

Content

Title : Directions for Ceilings on the Total Amounts of the Major Liabilities and Reverse Repo Transactions Conducted by Bills Houses **Ch**

Date : 2004.11.19

Legislative : 1. Full 8 articles prescribed and promulgated 19 November 2004 per Order No. Jin-Kuan-Yin-(IV)-0934000814 of the Financial Supervisory Commission, Executive Yuan; effective from the date of issuance

Content : These Directions are prescribed pursuant to Article 33, paragraph 1, Article 37, Article 38, paragraph 2, and Article 39 of the Act Governing Bills Finance Business.

Financial institutions that engage on a concurrent basis in bills finance business are subject to the provisions of the Banking Act or other laws and regulations; these Directions do not apply to such institutions.

The term "major liabilities" as used in these Directions includes the following:

- (1) interbank call loans and financing obtained from other financial institutions;
- (2) repo transactions;
- (3) corporate bonds issued;
- (4) commercial paper issued.

Commercial paper issued by a bills finance company shall be certified and underwritten by another bills house.

Where a bills finance company buys back commercial paper referred to in the preceding paragraph on its own initiative before the maturity date, it shall immediately retire the commercial paper.

The total amount of the major liabilities of a bills finance company may not exceed 14 times its net worth.

The sum of the balances of reverse repo transactions of a bills finance company may not exceed 4 times its net worth.

The balance of a "repo transaction" under these Directions means the dollar amount of exercise of the transaction upon maturity; the balance of a "reverse repo transaction" means the bid and offer price of the transaction at the time it is entered into.

Repo/reverse repo transactions done a bills finance company in the course of undertaking open market operations of the Central Bank of China are not subject to the limit on the total amount of major liabilities set out in Point 5 and on transaction balance set out in Point 6.

