



# Taiwan's Reactions to Transition Back to the Limited Guarantee After the Financial Crisis

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# Implementation of the Blanket Guarantee





The background of the slide is a horizontal timeline from 2000 to 2010. Each year is represented by a vertical bar of a different color: 2000 (red), 2001 (orange), 2002 (yellow), 2003 (green), 2004 (teal), 2005 (light blue), 2006 (medium blue), 2007 (dark blue), 2008 (purple), 2009 (dark purple), and 2010 (black). The bars are connected by a jagged, arrow-like line that points from left to right, indicating the progression of time. Two text boxes are overlaid on the timeline. The first box, titled 'The first implementation', is located over the years 2001-2005 and contains text about the Financial Restructuring Fund. The second box, titled 'The second implementation', is located over the years 2008-2010 and contains a bulleted list of events.

*The first implementation*

**Financial Restructuring Fund**  
§ Resolved 56 problem banks  
§ Strengthened financial market

*The second implementation*

- Implemented blanket guarantee since October 2008
- Extended blanket guarantee to the end of 2010
- Relieved the huge outflow of deposits from small-middle banks
- Inter-bank call-loan market back to normal

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

# The Results of Implementation of the Blanket Guarantee

- Reduced liquidity risk of financial institutions
- Stabilized financial market



# Risk Monitoring with Supporting Measures for Financial Supervision



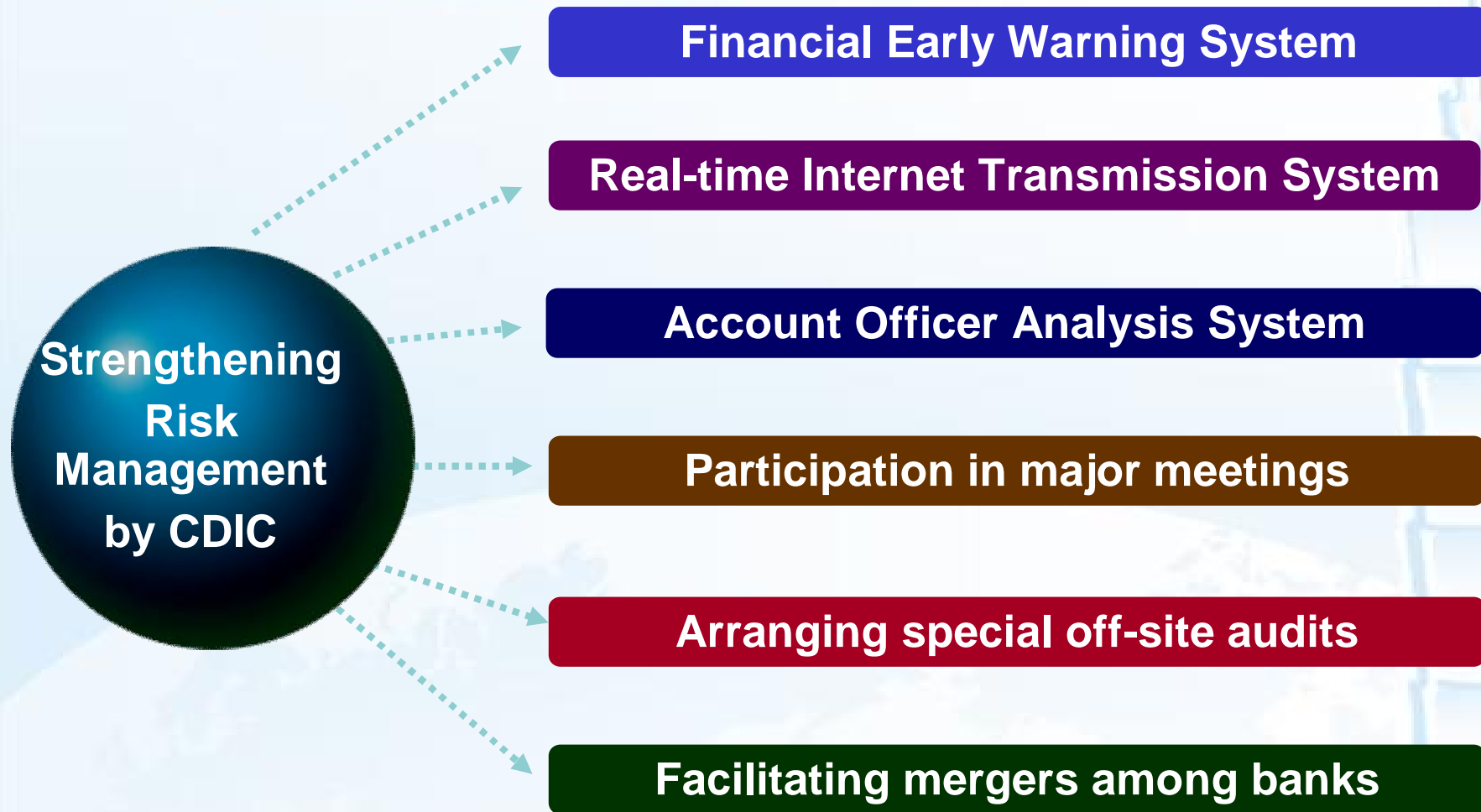


## Coordination with the Competent Authority

- Collect a special premium and charge the punitive premium
- Track the progress of the improvements of banks with abnormal operations



# Enhancement of CDIC Risk Monitoring



# Measures in Response to Transitioning Back to the Limited Guarantee







## CDIC's Measures for a Smooth Transition (I)

- | Review the current coverage limit and scope
  - ü Increasing coverage amount from about US\$ 47,000 to US\$ 94,000
  - ü Extending coverage scope, such as deposit interest and foreign currency deposits





## CDIC's Measures for a Smooth Transition (II)

- I Revise the *Deposit Insurance Act* to strengthen risk management and resolution mechanism
  - ü Strengthening of risk management and the resolution mechanism
  - ü Specifying the scope of coverage of systemic risk and establishing its procedures.





## CDIC's Measures for a Smooth Transition (III)

- | Heighten public awareness of the transition
  - ü Through different media channels
- | Accelerate the replenishment of the deposit insurance fund to reach target ratio 2%
  - ü Injection of the bank business tax from the year 2011
  - ü Raising the deposit insurance premium or levying a special insurance premium





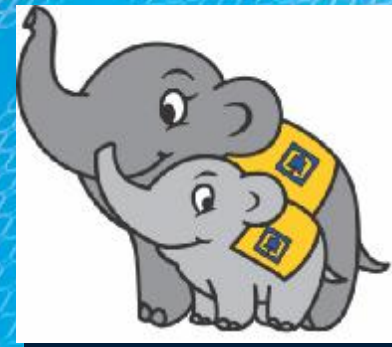
## Conclusion

- § Enhance public confidence and maintain financial stability with a one-year extension of blanket guarantee
- § Prevent moral hazard and lower resolution costs during the extension period by enhancing supervision and related measures
- § Facilitate advanced planning with supplementary measures for smooth transition



***Thank you !***

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