

Profile – Taiwan Central Deposit Insurance Corporation

www.cdic.gov.tw

The Central Deposit Insurance Corporation (CDIC) was established, pursuant to the Deposit Insurance Act, on 27 September 1985, as the sole institution in Taiwan charged exclusively with the provision of deposit insurance. It is one of the financial safety net players in Taiwan. The policy goals of CDIC in providing deposit insurance are to safeguard the benefits of depositors in financial institutions, promote savings, maintain an orderly credit system, and enhance the sound development of financial operations. CDIC currently has about 300 employees.

The major areas of CDIC's business are as follows:

Deposit Insurance

- a. Membership: In order to enhance financial stability and facilitate the orderly exit of insolvent financial institutions from the market, participation in deposit insurance that was formerly administered on a voluntary basis has been made mandatory since 1999
- b. Coverage: NT\$1 million (US\$29,269).
- c. Premium: Implementing risk-based premium system since July 1999, by adopting capital adequacy ratio and composite score of the early warning system (a CAMELS system) as indicators of risk.
- d. Funding source: Including initial capital, assessment income, income generated from the Deposit Insurance Fund, and special financial accommodation from the Central Bank.

On-site Examination:

CDIC currently handles the financial Examinations of some commercial banks, trust and investment companies, and all community financial institutions.

Off-site Monitoring:

CDIC has established National Financial Early Warning System, real-time on-line monitoring system, account officer system, etc. CDIC also continuously carries out follow-up evaluation in reference to the results of the on-site examinations.

Handling Problem Financial Institutions: CDIC will dispatch personnel to the institutions under assistance, supervision or conservatorship. It is also the legal receiver of the failed financial institutions. Its disposition methods for the problem financial institutions include:

1. Provision of financial assistance
2. Straight pay-outs
3. Insured deposit transfers
4. Purchase & assumption
5. Bridge bank

In order to prevent the regional financial crisis, the government on 9 July 2001 set up the Financial Restructuring Fund with a budget of NT\$140 billion (US\$4 billion). A temporary blanket guarantee has been provided for a period of three years. CDIC has since served as the Fund's executive agency for implementing financial reform by disposing of problem financial institutions and their NPLs. Up to now, CDIC has successfully disposed of 44 community financial institutions via P&A and thus enabled them to smoothly withdraw from the market. The government is currently seeking the National Assembly's approval for more funds to further resolve the NPL and over-banking problems.

Note: US\$1.00=NT\$34.165 (on 31 August 2003)