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Government to offer new deposit protection

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Government to offer new deposit protection

July 15, 2010 |



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With the full guarantee on bank deposits scheduled to expire at the end of this year, the Executive Yuan has approved a new scheme with limited protection, according to sources familiar with the issue.

Unnamed officials from the Cabinet-level Financial Supervisory Commission said effective Jan. 1, 2011, the protection limit will be doubled to NT\$3 million (US\$93,191) per individual or institutional depositor per insured bank. The protection should be enough to cover most of the country's depositors, the sources pointed out.

According to the state-sponsored Central Deposit Insurance Corp., the protected amount was set at NT\$1.5 million before the onset of the global financial crisis in 2008.

To ensure the stability of the country's banking system and bolster local banks' financial strength amid the turmoil, the government started to offer blanket guarantees from Oct. 7, 2008. The expedient measure was supposed to expire Dec. 31, 2009, but was then extended to yearend 2010.

FSC officials said they expect to see banking firms beef up their interest rates offerings to retain deposits, and that some troubled financial institutions might resort to crafty schemes in an attempt to attract funds. The government will perform strict financial examinations to detect any wrongdoing,

they added.

In related news, sources from the CDIC revealed that effective 2011, 2 percent of all business taxes collected from the local banking sector will be put into the CDIC's Deposit Insurance Fund as a statutory funding source.

To ensure that the CDIC maintains safety reserves equal to 2 percent of the country's total eligible savings, the Executive Yuan has instructed the insurer to negotiate a higher premium rate with its member institutions, they added. (SFC-HZW)

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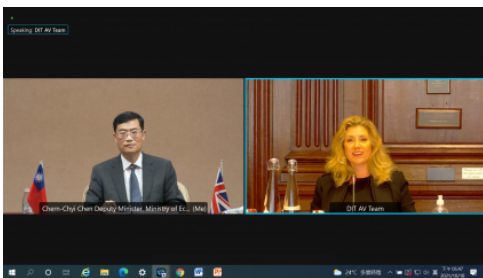
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