

International Deposit Insurance Survey

Section 1: Background Information

1.1 Organization (deposit insurer) responsible for administering the deposit insurance system:

1.1.1 Organization Name:

Central Deposit Insurance Corporation (Taiwan)

1.1.2 Organization Address:

11th Fl. No. 3 Nan-Hai Road, Taipei, 10066, TAIWAN

1.1.3 Organization Telephone No:

+886-2-2397-1155

1.1.4 Organization Fax No:

+886-2-2322-4407

1.1.5 Organization Internet Address:

www.cdic.gov.tw

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Yvonne Fan

1.2.2 Contact Person(s) Address:

11th Fl. No. 3 Nan-Hai Road, Taipei, 10066, TAIWAN

1.2.3 Contact Person(s) Telephone:

+886-2-2357-3302

1.2.4 Contact Person(s) Fax:

+886-2-2397-2517

1.2.5 Contact Person(s) E-mail address:

c184@cdic.gov.tw

1.2.6 Are there other deposit insurance systems operating in your country ? (i.e. applying to other types of non-bank or non-depository institutions e.g.. insurance, securities) Please state their name(s) and contact information:

No

1.3 Please provide information on other participants in your financial system safety-net:

1.3.1 Name of Central Bank:

Central Bank of the Republic of China(Taiwan)

1.3.2 Central Bank Address:

2, Sec. 1, Roosevelt Road, Taipei 10066, Taiwan, R.O.C.

1.3.3 Central Bank Telephone:

+886-2-2393-6161

1.3.4 Central Bank Fax:

+886-2-2357-1971

1.3.5 Central Bank Internet Address:

www.cbc.gov.tw

1.3.6 Central Bank Contact Person:

<http://www.cbc.gov.tw/EngHome/Email/email.asp>

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Financial Supervisory Commission

1.4.2 Financial Supervisor Address:

18F, No.7, Sec.2, Sianmin Blvd, Banciao City, Taipei County, 22041, Taiwan

1.4.3 Financial Supervisor Telephone:

+886-2-8968-0899

1.4.4 Financial Supervisor Fax:

+886-2-8968-1215

1.4.5 Financial Supervisor Internet Address and contact:

www.fsc.gov.tw; contact email: <http://fscmail.fsc.gov.tw/fsc-sps/SPSB/SPSB01006.aspx>

1.5 Other related entities:

1.5.1 Other Related Entities Name:

Ministry of Finance

1.5.2 Other Related Entities Address:

2, Aiguo W. Road, Taipei, 10066, Taiwan

1.5.3 Other Related Entities Telephone:

+886-2-23228000

1.5.4 Other Related Entities Fax:

+886-2-2356-8774

1.5.5 Other Related Entities Internet Address:

www.mof.gov.tw; contact email: mof@mail.mof.gov.tw

Section 2: Objectives, Mandates & Powers

2.1.1 When and why was the DIS established (please provide details)?

Pursuant to Article 46 of the Banking Law, the government or banks may set up a deposit insurance organization to safeguard the benefits of depositors in financial institutions. In response to the world-wide tendency to liberalize financial markets, the government proposed the idea of deposit insurance at a National Banking Conference in 1982, at which a consensus was reached by the banks and scholars represented there and implement it. Shortly afterwards, the Ministry of Finance, in consultation with the Central Bank of China, invited representatives of the banking sector to draw up the Deposit Insurance Act, which was submitted to the Executive Yuan (the Cabinet) with the approval of the Legislative Yuan (the Parliament) and promulgated by the President on January 9, 1985. Thereafter, the Ministry of Finance and the Central Bank jointly established the Central Deposit Insurance Corporation (CDIC), which formally operated on September 27, 1985.

2.1.2 What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?

The objectives of the deposit insurance system stated in the Deposit Insurance Act are: 1). to safeguard the benefits of depositors in financial institutions; 2). to maintain an orderly credit system; 3). to enhance the sound development of financial operations.

2.1.3 What process was used to determine these objectives in your country?

CDIC proposes the draft, discusses and submits it to the FSC, and then it will be approved by the Legislative Yuan.

2.1.4 What is the legal basis under which the DIS was established? Please provide a copy.

Legislation

Enclosed please find: 1). The Deposit Insurance

Act (<http://www.cdic.gov.tw/public/Attachment/852215274853.pdf>); 2). The Enforcement Regulations of the Deposit Insurance Act (<http://www.cdic.gov.tw/public/Attachment/84291016971.pdf>)

2.1.5 Is there a formal process for a periodic review of the policy objectives/mandates?

No

There is no any explicit regulation or rule for a periodic review of policy objectives/mandates of DIS in Taiwan, but CDIC keeps reviewing Taiwan

2.1.6 What sort of system do you have?

Government legislated and administered

2.1.7 Who makes decisions to pay depositor claims?

Supervisor

2.2 Which of the following powers has been provided to the DIS in order to carry out its mandate?

2.3 Authority to

2.3.1 Enter into contracts

Yes

According to the DI Act, financial institutions approved as insured institutions by the CDIC shall sign a deposit insurance agreement in writing with the CDIC.

2.3.2 Set regulations or by-laws for conduct of its business

No

Deposit insurance related regulations and by-laws are proposed by the CDIC and submitted to the FSC for approval and implementation.

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

Yes

The deposit insurance system in Taiwan is administered on a compulsory application basis; i.e., all deposit-taking financial institutions shall apply to participate in deposit insurance and become insured institutions upon review and approval by the CDIC. CDIC has set up the "Approval Standards for Financial Institutions Applying to Participate in Deposit" as the basis of such application approval.

2.4.2 Authority to terminate the insured status of a member institution

Yes

If an insured institution violates the laws or regulations or the Insurance Agreement or engages in unsound business transactions, and fails to rectify such violations within the time-limit prescribed by the CDIC, the CDIC shall notify the competent authority or the central competent authority of the agricultural finance and terminate its deposit insurance agreement and make announcements with respect thereof.

2.5 Depositor reimbursement

2.5.1 Affect reimbursement of depositors claims

Yes

2.5.2 Access to depositor information

Yes

Prior to fulfillment of its insurance responsibilities, CDIC may inspect the accuracy of deposit assessment base, content of the electronic data files, and the assets and liabilities of insured institutions.

2.5.3 Use various methods of reimbursing depositors claims

Yes

According to the DI Act, the methods of reimbursing depositors claims including: making cash payout, insured deposits transfers, and providing financial assistance to facilitate purchase and assumption (P&A). However, the method adopted by the CDIC was limited to P&As up to now.

2.6 Funding

2.6.1 How funding is provided

Yes

The sources of funds include: capital, assessment income and investment income.

2.6.2 Terms and conditions of premiums or levies

Yes

The deposit insurance system in Taiwan is funded on an ex-ante basis. The Act explicitly regulates that the insured institutions shall pay premiums once every semi-annual period and by January 31 and July 31, respectively. CDIC has implemented risk-based premium system since July 1, 1999.

2.6.3 Borrowing authorities and limits

Yes

CDIC may request the competent authority to negotiate with the Central Bank to receive its approval obtaining special financial accommodation within the range of collateralization. If the aforesaid financial accommodation exceeds the value of the collateral provided by the CDIC, the competent authority may together with the Ministry of Finance and the Central Bank submit to the Executive Yuan for its approval that the excess part shall be guaranteed by the National Treasury. In case of emergency, CDIC may also borrow from financial institutions if necessary.

2.7 Information Requirements

2.7.1 Access to information directly from member deposit taking institutions or its auditors

Yes

The CDIC established the National Financial Institutions Early-Warning System in July 1993. The system compiles the financial information of the insured institutions both from on-site examination reports and their quarterly reports. The on-site examination data are provided by the FSC; the off-site data are provided directly by financial institutions. The safety net players (the FSC, the Central Bank, Council of Agriculture, MOF and the CDIC) share all the above information. Besides, since February 1, 2000, the Internet-based Real-Time On-Line Data Transmission Monitoring System has been put into operation. Such a system may immediately warn the CDIC of as well as analyze the reasons for any abnormal variations in the business statistics submitted by insured institutions on the daily basis, and is thus very helpful to the CDIC in terms of strengthening its off-site monitoring work. Moreover, according to the DI Act, the CDIC may inspect the accuracy of deposit assessment base, content of the electronic data files as well as assets and liabilities of the insured institutions.

2.7.2 Access to information through supervisory authorities

Yes

For the purpose of insured risk control, the CDIC shall obtain such information through the information sharing mechanism established by the competent authority, the central competent authority of the agricultural finance, the Central Bank and the CDIC. In the event of insufficiency, the CDIC may require the insured institutions to report the details.

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

Yes

According to Article 24 of the Deposit Insurance Act, The CDIC may inspect the following items of an insured institution: 1) Accuracy of deposit assessment base and content of the electronic data files stipulated by law (Article 23-1); 2) Any event causing the termination of the deposit insurance agreement; 3) Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities; and 4) Property information and information needed to pursue civil liabilities for illegal acts or omissions by employees of failed insured institutions and by those of problem insured institutions that receive financial assistance according to Paragraph 1 of Article 29. When the CDIC undertakes inspection according to Subparagraph 3 or 4 of the aforesaid Paragraph, if an insured institution has made any improper funds transfers or property trades with its controlling financial holding companies, other subsidiaries thereof, or non-credit departments of farmer's or fishermen's associations with the potential to jeopardize the insurance payout special reserves, the CDIC may report to the competent authority or the central competent authority of the agricultural finance and undertake inspections, after obtaining their approval, of the said financial holding companies, the subsidiaries thereof, and the non-credit departments of farmers' and fishermen's

associations. In undertaking the inspection stipulated in Subparagraph 4 of Paragraph 1, the CDIC may obtain or review relevant property and household registration information from government authorities, financial institutions or securities' central depository agencies. Moreover, based on the authorities from the competent authorities, the CDIC may conduct necessary inspection pursuant to the Banking Law while it is assigned to execute on-site guidance toward the problem financial institutions.

2.8.2 Ability to set standards or guidelines for member institutions

No

2.8.3 Authority to take enforcement actions against members (i.e. such as the authority to require a change in institutional control and/or behaviour).

Yes

According to Article 25 of the DI Act, if an insured institution violates the laws, regulations or deposit insurance agreements, or engages in unsound business operations, the CDIC may give a warning notice of terminating the deposit insurance agreement and require rectification within a stipulated timeframe.

2.8.4 Authority to cancel deposit insurance of a member institution

Yes

CDIC shall notify the competent authority and terminate the DI membership in the event any one of the followings occurs to an insured institution: (1) Failure to take corrective actions within the stipulated timeframe after the CDIC gives a warning notice of termination of the deposit insurance agreement according to the preceding article; (2) Failure to make improvements upon being ordered by the competent authority or the central competent authority of the agricultural finance to undertake recapitalization or make improvements in financial condition and business operations within a certain timeframe; or being assessed as being unable to make improvements by the aforementioned authorities or the CDIC prior to the deadline; and (3) Occurrence of a major fraud or other illegal activities with the potential to increase deposit insurance payouts.

2.8.5 Authority to hold officers and directors of failed institutions legally liable for the failure of the institution

Yes

Please refer to the answer of 2.7.1

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

Yes

Despite that according to the DI Act the CDIC can adopt cash payout, deposits transfer and financial assistance methods to handle failed institutions, yet pursuant to the Banking Law the CDIC should prepare a feasibility report and get the approval from the Competent Authority before the adoption.

2.9.2 Authority to provide financial assistance (e.g. in the form of a loan -- with or without security -- by purchasing assets from the institution or through some other process).

Yes

According to the DI Act, CDIC may provide other insured institutions or financial holding companies with funds, loans, deposits and guarantees, or purchase the subordinated debts issued by the said insured institutions or financial holding companies, in order to facilitate the acquisition or assumption of all or part of businesses, assets and liabilities of the closed insured institutions.

2.9.3 Authority to guarantee deposits with member institutions or guarantee loans to an institution by other parties

Yes

2.10 Authority to:

2.10.1 Undertake formal liquidation

Yes

2.10.2 Purchase and assumption (sale and merger)

Yes

2.10.3 Open assistance (bridge bank)

Yes

But bridge bank and open assistance may only be used when there is a systemic crisis.

2.10.4 Other forms of failure resolution

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

Yes

2.11.2 Ability to act as a liquidator

Yes

Section 3: Governance Arrangements

3.1.1 Is the DIS a legally separate organization from other public or private bodies? (e.g. central bank, supervisor, industry association)

Yes

3.1.2 What is the form of governance used by the DIS organization?

Board of Directors

null|null|null|null|null|

3.1.3 How is the governing body selected?

CDIC is a government-owned organization jointly invested by the MOF and Central Bank. The Board of Directors of CDIC consists of seven members who are all appointed by the Ministry of Finance and the Central Bank.

3.1.4 What is the composition of the governing body?

Representatives/senior officers from the FSC, Central Bank and/or MOF.

3.1.5 What are the duties and responsibilities of the governing body?

1. Review the policies for deposit insurance. 2. Review the changes on CDIC's capital. 3. Reviews budget and final accounting of revenue and expenditure. 4. Review and decide the corporate regulations and major contracts. 5. Review and decide major operations and the business plans. 6. Review and decide organizational structures and relative duties. 7. Review and decide the termination of deposit insurance.

3.1.6 Is there any direct or indirect representation in the management of the DIS by member insured institutions?

No

3.1.7 Is there any direct or indirect representation in the management of the DIS by the central bank?

Yes

3.1.8 Is there any direct or indirect representation in the management of the DIS by the regulator?

Yes

Supervisor/FSC

3.1.9 Is there any direct or indirect representation in the management of the DIS by the supervisor?

Yes

3.1.10 Is there any direct or indirect representation in the management of the DIS by other?

Yes

Yes; MOF.

3.1.11 Please provide a breakdown of the management structure of the DIS

The CDIC is managed by the President, three executive vice presidents and directors. The major responsibilities assigned to CDIC by the DI Act are to fulfill the purpose of legislation, including: handling deposit insurance, managing deposit insurance risk and dealing with failing and failed insured institutions. At the end of May 31, 2008, CDIC has 13 departments. Regarding the duties and responsibilities of each department, please refer to CDIC website (www.cdic.gov.tw).

3.1.12 Do you have an internal control and audit systems

Yes

There are one resident and two non-resident supervisors of the CDIC to oversee its management. Besides, the CDIC has a internal audit system to prudently control its fund management. Financial statement of CDIC needs to be certified by CPA. External audit is conducted annually by the Ministry of Audit.

3.1.13 Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities?

No

There is statutory indemnification to protect the government employees against lawsuits for their actions taken in good faith. According to the DI Act, the CDIC shall be liable for any damage arising from an intent or negligent act of the persons-in-charge and employees of the CDIC acting within the scope of fulfillment of insurance responsibilities or bank failure resolutions according to the Act which infringes upon the right of any other person.

3.1.14 Is there an advisory committee to the DIS?

Yes

In order to enhance the sound development of the deposit insurance system in Taiwan, the CDIC has set up a advisory committee since 1995 to provide professional opinions regarding deposit insurance issues. The members of the committee include academics and experts from the banking industry and other government agencies.

3.1.15 Has the DIS ever taken legal action against directors of failed member

institutions? Or others? What position did the person(s) hold?

Yes

According to the Statute Governing the Establishment and Management of the Financial Restructuring Fund and the DI Act, the CDIC may take legal actions against those who, including the management and employees of the failed institutions, cause damages to the failed institutions, the CDIC or the Financial Restructuring Fund.

3.1.16 Please indicate which of the following tools are used as part of your accountability regime.

Annual Reports,Audited Financial Statements,Corporate Business Plan,Other Reporting Requirements
null|null|null|null

Section 4: Human Resources & Infrastructure

4.1.1 What is the total number of employees at the DIS (e.g. full-time, part-time and contract) ?

Permanent: 171 By contract: 23

4.1.2 Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)?

Yes

They are all dedicated staff for CDIC.

4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development?

Yes

In order to enhance the quality as well as the specialized knowledge and skills of the CDIC personnel, the CDIC regularly sends its staff to participate in courses provided by professional training institutions such as the Taiwan Academy of Banking and Finance. In addition, conferences and classes focusing on particular issues are held constantly; the invited speakers are either outstanding CDIC personnel or else experts hired from outside. The CDIC also dispatches personnel to pay visit or attend courses or seminars held overseas. Most the above training programs are on topics related to financial supervision, bank examination, deposit insurance, or information technology.

4.1.4 Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other)

Yes

4.1.5 Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate.

3

In principle, all permanent staff of CDIC enjoy job guarantee if their performance reach certain level; salary level are specified according to the government rules and extra bonus may be provided based on corporate accomplishments as a whole (evaluated by external government auditors) and personal achievements. However, compensation of the senior to high level government officers may be less competitive compared to that offered by the private sectors, which may reduce the incentives of their stay in the government sector/CDIC.

4.1.6 Are confidentiality provisions for employees provided for?

Yes

All government employees in Taiwan must comply with confidentiality provisions.

4.1.7 Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS?

Yes

4.1.8 What percentage of the budget is spent on training and development and information technology?

For the fiscal year of 2007, the percentage of the operating expenses spent on training and development is 1.61%, and the percentage for information technology is 4.13%.

Section 5: Information Sharing & Interrelationship Among Safety-Net Players

5.1.1 Who performs examinations of DIS member institutions?

Supervisor

FSC

5.1.2 Please describe the examination process that is used to evaluate member institution performance?

NA

5.1.3 What information is collected from member institutions for the DIS and other parties?

Balance Sheet report; income statement; daily major financial ratios of insured institutions. CDIC also receives on-site examination reports from FSC.

5.1.4 What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of information concerning member institutions? Please provide details of these agreements.

According to the DI Act, for the purpose of insured risk control, the CDIC shall obtain such information through the information sharing mechanism established by the competent authority, the central competent authority of the agricultural finance, the Central Bank and the CDIC. In the event of insufficiency, the CDIC may require the insured institutions to report the details.

5.2 On a scale from 1 to 5, 1 being low and 5 being high, please rate both the accessibility (i.e. access to all necessary information for the DIS to fulfill its mandate) and timeliness (i.e. information is received when needed) of information that is shared amongst members of the safety net.

5.2.1 accessibility

4

5.2.2 timeliness

4

5.2.3 Is there a consistent definition/classification across authorities of problem

institutions

Yes

5.2.4 When policy regarding the DIS and financial sector is developed or amended, are other bodies consulted and/or advised (e.g. central bank, supervisor, regulator, government, industry associations) ? If you do consult and/or advise what bodies do you do it with?

Consult

While the CDIC developed or amended the policies or regulations related to deposit insurance, it would consult with the members of financial safety net and incorporated their opinions into the proposals. Moreover, The CDIC has established coordination mechanisms with the competent authority, the central competent authority of the agricultural finance and the Central Bank for the purpose of handling problem insured institutions or any major event affecting financial order. |null|null|

5.2.5 Is discussion with other bodies encouraged prior to the implementation of new policy?

Yes

5.2.6 How often do you contact other DIS?

Other

There is only one DIS in Taiwan. However, the CDIC does contact DIS in other countries frequently through e-mail, sending personnel abroad, accepting visits or providing study program, in order to exchange experiences and expertise.

5.2.7 Is the DIS consulted when the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems?

Yes

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

Financial institutions having been duly approved to accept deposits, postal savings or to be consigned to manage trust funds used for the purpose designated by the financial institutions with guaranteed principal and interest, including banks, trust and investment companies, the Taiwan branches of foreign banks, credit cooperatives, farmers' and fishermen's associations with credit departments, the Taiwan Post Company(handling postal savings and remittance business), shall apply to the CDIC to participate in deposit insurance and become insured institutions upon review and approval by the CDIC. However, the provision set forth in the aforesaid does not apply to the Taiwan branches of a deposit-taking foreign bank whose deposits have been insured by the deposit insurance system in their home countries.

6.1.2 Is membership in the DIS mandatory for designated deposit taking institutions?

Yes

But a deposit-taking foreign bank whose deposits have been insured by its home country may choose not to join the DIS in Taiwan. See the answer of 6.1 for further detail.

6.1.3 Do you have terms and conditions of membership? (i.e. laws, regulations or agreements which member institutions have to abide by) If so, please explain the application process used and any conditions of membership imposed on institutions by the DIS.

Yes (please explain)

Re entry of DIS, CDIC has set up the "Approval Standards for Financial Institutions Applying to Participate

in Deposit Insurance" to be the basis to approve or disapprove the application of DIS of the banking institutions. Re risk control and exit of DIS, according to the Deposit Insurance Act, if an insured institution violates the laws or regulations or the Insurance Agreement or engages in unsound business transactions, and fails to rectify such violations within the time-limit prescribed by the CDIC, the CDIC shall notify the competent authority or the central competent authority of the agricultural finance and terminate its deposit insurance agreement and make announcements with respect thereof.

6.1.4 Is the membership of foreign institutions (i.e. foreign bank branches and/or subsidiaries) covered in the same way as domestic institutions? If not, please describe the difference.

Yes

But a deposit-taking foreign bank whose deposits have been insured by its home country may choose not to join the DIS in Taiwan. See the answer of 6.1 for further detail.

6.1.5 If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the parties responsible?

NA

6.1.6 Are deposit-taking institutions required to re-apply for membership after a certain period of time?

No

6.1.7 How many member institutions do you have?

There were 376 member institutions at the end of Dec. 31, 2007.

6.1.8 What is the total level of assets, deposits and insurable deposits of all DIS member institutions?

As of Dec. 31, 2007, total member assets=NT\$38,234 billion; total member deposits=NT\$27,893 billion; total insurable deposits= NT\$ 23,064 billion. (Exchange rate as of Dec. 31, 2007: US\$ 1 = NT\$ 32.4)

Section 7: Coverage

7.1.1 Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it?

Yes (please explain)

(1) The term "accept deposits" means the act of accepting Deposits or other funds from the general public, and agreeing to return the principal or to pay an amount equal to or greater than the principal according to the Banking Law. (2) The insured deposits include checking deposits, demand deposits, time deposits, deposits required by laws to be deposited in certain financial institutions, other deposits that the competent authority has approved as insurable according the DI Act.

7.1.2 What types of deposits are eligible for coverage in your DIS?

Savings account, Chequing account, Other

null|null|null|null|null|null|null|null|null|null|null

7.1.3 Is coverage

per depositor per institution

7.1.4 What is the coverage limit per depositor?

NT\$ 1.5 million. (Exchange rate as of Dec. 31, 2007: US\$ 1 = NT\$ 32.4)

7.1.5 How was this figures arrived at?

Taking into consideration of reflecting the increase of income level and inflation (within the two decades the per capita GDP tripling and the price index increasing for 45%) and ensuring the rights of most small depositors, the CDIC has proposed to raise the amount from NT1 million (since August 15, 1987) to NT 1.5 million and got approval from FSc since July 1, 2007.

7.1.6 For eligible financial instruments with maturity dates, what is the longest contract term covered by the DIS?

NA

7.1.7 What types of depositors are not eligible for coverage in your DIS?

7.1.8 Is the coverage amount indexed?

No

7.1.9 What is it indexed to?

N/A

7.1.10 Does your DIS use coinsurance? If coinsurance is used please describe the approach used.

No

7.1.11 Is the public widely aware of the presence of coinsurance?

other

N/A

7.1.12 Are coverage levels affected by resolution methods? If so, please explain.

No

7.1.13 To what extent, is there a public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable.

Yes

If the overall financial or banking industry is unstable and there is possibility of systemic risk, limited deposit insurance coverage can not avoid an imminent crisis or resolve an existing one. The most recent experience was that the Taiwan government passed the Statute Governing the Establishment and Administration of the Financial Restructuring Fund in July 2001 which explicitly provides a 4-year transitional blanket guarantee to creditors and depositors of problem financial institutions.

7.1.14 How is a decision made on the insurance eligibility of new financial products?

CDIC studies and submits the insurance eligibility of new financial products to have approval from FSC. FYI, the following deposits are not insured by DIS in Taiwan: 1. Deposits in foreign currency. 2. Negotiable Certificate of Deposits 3. Amounts due to all levels of government agencies. 4. Amounts due to the Central Bank. 5. Amounts due to banks, postal institutions handling postal savings and remittance businesses, credit cooperatives, farmers' and fishermen's associations with credit departments, and the Agricultural Bank of Taiwan. 6. Other deposits that the competent authority has approved as uninsurable (e.g. structured deposits).

7.1.15 When member institutions merge how are insured deposits treated?

Insured deposits of the same depositor will be aggregated and subject to the CDIC's protection up to the maximum coverage. Deposit insurance premium will be charged based on the (aggregated) assessment base of the merged institution on the next standard date of the following assessment period.

7.2 Does your country offer the following?

7.2.1 Islamic banking

No

7.2.2 Islamic deposit insurance

No

Section 8: Funding & Fund Management

8.1.1 What type of funding is used by the DIS?

Ex-ante (defined as the accumulation of a reserve or fund to cover deposit insurance claims in anticipation of the failure of a member institution).

8.1.2 Is the DIS funded by levying insurance premium assessments against member institutions or, by some other means such as general tax revenues?

Other

99.9995% of the CDIC

8.1.3 If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain? (e.g. risk based)

CDIC has implemented the risk-based premium since July 1, 1999. The current premium system is a hybrid one that combines the risk-based premium rates and a flat-rate system. The part of the risk-based premium system regards the "Capital Adequacy Ratio" of each insured financial institution as well as "Examination Data Rating Composite Score" based on the Examination Data Rating System under the National Financial Institutions Early-warning System (a CAMEL system) as indicators of risk. Each of the indicators is subdivided into three levels, with the result that each insured institution may be assigned to any one of nine different risk groups. Five-tiered premium rates are set according to the risk group of the insured institution. The risk premium rates for domestic banks, local branches of foreign banks, and credit cooperatives are 0.03%, 0.04%, 0.05%, 0.06%, 0.07% of covered deposits; insured deposits in excess of maximum coverage applied to the flat rate of 0.0025% (From Jan. 1, 2010, the flat rate for this group will be raised to 0.005%). For credit departments of farmers' and fishermen's associations, the risk premium rates are 0.02%, 0.03%, 0.04%, 0.05%, and 0.06% of covered deposits; insured deposits in excess of maximum coverage applied to the flat rate of 0.0025%.

8.1.4 What is the current premium rate? If there have been changes to this rate, details would be appreciated.

Please refer to the answer of Section #8.3 The latest change of the premium system was made since July 1, 2007 after the DI Act changes the assessment base from covered deposits to insured deposits. Before that, the risk premium rates were 0.05%, 0.055%, and 0.06% of covered deposits.

8.1.5 How often is the premium assessed?

The Act explicitly stipulates that the insured institutions shall pay premiums once every semi-annual period.

8.1.6 Is the premium assessed on total deposits, insured deposits or something else?

Other

Insured deposits. However, premium rates for amount below and above the coverage limit are different.

8.1.7 Are premiums paid by member institutions tax deductible as a business expense?

Yes

8.1.8 For premiums that are differentiated please explain the risk assessment system that is used to ascertain a premium assessment.

Please refer to the answer of Section #8.3

8.1.9 Does the DIS have a target with respect to the optimal size of the DIS fund? (Yes is chosen go to question 8.10 otherwise Skip the next 2 questions)

Yes (Go to next question)

8.1.10 How is the optimum level (i.e. target) of the fund determined?

Since CDIC's establishment in 1985, the deposit insurance fund has been accumulated very slowly. In order to speed up the accumulation of the fund, the latest amendment to the Deposit Insurance Act has set a target ratio at 2% of insured deposits. The premium rate may be adjusted according to the achievement of the target ratio. The target ratio was set based on the past experience, aiming that CDIC can handle one big bank or one to four medium banks at the same time.

8.1.11 What investment policies (i.e. safeguards against abuse) exist concerning the use of the fund?

Yes, for safety, the funds shall be deposited with the Central Bank, invested in government bonds or other investments that are approved by the board of directors of CDIC. CDIC has set up internal policies and rules in managing its deposit insurance fund.

8.1.12 If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions.

No

However, by law CDIC may adjust the premium rates according to the achievement of the fund level.

8.1.13 Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to?

Government funding, Access to private markets

null|null|null|

8.1.14 Are member institutions required by law to issue, on a regular basis, subordinated debt?

No

Section 9: Reimbursing Depositors

9.1.1 Please describe the procedure for reimbursing depositors used by your DIS?

According to the Deposit Insurance Act, the CDIC has the following three methods to fulfill its insurance obligations: cash (straight) pay-out, insured deposit transfer, providing financial assistance to facilitate assumptions and acquisitions among insured institutions. The CDIC has set up the operating procedures and regulations (operating manuals) for each method. On the basis of the CDIC's past experience, in order to make the pay-out processes smoothly, FSC would place the problem financial institutions under conservatorship prior to the bank closing date and appointed the CDIC as the conservator. During such period, the CDIC could directly access to the financial records as well as evaluate the feasibility and cost of each method. Once the resolution method was decided and related preparatory work was done, FSC would then close the problem institutions and the CDIC would place public notices, stated the related information,

and conducted the disposition beginning the next business day (Monday, usually) of the bank closing date (Friday, usually). In practice, the CDIC only adopted the method of P&A before.

9.1.2 Are depositors required to file a claim when a member institution fails? If so, what is the process?

Other

Pursuant to the regulations enacted in accordance with Deposit Insurance Act, to reimburse insured depositors, the CDIC shall place public notices and state the related information, including the method and location for reimbursement, and relevant documentary evidence for verification purposes in relation to the rights of those applying to withdraw insured amounts. The insured depositors only need to follow the instructions of the public notice.

9.1.3 When is the DIS obligated to reimburse insured depositors?

According to the Deposit Insurance Act, the CDIC has the obligation to reimburse insured depositors while an insured institution shall have been closed by an order of FSC, or while a problem insured institution under special oversight or conservatorship is taken over or assumed by other healthy insured bank.

9.1.4 Is there an established legal basis upon which to base the reimbursement process? Please explain.

Yes

Pursuant to the Deposit Insurance Act, the CDIC has set up the operating procedures and regulations regarding different ways of fulfilling insurance obligation as mentioned in the answer of Section #9.1.

9.1.5 Is the DIS subject to explicit standards for prompt reimbursement? If so what are they?

Other

According to the Enforcement Regulations of the Deposit Insurance Act, straight payouts and deposit transfer should be rapidly dealt with beginning the day after the insured institution is closed. In order to achieve the objective of safeguarding depositors benefits, according to the internal proposal of the CDIC, it plans to fulfill its insurance obligation as soon as possible.

9.1.6 What methods of payment can be used and under what circumstances are they used?

The disposition methods are stated in the answer of question #9.1. Until now, the CDIC has only adopted P&A method to deal with problem banks. In the future, CDIC still plans to adopt P&A as the major method of disposition, if possible, as it is usually the most effective and efficient.

9.1.7 Are the rules regarding clearing, set-off, trust accounts, and related issues well defined (through the legal system or formal agreement)? Please explain.

Other

For clearing and set-off, yes. For trust accounts, no. According to Article 43 of the DI Act, before handling any payout, the CDIC may offset the claims of depositors of a closed insured institution according to the following order of liabilities: 1). Liabilities created by deposits pledged as collateral of the closed insured institution. 2) Liabilities reaching due or deemed to be due according to the applicable agreements, or liabilities fit to be offset in accordance with other laws and regulations. When the CDIC handling the offset according to Subparagraph 2 of the preceding Paragraph, the offset shall be handled according to the applicable agreements or laws and regulations. However, in the event that there is lack of such agreements or laws and regulations, the depositor's claim other than that insured by the CDIC shall be the offset against the debt first; where there is insufficiency, the insured deposit shall then be used for offset.

9.1.8 What are financial institutions obligated to hold with respect to deposit records?

According to the DI Act, for the calculation of insurance premium and amount of payout in fulfilling insurance responsibilities, the insured institutions shall establish electronic data files of deposits and related items according to the file format and content stipulated by the CDIC. The CDIC may request the insured institutions to provide the aforementioned electronic data files, if necessary.

9.1.9 When is the DIS given access to an institutions financial and depositor records?

Prior to the fulfillment of insurance responsibilities, CDIC may inspect assets and liabilities of insured institutions, and meanwhile, request the insured institutions to provide the electronic data files, if necessary.

9.1.10 Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)?

Yes

According to the Deposit Insurance Act, to meet the liquidity needs of the creditors of the closed institution, the CDIC may make advance payment against claims filed by the depositors beyond the maximum insurance coverage and by non-depositors based on the anticipated reimbursement ratio derived from an evaluation of the values of assets of the closed institution.

9.1.11 Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain.

No

9.1.12 What information is communicated to depositors regarding the reimbursement process?

Pursuant to the regulations enacted in accordance with Deposit Insurance Act, the public notices that the CDIC places will state the information regarding the reimbursement. Such notices may include the following information: (1) The method and location of the reimbursement. (2) The type and the scope of the deposit used in relation to the reimbursement. (3) The period during which the reimbursement is to be made. (4) Relevant documentary evidence for verification purposes in relation to the rights of those applying to withdraw insured amounts. (5) Other relevant matters with regard to the resolution method.

9.1.13 What process does the DIS use to ensure that depositor secrecy and confidentiality is maintained during the reimbursement process?

Although there is no specific confidentiality regulation stipulated by the Deposit Insurance Act, since the CDIC is one of the government agencies, all the CDIC's staffs have the obligations prescribed by laws to keep official business information and related materials confidential and secret.

9.1.14 What steps are taken to verify, reconcile and settle insured deposit accounts?

According to the CDIC's internal proposal and the operating procedures and regulations, the steps could be compiled as follows: (1) To use Cash Pay-out Operating System to combine and calculate all the deposit accounts opened by each depositor at the same insured institution; however, any amounts that exceed the maximum insured amount shall be excluded. (2) To check the pay-out list obtained from the above with the written deposit account book to make sure the pay-out list is correct. (3) To offset the claims of depositors against the amounts due in the closed institutions, or retain and temporarily not pay out deposits. (4) To pay out the finalized balance to depositors after examining their identification documentation as well as deposit certification or related documents to validate their rights and interests.

9.1.15 What steps are taken to ensure that an institutions depositor records are accurate, up to date and accessible?

(1) According to the Deposit Insurance Act, the insured institution shall report to the CDIC within one month of the assessment standard dates (twice a year) as to its depositor records. If not, the CDIC shall report to FSC to punish the insured institution with a fine. (2) While the CDIC is instructed by FSC to be the conservator of a problem financial institution, it will examine and evaluate the insured institution's existing state of assets and liabilities as well as the depositor records. (3) According to the Deposit Insurance Act, the CDIC may inspect the accuracy of deposit assessment base and content of the electronic data files.

9.1.16 Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement?

Yes

The CDIC has documented all the suggestions and experiences learned from not only reimbursement action

but also other cases or events related to DIS. It will also edit them as the task report and then report it to FSC.

9.1.17 What technologies does the DIS use to facilitate the reimbursement process?

In line with the mandated task of dealing with problem financial institutions whose operations were unsound, the CDIC completed its development of a Cash Pay-out Operating System, and a Financial Institutions' Computer File Data Internet Transmission Operating System, in order to increase the authenticity and efficiency in handling of pay-out data.

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

Pursuant to the Deposit Insurance Act, insured institutions shall display an official sign issued by the CDIC at their places of business in order to display their insured status. Moreover, the CDIC also appropriates budget with the approval of the Cabinet and the Parliament for promoting DIS to the public via various mass communication media. The above budget will be audited and reviewed after the end of each fiscal year.

10.1.2 Who is responsible for communicating information about the DIS to the general public?

DIS,Other

null|null|null|null|null|

10.1.3 Are these explicitly stated in policy or law?

Yes

10.1.4 Are the terms and conditions of DIS explained in a manner that the general public can understand fully?

Yes

10.1.5 If so, what methods are utilized?

Brochures,Use of Official Sign to display insured status,Telephone call center,Website,Other

null|null|null|null|

10.1.6 At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?

All banks, except credit cooperative associations and credit departments of farmers' associations and fishermen's association, must disclose detailed financial information quarterly on websites. The competent authority and the CDIC will as well disclose the quarterly average financial data of depository institutions on websites or periodical publications in order the public to get access to. As for the disclosure of a specific problem institution, based on the regulations enacted in accordance with Deposit Insurance Act, the CDIC shall only place public notices to disclose reimbursement-related information. Upon the date of closing the business of a financial institution, based on the Deposit Insurance Act, the CDIC only shall place public notices to disclose reimbursement-related information.

10.1.7 Has a survey of public awareness about the DIS been conducted? If so/ what were the results? If not why not? Please include supporting documentation.

Yes

The CDIC had conducted surveys of public awareness about the DIS on a regular basis. The results of surveys showed that most of the public had the general concepts regarding the CDIC and DIS in Taiwan, and served as the basis for CDIC to formulate its future public awareness program and activities, including the target audience, area, strategies, etc.

10.1.8 Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes, how many times has this been done and when was the last time?

Yes

The CDIC has conducted public awareness campaigns to promote DIS to the public through various mass media on a regular basis according to its annual public awareness plan and strategies.

10.1.9 Please describe the approach used; objectives, target audience, communication strategy, and timing results.

(1) Objectives: to promote DIS or other specific themes (e.g. information disclosure and sound banking operation). Sub-objectives may be set based on CDIC's annual public awareness plan and strategies. (2) Target audience: mainly on small depositors, but might focus on those of different age groups or areas according to the survey results; large depositors, member institutions and media are also target audiences based on CDIC's marketing/public awareness strategies. (3) Strategy: depending on the target/various media may be applied to fit the target audience. (4) Timing: regularly around the year. (5)Result: please refer to Section #10.7.

Section 11: Risk Assessment & Intervention

11.1.1 Does the DIS have a risk monitoring function to analyze and assess the risk of member financial institutions?

Yes

In order to control insured risk, the CDIC utilizes off-site monitoring mechanisms, namely, the National Financial Early-Warning System, Internet-based Real-time On-line Monitoring System and "Account Officer" system, to swiftly adopt appropriate measures to extend assistance to and deal with insured institutions with abnormal operations. Furthermore, the information generated by the Financial Early-Warning System has been disseminated to financial supervisory agencies, with a view to unifying the work of supervision, thus enabling information to be shared and maintaining an effective financial safety net system safeguarding insured institutions.

11.1.2 Does the DIS perform examinations of its member institutions? If not, who does?

No

FSC perform examinations of member institutions; however, CDIC may conduct on-site inspection in certain areas. Please refer to the answer of Session # 2.7.1

11.1.3 Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what information is received and how often?

Yes

Pursuant to the Deposit Insurance Act, if the CDIC deems it necessary, the CDIC may inspect the business records and accounts of the insured institution, or instruct the insured institution to prepare and submit, within a stipulated period of time, a balance sheet, property inventory, or other statements. The CDIC has been commissioned by the competent authority to set up and operate the National Financial Warning System since 1989, in addition to the on-site examination data sent by FSC and the Central Bank. The CDIC also receives quarterly financial information, including B/S, I/S, past-due loan, BIS ratio, etc. directly from insured institutions. Besides, since February 1, 2000, the Internet-based Real-Time On-Line Data Transmission Monitoring System has been put into operation. Such a system may immediately warn the CDIC of as well as analyze the reasons for any abnormal variations in the business statistics submitted by insured institutions on the daily basis, and is thus very helpful to the CDIC in terms of strengthening its off-site monitoring work.

11.1.4 What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine

member institution risk.

With the information gathered from on-site and off-site monitoring mechanisms (see answer #11.1~11.3), the CDIC developed the Insured Risk Evaluation System to evaluate insured risk in insured institutions, considering the following factors as a whole. (1) The BIS ratio. (2) The quality of assets. (3) The possible loss of classified assets. (4) The rating of on-site examination report. (5) The percentile ranking of off-site surveillance.

11.1.5 Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.

(1) In case the situations of insured institutions are causing concern, the competent authority will take the following enforcement procedures: (A)Strengthen the scopes and frequencies of routine on-site examinations. (B)Conduct specific-scope examination if necessary. (2) According to the content of examination report, FSC will analyze the seriousness, and take the following enforcement procedures: (A)Request prompt correction by specified date. (B)Deploy superintendent task forces on site to remedy the deficiency. (C)Assess fines. (D)Remove managers. (E)Restrict businesses. (F)Restrict dividend payment. (G)Put into Conservatorship or Receivership. In most of the cases, for implementing the above procedures (B)and (G), FSC will authorize the CDIC to execute it. (3) After the above procedures, if the situations of an insured institution are still unsatisfactory, FSC will consult with the CDIC and the Central Bank to put the problem institution into best resolution way.

Section 12: Failure Resolution

12.1.1 Is your DIS involved in the failure resolution of member institutions?

Yes

According to the past resolution experience, before FSC decided to dispose a problem insured institution, it would assign the CDIC staff as the conservator and prepare for fulfilling the insurance obligation. In addition, pursuant to Deposit Insurance Act, upon the issue of an order of competent authority to close an insured institution, the CDIC shall be appointed as the legal receiver to commence the winding-up procedure.

12.1.2 Who determines whether a member institution has failed or is insolvent?

FSC(the competent authority/supervisor) does.

12.1.3 Under what conditions can the DIS cancel/terminate the deposit insurance of a member institution?

According to the Deposit Insurance Act, in the event that an insured institution suspends its business of receiving deposits and trust funds, it shall give written notice to the CDIC to terminate its status as an insured institution. If an insured institution violates the laws or regulations or the Insurance Agreement or engages in unsound business transactions, and fails to rectify such violations within the time-limit prescribed by the CDIC, the CDIC shall notify the competent authority or the central competent authority of the agricultural finance and terminate its deposit insurance agreement and make announcements with respect thereof.

12.1.4 How is the failure/non viability of a member institution determined?

According to the Banking Law and Statute for the Establishment and Management of the Financial Restructuring Fund, related definitions are as follows: (1)Banking Law: If the business or the financial condition of a bank is such that it is unable to pay its debts or there develops a situation where the interest of its depositors may be in jeopardy, the central competent authority may order the bank to suspend its business. (2)Statute for the Establishment and Management of the Financial Restructuring Fund (The legal basis for the government to provide transitional blanket guarantee): A financial institution that is referred to by this Statute as having unsound operations is subject to at least one of the following conditions: (a)Its adjusted net worth is negative. (b)It is unable to pay its debts. (c)Its financial situation has deteriorated, and the competent authority maintains that it is unable to continue operating.

12.1.5 How many member institutions have failed in your country in the last 20

years?

57 institutions.

12.1.6 Do banks go through the regular corporate bankruptcy process? If no, what is the process used?

No

The banking law has some resolution provisions for problem banks.

12.1.7 Is the receiver of failed institutions also the one that disposes of the institutions? If not, who does?

Yes

Please refer to the answer of Section #12.1.

12.2 Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 20 years.

12.2.1 Formal liquidation

No

12.2.2 Purchase and assumption (sale and merger)

Yes

12.2.3 Open bank assistance (e.g. recapitalization)

Yes

Providing financial assistance (not recapitalization)

12.2.4 Bridge banks and other interim solutions

No

12.2.5 What criteria are used to determine the method of failure resolution?

There are no explicitly stated criteria for such determination. However, according to the past experience, P&A was on top priority and then deposit transfer.

12.2.6 Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS?

Other

The cost to the CDIC shall be less than the loss arising from straight pay-out while the CDIC fulfills its insurance obligations by other resolution methods.

12.2.7 Please indicate what kind of private companies, if any, are included in the failure resolution process?

For the purpose of disposing failed insured institutions quickly and managing their assets and liabilities well, the CDIC will work with the private companies such as AMCs and financial consultants.

Section 13: Claims, Recoveries & Estate Management

13.1.1 Does the DIS play a role in the claims and recoveries process? If yes please describe this role

Yes

Pursuant to Deposit Insurance Act, upon the issue of an order of the competent authority to close an insured institution, the CDIC shall be appointed as the receiver to commence the winding-up procedure.

13.1.2 What is the primary objective of the DIS when dealing with claims and recoveries (i.e.. maximization of nominal and present value recoveries, financial system stability, system discipline)?

The major resolution/claims&recoveries experiences obtained by CDIC Taiwan was during the period of the Financial Restructuring Fund (FRF). Pursuant to the Statute for the Establishment and Management of the Financial Restructuring Fund, which was passed by the government in 2001 in order to avoid systemic risk, a blanket guarantee is provided to those depositors and creditors of unsound financial institutions handled by the Fund within a four-year time limit. Thus, during the FRF era, the first objective of the CDIC was to maintain financial stability. Currently, as the DIS has restored to a limited protection system and the CDIC is the main creditor of a failed insured institution due to subrogation, quick resolution and maximizing present value of recoveries shall be the primary objective.

13.1.3 What role does the private sector play in the claims, recovery process?

The private companies such as financial consultants are hired to assist the CDIC with disposing failed insured institutions quickly and managing their assets and liabilities well. For example, the appraisal of problem financial institution will be made by the financial consultant or CPA firm including the principles and methods of evaluation, which will be reviewed by the competent authority and CDIC. CDIC will also dispatch the professional real estate appraiser and CPA to review the appraisal in order to ensure an equitable and reasonable evaluation. The appraisal made by financial consultant is only for reference, the final amount of sales (including the good bank and bad bank/NPLs) will be the best price of the tender through an open bid. All information of the auction process will be transparent. CDIC will disclose the related information by public announcements, and all following modification of the schedule or the content, and the result of the auction. According to the related rules, CDIC shall immediately release the information on the newspapers or the website, so that the information could be fully disclosed and transparent to the public.

13.1.4 What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?

As earlier mentioned, CDIC's major experience in bank resolution and claims and recoveries have been under the umbrella of the Financial Restructuring Fund. Pursuant to Financial Restructuring Fund Statute, for the sake of management and disposal of the assets assumed from failed financial institutions, the Fund may entrust CDIC for collection, debts evaluation, packaging and combination, public sale by tender and securitization. Since its establishment in 2000, the FRF has entrusted CDIC to manage assumed assets including plots of agricultural lands along with buildings. In addition to handling the registration of the transfer of ownership of the assets and tendering them by itself, CDIC also assigned staff to on-site inspection regularly for preventing third parties from illegal usage. Moreover, for the sake of more efficiency and effectiveness, CDIC also entrusted National Property Administration, Ministry of Finance to auction those assumed assets. As the end of May 2008, the proceeds from disposal exceeded the costs by NT\$ 198.1 million or 213%. For those retained assets including hundreds of plots of lands, debatable assets and loans occurred from resolution of failed institutions, CDIC as the conservatorship teams actively drew up related operation measures to deal with them more efficiently. As to the affairs pertaining to management, maintenance, lease and disposal of premises, CDIC deliberated the feasibility of commitment to professionals as well as drafted the guidelines to be followed. Regarding the loan cases, CDIC has been constructively dunning from the debtors through renegotiations or other methods. However, the utmost goal of CDIC is to efficiently dispose such assumed assets as soon as possible.

13.1.5 By what standard is the DIS judged with respect to performing its function in claims and recoveries (e.g.x. Comparative private sector or DIS benchmarks, internal assessments, past experience)?

The CDIC has been following the principles of quick resolution, maximum recoveries and minimum expenses and adopted comparative private sector benchmarks.

13.1.6 What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?

Based on the past experiences, the CDIC found that those real estates located in the outlying districts or with illegal constructions upon or associated with investment trusts were much harder for dispositions and recoveries. Meanwhile, those loans with complicated guarantees or mortgaged relations or legal suits were also arduous for resolution. CDIC has drawn up alternative operation measures toward those assets based on respective characteristics in order to dispose them as soon as possible. For example, regarding the loan cases, CDIC has been constructively collecting from the debtors through renegotiations or other methods. As to premises, the CDIC commissioned the professional AMC to tender by public auctions.

13.1.7 Does the DIS have rights of subrogation (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement?

Yes

13.1.8 Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?)

Yes

When an insured institution is disposed of by the CDIC with the stipulations of the DI Act by the competent authority or the central competent authority of the agricultural finance for the exit or liquidation upon clearing off the debt, its deposit liabilities shall take precedence over non-deposit liabilities.

13.1.9 Are rights of set-off available or imposed in your country's legal system? Please describe the various forms set-off can take.

Yes

Pursuant to the DI Act, the CDIC, before handling any payout, may offset the claims of depositors of a closed insured institution according to the following order of liability: (1) Liabilities created by deposits pledged as collateral of the closed insured institution; (2) Liabilities reaching due or deemed to be due according to the applicable agreements, or liabilities fit to be offset in accordance with other laws and regulations. When the CDIC handling the offset according to Subparagraph 2 of the preceding Paragraph, the offset shall be handled according to the applicable agreements or laws and regulations. However, in the event that there is lack of such agreements or laws and regulations, the depositor's claim other than that insured by the CDIC shall be the offset against the debt first; where there is insufficiency, the insured deposit shall then be used for offset.

Section 14: Other Issues

14.1.1 What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?

(1) Lack of independence of DIS in the financial safety net (no equal footing), and thus lack of the check and balance mechanism that may induce higher overall cost of bank resolution. (2) Definition and TBTF/systemic crisis - this mechanism may be abusively used without a good definition. (3) How a DI can control its insured risk under the trend of universal banking when risk from other financial industries (insurance, securities, etc.) may be transferred to the banking one? (4) Cross-border issues

14.1.2 Are there any issues related to deposit insurance which you would like to see more research in?

(1) Mechanism of handling systemic financial risk. (2) Independence of DIS and advantages of equal footing of all FSN participants. (3) Consolidation of protection schemes - from risk management perspectives