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Deposit guarantee extended until end of 2010

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The Financial Supervisory Commission announced Oct. 8 that the government's policy of guaranteeing the safety of all banking deposits would be extended until Dec. 31, 2010. In case a bank run occurs, the government will ensure that customer deposits are fully protected. In announcing the policy, Shiau Chang-ruey, deputy director-general of the FSC's Banking Bureau, noted that the financial situation in Taiwan has still not completely stabilized. Neighboring Singapore and Hong Kong have policies in effect to guarantee deposits until the end of 2010. To prevent a competition for deposits from arising, the government has decided to extend its policy for another year, he said. In the last few days the central bank of Australia has increased its benchmark interest rates, and the financial world is speculating that other central banks in Asia will soon follow suit, as financial markets are gradually improving. When asked if the FSC would consider revising its policy in light of these developments—for example, would it consider prematurely ending its policy of guaranteeing deposits; or would it consider reinstating the NT\$1.5 million (US\$46,700) cap on the amount guaranteed—Shiau stressed that at the moment the plan is for the policy to remain in effect until the end of next year. In July 2008, customers began experiencing a sense of panic as the financial tsunami swept the world. In an attempt to protect their assets, they started transferring their deposits in private banks to public banks, and as a result many private banks found themselves almost depleted of reserves. At this point the Executive Yuan announced a new policy, effective from mid-October 2008 until Dec. 31,

2009, of guaranteeing the safety of all deposits in the nation's banks. The new policy enlarged the scope of previous guarantees, so that rather than guaranteeing the safety of a portion of deposits, 100 percent of all deposits would be protected. The government also said that its previous ceiling of guaranteeing only up to NT\$1.5 million would be lifted, and the safety of deposits would be ensured no matter how high the amount. (HZW)

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