
13	The Bank allowed securities investment trust companies invest in domestic markets by offshore private placement or in overseas markets by local private placement.
20	The Bank allowed securities brokerages to act as agents to trade foreign bonds.
28	The Bank allowed banks to engage in foreign exchange credit default swaps (CDS) and credit default options (CDO).
Feb. 3	The Bank amended the <i>Allocation and Operations Directions for Emergency Home Reconstruction Loan Funds for Victims of the 921 Earthquake</i> to extend the deadline for loans mentioned above to Feb. 4, 2006.
4	The scope for financial institutions to invest in foreign securities of the portfolio of earmarked trust funds was expanded. Up to 10 percent of the fund may invest in Chinese owned companies listed in Hong Kong or Macao.
Mar. 4	The Bank amended the <i>Regulations Governing the Establishment and Administration of Foreign Currency Exchange Office</i> and allowed

(Continued)

		convenience stores, administrative offices of national scenic areas, sightseeing services centers, railway stations, temples, and museums to establish foreign currency exchange outlets.
9		The Bank amended the <i>Regulations Governing Foreign Exchange Business of Banking Enterprises</i> to allow Chunghwa Post Co., Ltd to engage in the purchasing and selling of foreign currency banknotes and traveler's checks. The Bank also established the "Large Foreign Exchange Transaction Reporting System" for local internet banks.
15		The Bank amended the <i>Directions for Auditing Liquid Reserves of Financial Institutions</i> . All types of New Taiwan dollar-denominated liabilities of financial institutions shall be subject to a minimum liquid reserve requirement, effective April 1, 2005.
16		The Bank allowed banks to engage in structured products involving the New Taiwan dollar or foreign currency time deposits, with or without principal protection, linked to swaps or options on foreign hedge fund indices.
24		The Bank allowed securities firms to engage in foreign currency interest rate and bond derivatives.
25		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 1.875 percent, 2.25 percent and 4.125 percent, respectively.
May	13	The Bank agreed to relax the restrictions on foreign investors' securities lending transactions proposed by the Financial Supervisory Commission.
	18	The Bank allowed insurance enterprises to invest in foreign securities through specified pecuniary trusts or by obtaining the Bank's permission for outward

remittances.

The Bank and the Financial Supervisory Commission jointly promulgated the *Regulations Governing the Currency Issued by the Mainland China Area to be Carried Into or Out of the Taiwan Area*, effective May 24. The regulations forbid the use of renminbi for transaction and currency exchange in Taiwan.

19 The scope of investment of the portfolios of specified pecuniary trusts was amended to allow trusts to invest in funds denominated in foreign currencies raised by domestic securities investment trust enterprises.

20 The ceiling of funds for local banks as a whole to extend preferential housing loans was further increased from NT\$1.5 trillion to NT\$1.8 trillion.

Jun. 3 The Bank amended the *Directions for the Central Bank of China to Regulate the Acceptance of Re-deposits from Banks and the Directions for Handling Legally Required Reserves against Re-deposited Deposits of Grassroots Financial Institutions*. The excess liquidity of credit departments of farmers' and fishermen's associations should be re-deposited in the newly established Agricultural Bank of Taiwan.

24 The Bank allowed insurance enterprises to issue foreign currency investment-linked insurance policies.

Jul. 1 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 percent, 2.375 percent and 4.25 percent, respectively.

20 The Bank issued the new NT\$ 500 and NT\$ 1,000 notes with enhanced security features.

		<p>The Bank amended the <i>Directions for the Distribution and Administration of Book-Entry Central Government Securities</i> to allow book-entry central government securities to be held in trust.</p>
Aug.	16	<p>The Bank released the regulations related to offshore funds and allowed securities firms and investment trust companies to serve as general representatives for public offshore funds. Banks, securities firms and investment trust companies may also serve as central depository companies for private offshore funds.</p> <p>The Bank allowed banks and securities firms to engage in wealth management services involving foreign exchange transactions.</p>
Sep.	13	<p>The Bank broadened the scope of investment in foreign securities of the portfolios of specified pecuniary trusts.</p>
	16	<p>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 2.125 percent, 2.5 percent and 4.375 percent, respectively.</p>
	21	<p>The Bank allowed banks to engage in structured products involving gold transactions, including book-entry gold accounts and book-entry gold accounts linked to foreign currency deposits or gold options.</p>
	26	<p>The scope of investment in foreign securities of the portfolios of specified pecuniary trusts provided by OBUs was amended.</p>
Oct.	3	<p>The Bank allowed banks located in Kinmen and Matsu to engage in purchasing and selling RMB banknotes. The cap for passengers carrying Chinese renminbi (RMB) inbound or outbound via the “Mini-Three- Links” route in Kinmen and Matsu was increased to RMB 20,000.</p>

6 The Bank amended the *Regulations Governing the Establishment and Administration of Foreign Currency Exchange Office* to allow currency exchange outlets at craft stores and jewelry stores.

Nov. 7 The Bank amended the *Directions for the Distribution and Administration of Book-Entry Central Government Securities* to allow the issue of stripped government bonds.

Dec. 23 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 2.25 percent, 2.625 percent and 4.5 percent, respectively.

The Bank set the intermediate target zone for M2 growth in 2006 at 3.5 to 7.5 percent.

28 The Bank amended the *Regulations on Electronic Interbank Fund Transfers and Settlements* to urge clearing institutions to further improve their corporate governance, effective Jan. 2, 2006 for the safety of payment system.

30 The Bank amended the *Directions for Interest Rates posted by Financial Institutions*. Effective Jan. 1, 2006, the base rate will be used as a reference point for the posted interest rates for NT Dollar deposits and loans.