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Bank savings given blanket guarantee

HELP The Financial Supervisory Commission assured the public that the nation's deposit insurer has enough capital to bail out defaulting banks should the need arise

By Joyce Huang And Shih Hsiu-Chuan / STAFF REPORTERS



Premier Liu Chao-shiuan (劉兆玄) said yesterday that the government would provide a blanket guarantee for all depositors' savings in state-owned or private banks. This followed the announcement by the financial regulator of a NT\$3 million (US\$90,000) threshold a day earlier.

"It's important we should be confident in the economy. Depositors at domestic banks should not be scared. The government will protect savings, ask banks to increase their deposit-reserve rate, and ask the Financial Supervisory Commission [FSC] and the central bank to stabilize the market" Liu said.

Liu made the remarks when questioned by Chinese Nationalist Party (KMT) Legislator Lu Shiow-yan (盧秀燕) at yesterday afternoon's legislative session.

The blanket guarantee's effective duration, however, is yet to be decided, pending final Cabinet approval. The duration will be announced in a day or two, FSC Vice

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Chairwoman Lee Jih-chu (李紀珠) told a media briefing late yesterday evening.

“The move is a preventive measure to restore confidence and calm panicked depositors, who won’t have to worry about bank runs any more or make unnecessary withdrawals creating unnecessary liquidity problems for banks,” Lee said.

The blanket guarantee’s effective duration will, theoretically, be shorter than the deadline for the NT\$3 million guarantee at the end of next year, she said.

Should any bank fail during the guarantee period, the government will step in to ensure all bank savings, while reshuffling bank management, she said.

Deposits to be guaranteed include current and time deposits, foreign currency-denominated deposits, inter-bank lending and negotiable certificates of deposit (NCDs) issued by the central bank, the director-general of the commission’s banking bureau, Chang Ming-daw (張明道) said.

The commission yesterday assured the public that the nation’s deposit insurer has enough capital to bail out defaulting banks since its annual revenue incomes from the 2 percent financial business taxes and premiums total between NT\$22.5 billion and NT\$24.5 billion, Chang said.

On Monday, the FSC issued an emergency statement saying that the government would temporarily raise protection for bank depositors from the statutory NT\$1.5 million to NT\$3 million until Dec. 12, next year.

That NT\$3 million protection will remain valid once the blanket guarantee is annulled, he said.

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