



中央存款保險公司
Central Deposit Insurance Corporation

2015 Annual Report



CDIC



Planning the Future through Deposit Insurance

Central Deposit Insurance Corporation

Providing effective deposit insurance
to help people pursue their worry-free dreams.

Deposit insurance coverage limit:
NT\$3 million per depositor for each insured institution

CDIC: Protecting Your Savings!



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Let's green our planet together!



中央存款保險公司

Central Deposit Insurance Corporation

2015 Annual Report



CENTRAL
DEPOSIT
INSURANCE
CCORPORATION



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Message from the Chairman and the President



The Central Deposit Insurance Corporation (CDIC) this year celebrated its 30th anniversary as Taiwan's sole agency in charge of deposit insurance. Looking back, we have successfully weathered domestic financial turmoil and the international financial crisis and restored calm attributed to the farsighted leadership of the competent authority and the concerted efforts of all my colleagues. Facing today's rapidly changing global financial environment, the CDIC will continue in an industrious and professional spirit to be in line with the government's policies, establish footholds for Taiwan, embrace a global outlook, forge closer linkages with the world, and realize the vision of "developing the deposit insurance mechanism and ensuring financial stability."

In 2015, the global economy underperformed than expected due to the continued falling in prices of international energy and raw materials. While the U.S. saw a steady economic recovery, the EU, Japan, mainland China and other economies continued to have lackluster performance as the global economy remained rife with uncertainty. This affected Taiwan's export trade, private consumption and business investment confidence. The government's primary tasks therefore remained to stabilize the sound development of the financial system and to promote economic growth. As one of the financial safety net players, the CDIC has actively cooperated with the government and assisted in performing financial reform policies over the years. It has successfully achieved the smooth market exit of failed financial institutions and improved the health of financial institutions. The CDIC's contributions to the protection of depositors' rights and interests and maintaining financial order have been widely recognized. This year, the CDIC continued to cooperate with the competent authority on entrusted matters, assisted the Taiwan Insurance Guaranty Fund in handling affairs related to the conservatorship of two problem insurance companies, and successfully accomplished its mandate to help stabilize financial markets.


To strengthen the control and management of the insurance risk, the CDIC adopted related supervisory measures in line with the government's policies. It also continued to implement risk-oriented off-site monitoring mechanisms through the National Financial Early-Warning System (NFEWS) and the Account Officer Analysis System, effectively keeping abreast of the business information of insured institutions. The CDIC also actively participated in the information exchange, and coordination and handling mechanisms of the relevant financial supervisory authorities to provide guidance to insured institutions in strengthening business operations and reducing business risk.

Since the termination of the Executive Yuan's Financial Restructuring Fund (hereinafter referred to as "the FRF") at the end of 2011, the CDIC has continued as the conservator or receiver to take charge of disposing of the retained assets of eight failed financial institutions to accelerate the process of recovering funds. It has also actively handled unresolved litigations, and pursued civil liabilities for the illegal acts of employees of those failed financial institutions to maintain social fairness and justice, and the interests of the national treasury. Additionally, the CDIC has, with approval of the competent authority, raised deposit insurance premium rates since 2011. The Deposit Insurance Payout Special Reserves have continued to accumulate, helping to consolidate the deposit insurance protection base. Furthermore, to improve payout efficiency, the CDIC has continued to establish and improve the payout system and operating manuals for the limited coverage system, perform simulation tests, and strengthen system functions consistent with banking practices.

To promote international cooperation and strengthen the functions of the deposit insurance system in Taiwan, the CDIC continued to promote cooperation and exchanges with deposit insurers and financial supervisory agencies of other countries. In addition to continuing to serve several important posts of the International Association of Deposit Insurers (IADI), including a member of the Executive Council and the Chairperson of the Research and Guidance Committee, the CDIC also hosted the IADI Asia-Pacific Regional Committee (APRC) Annual Meeting and International Conference this year. Experts from international organizations, the United States, Canada, Japan, Korea, Malaysia, France, Switzerland, and Hungary were invited to participate in the conference on the theme "Cross-Border Cooperation in Resolution and Crisis Preparedness" and discussed issues on policy trends, case studies, and challenges faced by deposit insurers in the Asia-Pacific region related to cross-border cooperation in resolution and crisis preparedness. We would like to take this opportunity to particularly thank the representative of IADI President and more than 100 experts and scholars from central banks, deposit insurers and financial supervisory agencies in 25 countries for coming to Taiwan to participate in this event. In addition, the CDIC signed the Memorandums of Understanding with the Canada Deposit Insurance Corporation (CDIC Canada), the Seguro de Depósitos S.A. (SEDESA Argentina), and the Deposit Insurance Corporation of Mongolia (DICO M). To date, the CDIC has established formal partnerships with 16 international peer institutions, shared Taiwan's experiences with other countries through international exchanges, and actively participated in various kinds of international research and training activities related to global deposit insurance mechanisms under the auspices of the IADI. These involvements have effectively strengthened Taiwan's deposit insurance system and aligned Taiwan with international developments.

At a time of rapid change and increasing complexity and challenge in the economic and financial environment, the CDIC will continue in an industrious and professional spirit to replenish the Deposit Insurance Payout Special Reserves, strengthen control over insurance risk, improve resolution mechanisms, propose amendments to the *Deposit Insurance Act* and related by-laws, and increase public awareness of deposit insurance to promote the sound operation of the financial sector and protect the rights and interests of depositors. Moreover, in conjunction with the supervisory policy of the competent authority and its assigned tasks, the CDIC will monitor and analyze banks' financial derivatives and asset risk exposure overseas and in mainland China. These measures all aim to establish a more effective deposit insurance system.

It has been over 30 years since the CDIC was established in September 1985. Thanks to the long-term support and encouragement from all sectors of society, as well as the diligence of our staff, the CDIC has been able to smoothly fulfill its objectives. Thus, we would like to extend our sincere appreciation, and continue to solicit your ongoing support and guidance.

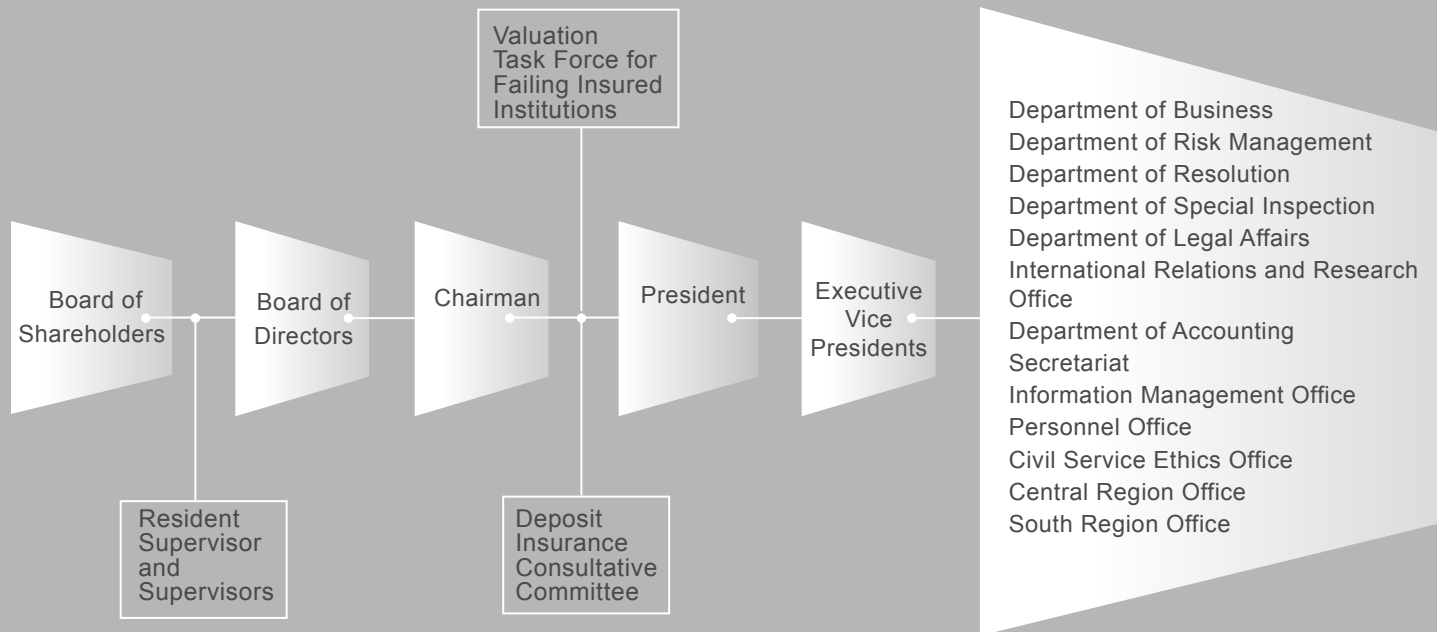


Chairman Hsien-Nung Kuei



President Michael M. K. Lin

Organization Chart and Overview of Departments



Overview of Departments

Department of Business	Handles matters related to the planning and research of deposit insurance, coverage limit and risk-based premiums issues, fund investment and management, funding for insured institutions and bridge banks, and public awareness activities of deposit insurance.
Department of Risk Management	Handles matters related to the National Financial Early-warning System, management of insurance risk, off-site monitoring of insured institutions, guidance or superintendence to problem insured institutions, issuance of warnings and termination of deposit insurance agreements, and assistance in handling bank runs.
Department of Resolution	Handles matters related to strategic planning of conservatorship or resolution of problem insured institutions, provision of financial assistance for insured institutions under conservatorship or acquiring institutions, payout of depositor claims against failed insured institutions, advance payment to uninsured creditors, liquidation of the assets and liabilities of failed institutions, and the establishment, operation, management and disposition actions of bridge banks.
Department of Special Inspection	Handles matters related to inspections of deposit insurance applications by financial institutions, the accuracy in calculations of the deposit assessment base of insured institutions, the content of electronic data files of insured institutions, evaluation on data reporting of the indicators of the Risk-based Premium Rating System submitted by insured institutions, any events causing the termination of the deposit insurance agreement, as well as the assets and liabilities of the insured institutions prior to the fulfillment of insurance responsibilities, and also handles administrative matters related to internal controls and internal audits.

Board of Directors and Supervisors

Board of Directors

Chairman	Hsien-Nung Kuei (Representative of the Financial Supervisory Commission)
Directors	Michael M.K. Lin (Representative of the Financial Supervisory Commission)
	Grace M.C. Lee (Representative of the Financial Supervisory Commission)
	Yu-Ching Su (Representative of the Financial Supervisory Commission)
	Yeh-Ning Chen (Representative of the Financial Supervisory Commission)
	Wen-Hwang Ou Yang (Representative of the Financial Supervisory Commission)
	Ling-Yang Wu (Representative of the Financial Supervisory Commission)

Supervisors

Resident Supervisor	Jason Y.S. Hu (Representative of the Central Bank)
Supervisor	Tsuey-Ling Hsiao (Representative of the Central Bank)
Supervisor	Nan-Chi Chen (Representative of the Central Bank)

Department of Legal Affairs	Handles matters related to contracts, litigation, financial laws and regulations, research of laws and regulations related to deposit insurance, pursuits of civil liabilities for the illegal acts of employees of problem insured institutions, inspecting evidence needed to pursue civil liabilities pursuant to Subparagraph 4 of Paragraph 1 of Article 24 of the <i>Deposit Insurance Act</i> , and other related laws and regulations.
International Relations and Research Office	Handles matters related to international affairs and activities related to the IADI, research on deposit insurance and financial safety net issues, and public awareness activities in English language.
Department of Accounting	Handles matters related to annual budgeting, accounting, statistics and auditing.
Secretariat	Handles matters related to secretarial matters, documentation, procurement, cashier affairs, property management, publication management, public relations, meeting logistics, and other general affairs.
Information Management Office	Handles matters related to the planning, design, implementation and management of all electronic data processing, and other related matters.
Personnel Office	Handles matters related to personnel management and training.
Civil Service Ethics Office	Handles matters related to ethics of the staff.
Central Region Office	Handles matters related to collections, processes, analysis and monitoring of operational information, provision of guidance, inspections, assistance with handling of bank runs, conservatorship and payout of insured institutions in the area from Taichung to Chiayi.
South Region Office	Handles matters related to collections, processes, analysis and monitoring of operational information, provision of guidance, inspections, assistance with handling of bank runs, conservatorship and payout of insured institutions in the area from Tainan to Taitung.

Executive Vice Presidents and Directors



From left to right

Advisor
Yao-Kun Chen

Advisor
Margaret Chuang

Director
Secretariat
Quan-Cheng Chang

Executive Vice
President
Robert L. I.
Chen

Director
Department of
Special
Inspection
Lu Ye

Director
Department of
Risk Management
Annie Cheng

Advisor
Hon-Zinn Lin

Director
Information
Management
Office
Gina Chi

CDIIC

CENTRAL DEPOSIT
INSURANCE CORPORATION





From left to right

Director
Department of Business
Kuan-Jong Chen

Director
Department of Resolution
Ying-Ying Lin

Executive
Vice President
William Su

Director
Civil Service Ethics Office
Shun-Ching Su

Director
International Relations and
Research Office
Yvonne Fan



From left to right

Director
Department of Legal
Affairs
Jenny Yang

Director
South Region Office
Yong-Huei Peng

Executive Vice
President
Anita S. Chou

Director
Central Region
Office
Shin-Yih Chen

Director
Department of
Accounting
Li-Chueh Lu

Director
Personnel Office
Bin-Lian Jan

Sincerity: Providing the peace-of-mind

Expertly implementing deposit insurance mechanisms

Fully protecting depositors' rights and interests

Ensuring social fairness and justice



Business Operations

The CDIC is the sole government agency responsible for handling deposit insurance in Taiwan. Its public policy objectives include safeguarding the benefits of depositors in financial institutions, maintaining an orderly credit system, and improving the sound development of financial operations. To achieve these legislative objectives, the *Deposit Insurance Act* entrusts the CDIC with the major duties of handling deposit insurance, controlling the operational risks of insured institutions, conducting special inspections of insured institutions, and disposing of problem or failed insured institutions. The following is a brief overview of the major tasks and achievements in 2015:

I. Deposit Insurance

1. Participation of Financial Institutions in Deposit Insurance

In accordance with Article 10 of the *Deposit Insurance Act* and the Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance, this year the newly established credit departments of three farmers' associations became insured institutions. One domestic bank terminated the deposit insurance agreement after stopping taking deposits. As of December 31, 2015, a total of 397 institutions were insured, of which three were domestic government-owned financial institutions, 36 private commercial banks, 29 local branches of foreign banks and mainland Chinese banks, 23 credit cooperatives, 281 credit departments of farmers' associations and 25 credit departments of fishermen's associations.

2. Risk-based Premium Rates Adjustments and Implementation

A. Since the deposit insurance coverage limit was set at NT\$3 million in 2011, and the CDIC's General Financial Deposit Insurance Payout Special Reserves was insufficient due to the execution of government policies that involved the combined use of the FRF and the above-mentioned reserve for handling problem financial institutions, a proposal for the adjustments to the deposit insurance premium rates was approved by the Financial Supervisory Commission (FSC) and took effect in 2011 in order to speed up the accumulation of the Deposit Insurance Payout Special Reserves, thus strengthening the CDIC's ability to undertake risks. The adjusted premium rates are as follows:

- a. The five-tiered risk-based premium rates for domestic banks and local branches of foreign banks and mainland Chinese banks are 0.05%, 0.06%, 0.08%, 0.11%, and 0.15% of covered deposits, respectively, with a flat premium rate of 0.005% for eligible deposits in excess of the coverage limit.
- b. The five-tiered risk-based premium rates for credit cooperatives are 0.04%, 0.05%, 0.07%, 0.10%, and 0.14% of covered deposits, respectively, with a flat premium rate of 0.005% for eligible deposits in excess of the coverage limit.
- c. The five-tiered risk-based premium rates for the credit departments of farmers' and fishermen's associations are 0.02%, 0.03%, 0.04%, 0.05%, and 0.06% of covered deposits, respectively, with a flat premium rate of 0.0025% for eligible deposits in excess of the coverage limit.

B. In order to more effectively and promptly reflect the operational risk and financial conditions of insured institutions with respect to the risk-based premium rates, the CDIC in 2013 completed revisions to risk indicators and weights in the "Risk-based Premium Rating System," as well as shifted to adopt on the call report data from insured institutions as the financial indicator information sources for the "Composite Score of the Risk-based Premium Rating System" used to calculate risk-based premiums. Furthermore, the risk indicators of capital adequacy ratios (CARs) used for bank risk classification were revised in line

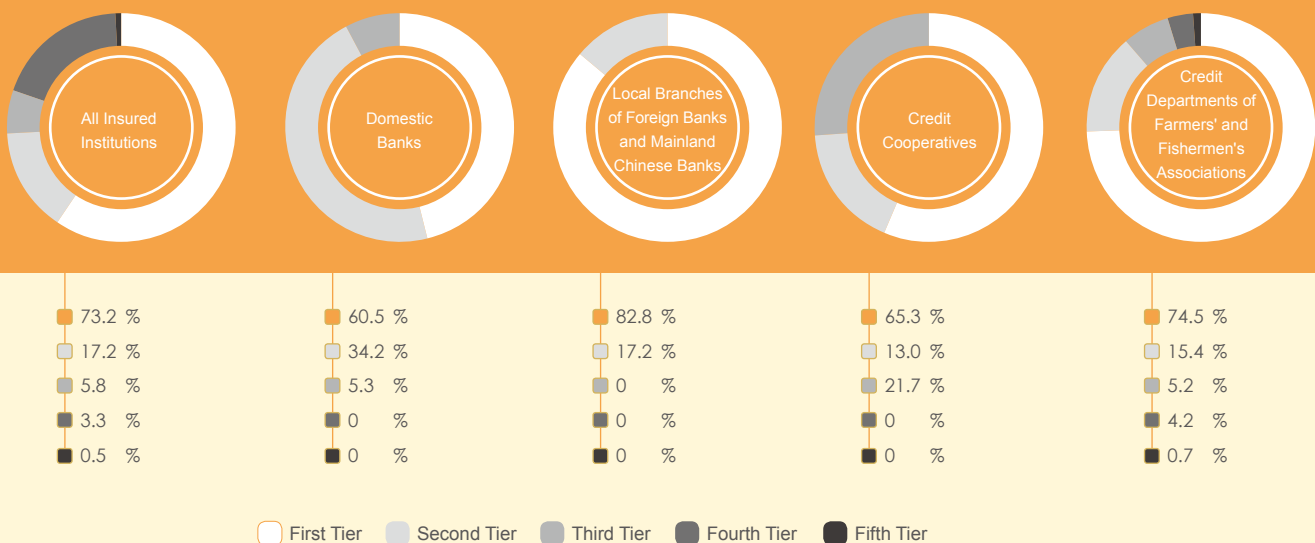


with November 26, 2012, amendments by the FSC to the Regulations Governing the Capital Adequacy and Capital Category of Banks, which call for annual increase in the minimum CARs. The aforementioned amendments were approved by the FSC on October 16, 2013, and came into effect on January 1, 2014.

C. As of December 31, 2015, the first tier of the premium rate was applied at about 73.2% of all insured institutions, the second tier at 17.2%, the third tier at 5.8%, the fourth tier at 3.3%, and the fifth tier at 0.5%.

Risk-based Premium Rates by Institution Types

As of December 31, 2015 Unit: %



Note: The insured institutions do not include Chunghwa Post Co., Ltd; domestic banks include the Agricultural Bank of Taiwan but exclude Chunghwa Post Co., Ltd.

3. Coverage Limit and Coverage Ratios

According to the data submitted by insured institutions, the total amount of eligible deposits reached approximately NT\$39.3 trillion as of December 31, 2015, and deposits within the NT\$3 million coverage limit totaled roughly NT\$20.6 trillion after the coverage limit was raised to NT\$3 million and the scope of coverage was expanded to include foreign currency deposits and interest on deposits on January 1, 2011. The ratio of deposits under the coverage limit to all total eligible deposits was 52.5%, while the ratio of fully covered deposit accounts to the total number of deposit accounts grew to 98.3%. This indicates that the NT\$3 million deposit insurance coverage limit has protected the majority of small depositors, which has resulted in increased confidence of depositors in financial institutions.

4. Active Promotion of the Deposit Insurance System

- A. To promote the policy functions of the deposit insurance system among depositors, the CDIC continued, through each insured institution as well as by means of multimedia channels including television, the Internet, radio, posters, magazines, and public transportation, to inform depositors that the coverage limit has been increased to NT\$3 million and that foreign currency deposits and interest on deposits are now included within the scope of coverage. These measures have strengthened the awareness of depositors regarding their rights as well as their knowledge of the deposit insurance system.
- B. The CDIC held its 30th Anniversary Ceremony at the Taipei International Convention Center on April 20, 2015. The showing of retrospective films, presentation of awards, and other activities were arranged to share the development of Taiwan's deposit insurance system and the CDIC's concrete achievements in protecting depositors' rights and interests as well as contribution to financial stability with attending guests from relevant competent authorities, insured institutions, and foreign deposit insurance organizations.



2015 Financial Services Social Outreach Fair in Taitung



Press conference for the 2015 Online Deposit Insurance Lucky drawing

II. Risk Management

Since 2013, the CDIC has standardized and clarified the information, warning alerts, and exception management items in off-site monitoring mechanisms. It has established different monitoring frequencies based on the insured institution's risk level, as well as more standardized and clearer risk-oriented off-site monitoring mechanisms that are dynamically adjusted in view of risk in the financial sector to achieve more effective risk control. The main achievements in this area in 2015 are as follows:

1. Analysis Reports on the Overall Economic and Financial Climate and Specific Business Risks of Financial Institutions for Reference in Individual Risk Monitoring

The reports issued by the CDIC mainly included the "Report on Overview of Taiwan's Overall Economic and Financial Climate," "Report on Overview of Small and Medium Enterprise Loans and Non-recourse Factoring by Domestic Banks," "Report on Overview of Real Estate Loans by Financial Institutions," "Statistical Report on Domestic Bank Investment in Securitized and Structured Products," and "Status Report on the Debit Card and Credit Card Business Markets." Moreover, in conjunction with the supervision policies of the competent authority, the CDIC prepared an "Analysis Report on the Overseas Asset Risk Exposure of Domestic Banks Overseas (Excluding Mainland China)," "Analysis Report on the Asset Risk Exposure in Mainland China of Domestic Banks," "Analysis Report on OTC Financial Derivative Products Undertaken by Banks," and "Summarized Financial Status of the Mainland Branches and Subsidiaries of Domestic Banks."

2. Operations of the National Financial Early-warning System (NFEWS) for Reference in Off-site Monitoring Mechanism

The NFEWS produces monthly or quarterly management reports and can be used for information sharing with the relevant competent authorities, including the quarterly management reports produced by the NFEWS' Call Report Data Rating System, the Quarterly Report on the Analysis of Business System, the Internet Transmission Surveillance System, the Account



Visit to the Indonesia Deposit Insurance Corporation with the Director-General of the Banking Bureau of FSC Austin Chan (3rd from the right) and Director Tsui-Wen Hsu (far right)



Group photo of CDIC executives with foreign visitors from the Canada Deposit Insurance Corporation and the Seguro de Depósitos S.A., Argentina.



"Sky Lantern Prayer for Blessings" ceremony for the CDIC's 30th anniversary celebration

Officer Analysis System, and other subsystems. In line with government's policies to gradually increase public disclosure of the information of financial institutions, the CDIC published extracted information from each of the "Quarterly Report on the Analysis of Business Operations of Credit Cooperatives and the Credit Departments of Farmers' and Fishermen's Associations" on its website and in the "Deposit Insurance Quarterly Bulletin."

3. Implementation of the Account Officer Analysis System and Risk-oriented Off-site Monitoring Mechanism

The CDIC account officers continued to extensively collect and analyze the financial and operational data of insured institutions through various channels, including abnormality alerts produced by the NFEWS, financial examination reports, decrees of the competent authority, mechanisms for sharing financial supervision information, mechanisms for reporting contingent incidents, CPA-certified financial reports, and various public information disclosure channels. The officers continuously monitored changes in the operational risk of insured institutions and produced operation analysis reports at frequencies based on the risk level of insured institutions. They also performed specific audits on the financial reports of insured institutions with business concentration risks to closely monitor changes in the risk or financial status of these institutions.

4. Participation in Information Sharing and Coordination Mechanisms with Financial Supervisory and Regulatory Agencies

Representatives of the CDIC attended the FSC's Financial Supervisory Coordination Council, participated in discussions, and presented proposals on related issues. They also participated in the Financial Supervisory Information Reporting Window Task Force for Banks and Bills Finance Companies discussions on handling amendments to the submitted reports and the changes in the single window reporting system, participated in the Liquidity Risk Task Force under the Bankers Association of the R.O.C. and assisted with amendments to rules on net stable funding ratio. The CDIC participated in the Pillar 1 Credit Risk Task Force under the Basel Accord Ongoing Deliberation Working Group and completed the translated documents and regulatory amendments related to counter-party credit risk. The CDIC also attended the Operational Risk Task Force under the Basel Accord Ongoing Deliberation Working Group and completed a review and draft

proposals on the operational risk supervision and management principles. In addition, the CDIC attended meetings convened by the competent authority for agricultural finance to provide guidance to the credit departments of farmers' and fishermen's associations and coordinated closely with the competent authority for agricultural finance to strengthen such guidance on business operation.

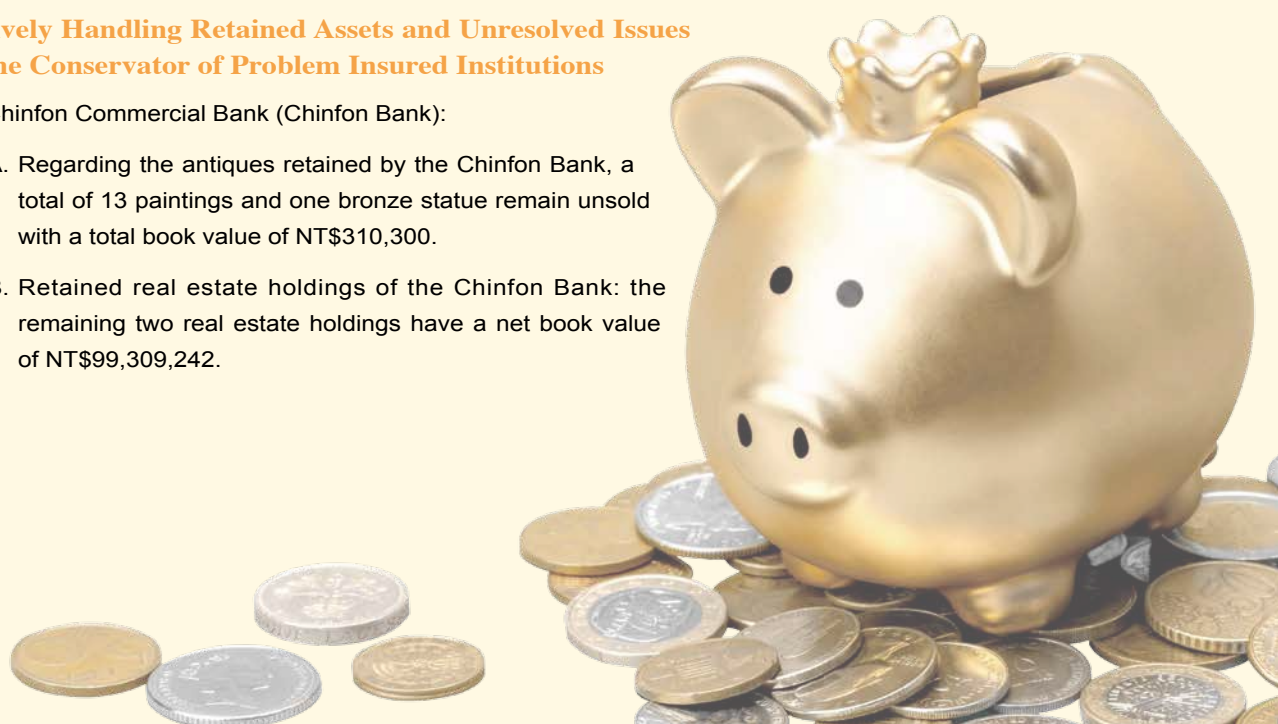
III. Resolution of Problem Insured Institutions

1. Continuously Handling Retained Assets and Unresolved Issues as a Receiver of Problem Insured Institutions

- A total of 56 unsound financial institutions were removed from the market through the FRF. After the termination of the FRF at the end of 2011, the aforementioned institutions still had retained assets, which are not disposed yet, including real estate, stocks, creditor's rights, and antiques that the CDIC continued to handle as a conservator or receiver. The FSC agreed to terminate the conservatorship of six unsound institutions in 2012 or 2014, including the Kaohsiung Business Bank, the Chung Shing Bank, the Enterprise Bank of Hualien, the Taitung Business Bank, the Bowa Bank, and the Chinese Bank. It also designated the CDIC as the receiver to handle follow-up liquidation affairs. In 2014, the CDIC completed all liquidation tasks for the Bowa Bank and the FSC revoked the bank's license. In May 2015, the completion of the liquidation was recorded and the bank's business registration was canceled, so the CDIC concluded the liquidation process.
- In 2015, NT\$141,795,443 in retained loans of the Chinese Bank were recovered by the CDIC. The Chinese Bank had retained assets of two creditor right accounts amounting to NT\$1,134,915,843 by the end of the year.

2. Actively Handling Retained Assets and Unresolved Issues as the Conservator of Problem Insured Institutions

- Chinfon Commercial Bank (Chinfon Bank):
 - A. Regarding the antiques retained by the Chinfon Bank, a total of 13 paintings and one bronze statue remain unsold with a total book value of NT\$310,300.
 - B. Retained real estate holdings of the Chinfon Bank: the remaining two real estate holdings have a net book value of NT\$99,309,242.





- China United Trust and Investment Corporation (CUTIC):
 - A. The CUTIC held 15.116% shares in the Taipei Financial Center Corporation (Taipei 101) with value at NT\$2,222,050,000. According to a resolution of the Management Committee meeting and in consideration of the likely improvement in the CUTIC's operations and financial affairs with the ongoing rebound of the domestic economy, the competent authority instructed that the equity stake in Taipei 101 should be disposed by the tender sale at an appropriate time in the future.
 - B. On June 24, 2015, Taipei 101 resolved at the regular general shareholders meeting to pay cash dividends of NT\$1.08 per share for 2014. The total amount of the cash dividends based on the number of shares held by the CUTIC was NT\$239,981,503. This amount was apportioned to the CDIC and the FRF.

3. Continuously Arranging Simulation Tests and Functional Enhancements to the Payout and Advanced Payment System

In view of the methods used for fulfillment of the CDIC's insurance responsibilities under Taiwan's deposit insurance system, including deposit payout and transfer, this year the CDIC completed the payout system and operating manual for the limited coverage system. Simulation tests were performed and the system functions were enhanced in line with banking practices to improve payout efficiency.

4. Drafting Deposit Insurance Regulations and Responses to Legal Questions Related to the Handling of Problem Insured Institutions

- The CDIC established standard operating procedures for the handling of problem insured institutions and formulated or revised related operating manuals, such as the operating manual of the bridge bank.
- The CDIC planned follow-up matters after completing the liquidation of the Bowa Bank and drafted legal questions. This marked the first completion of the liquidation procedures of a closed financial institution in Taiwan.



IV. Handling of Legal Prosecution Following Expiration of the FRF

1. In accordance with Article 17 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund* and the resolutions of the FRF Management Committee meeting, the CDIC has actively pursued civil liabilities against individuals in violation of the laws at unsound financial institutions to compensate the losses of the FRF and serve the interest of social justice. Furthermore, based on the "Executive Yuan's Plan for Handling the Issues Related to the Expiration of the Financial Restructuring Fund" following its termination of the FRF at the end of December 2011, the aforementioned civil liabilities were to be pursued by the National Treasury (the FSC). The FSC subsequently entrusted the CDIC to continuously handle these cases. By the end of December 2015, 143 civil liability claims were made.
2. Regarding unresolved litigation cases concerning failed insured institutions, a total of three cases were resolved in 2015.

V. Inspection

In accordance with the inspection power stipulated in the *Deposit Insurance Act*, the CDIC continued to conduct inspections of insured institutions in relation to statutory matters, as well as performed on-site underwriting inspections at financial institutions applying for deposit insurance membership. In 2015, the CDIC carried out the following inspections:



Signing of the MOU with the Deposit Insurance Corporation of Mongolia



CDIC Chairman Hsien-Nung Kuei was invited to give a presentation in the 2015 International Dragon Award Annual Meeting and International Finance Outlook Forum

1. Conducting on-site inspections of financial institutions applying for deposit insurance membership to strengthen underwriting auditing operation and reduce insurance risk. In 2015, such inspections were performed at three credit departments of farmers' associations. Where deficiencies were found, the CDIC supervised the completion of improvements before permitting the membership.
2. Conducting on-site inspections to verify the accuracy of the deposit insurance assessment base and the deposit insurance premium calculation reported by insured institutions. In 2015, a total of 53 institutions were inspected. Where the deficiencies and/or errors were detected in the abovementioned inspections, the CDIC requested in writing that the inspected insured institutions should make improvements.
3. Conducting on-site inspections to verify the accuracy of the insured institutions' establishment of the format and content of electronic data files required by the CDIC to help the CDIC calculate payout amount in a timely manner in fulfilling insurance responsibilities. In 2015, such inspections were conducted at a total of 72 insured institutions. Where deficiencies and/or errors were detected, the CDIC requested in writing that the inspected insured institutions should make improvements and further followed up on the completion of improvements.
4. Conducting on-site inspections on data and files for risk indicators submitted by the insured institutions to verify that the information is accurate which can truly reflect the current financial and business situations and risk factors of the insured institutions and help effectively control insurance risks. In 2015, such inspections were conducted at 49 insured institutions. Where deficiencies and/or errors were detected, the CDIC requested in writing the inspected insured institutions to make corrections.

VI. Information Management

1. In accordance with the Executive Yuan's "Network Communication and Government Administration Optimization Policy," the CDIC built open data and encouraged the public and enterprises to innovate value-added applications.





Participation in the IADI 44th Executive Council Meeting

2. The CDIC developed the ETF trading functions of the "Deposit Insurance Funds Utilization System," including the addition of ETF-related information, transactions, holdings valuation, profit and loss calculation, and control reporting.
3. The CDIC developed the financial derivatives and exposure monitoring functions of its "Single Window Reporting System," including financial derivatives management functions, and the ability to import data, download data and produce reports on overseas and mainland area risk exposure management.
4. In conjunction with the results of on-site simulation exercises, the CDIC continued to append and revise the operational functions of the "Payout and Advanced Payment System" to upgrade system performance.
5. The information source for monthly financial ratios of banking sector used in the "Internet Transmission Surveillance System" was shifted from the Central Bank to the FSC's "Single Window Reporting System."
6. The CDIC appended and revised content on its website, including the addition of "Document Download in Open Document Format", "Popular Keyword Search," "Fat Footer Design," and the "Government Website Open Information Announcement."
7. The Central and the South Region Offices both replaced their network servers with virtualized systems to facilitate administration and enhance the reliability of off-site data backup.

8. The CDIC commissioned specialists to perform services of the information security monitoring for firewall and intrusion detection system to strengthen the CDIC's information security protection mechanisms.

VII. Research and Development

To ensure that the development of the CDIC's business conforms more closely to the changes in the financial environment, the CDIC collected and studied the latest business-related information. The results of important research projects carried out in 2015 are briefly described as follows:

1. Deliberating Integrated Protection Scheme of Deposit Insurance and Insurance Guarantee

At the instruction of the competent authority, the CDIC completed deliberations on the "Assessment of Financial Safety Net Integrated Protection Scheme."

2. Planning Operating Procedures for Online Reporting of Deposit Insurance Premiums

In order to simplify insurance premium reporting and payment operations of insured institutions, the CDIC conducted a survey of all insured institutions and planned to replace the current paper-based system which is reported by insured institutions semiannually to submit premium related information to the CDIC, with an internet transmission mode.



CDIC President Michael Lin gave a presentation in the 2015 IADI APRC International Conference hosted by the CDIC



CDIC executives with foreign visitors from the Deposit Insurance of Vietnam

3. Holding the 26th and 27th Meetings of the Deposit Insurance Consultative Committee

The CDIC convened the 26th and 27th meetings of the Deposit Insurance Consultative Committee. The 26th meeting focused on reporting revisions of the 2014 IADI Core Principles for Effective Deposit Insurance Systems and the Assessment Methodology. The meeting also discussed whether items of other liabilities items of insured institutions such as other accounts payable should be recognized as insured deposits, and questions regarding trust property deposit account coverage and account aggregation. The 27th meeting discussed questions regarding whether to cover cashier's checks and certified checks under the deposit insurance system and how to revise regulations to further clarify coverage.

4. International Research Projects and Related Businesses

- Participation in IADI Research Projects:
 - A. The CDIC chaired two research projects, namely, "Public Policy Objectives" and "Update of General Guidance for the Resolution of Bank Failures."
 - B. The CDIC participated in five research projects on "Bail-in Implications for Deposit Insurance and Funding," "Deposit Insurance Fund Target Ratio," "Purchase and Assumption," "Resolution Issues for Financial Cooperatives," and "Financial Inclusion and Innovation."
 - C. The CDIC assisted in finalizing and publishing two research or guidance papers, including "Integrated Protection Schemes" and "Dealing with Parties at Fault in a Bank Failure and Frauds in Deposit Insurance."
- The CDIC participated in the project of "Review and Update of the IADI-BCBS Core Principles for Effective Deposit Insurance Systems" and served on the steering committee to jointly make necessary revisions of the abovementioned international standards. In January 2015, the IADI amended and released the updated Core Principles and submitted the document to the Financial Stability Board (FSB) for confirmation and inclusion in the FSB's "Key Standards for Sound Financial Systems."
- The CDIC participated in two IADI's Enhanced Guidance papers for Effective Deposit Insurance Systems as requested by the FSB, including "Ex-ante Funding" and "Multiple Deposit Insurance Organizations."





Participation in the International Seminar jointly held by the Financial Stability Institute (FSI) and the IADI

5. Research Projects and Summary Translation Reports

- The CDIC researched important international financial and economic issues or important financial development information and completed reports on the “Latest Trends in the Handling of Systemically Important Banks by International Organizations,” “Impact of the *Dodd-Frank Act* on the Duties and Operations of the Federal Deposit Insurance Corporation (FDIC),” “Latest Developments in the FDIC’s Implementation of the *Dodd-Frank Act*,” and the use of blockchain platform in the banking industry, and enterprises’ preparations for the next wave of internet security requirements.
- The CDIC completed over ten reports on participation in international conferences, workshops, or training seminars and provided specific recommendations.
- In conjunction with requirements of the competent authority, the CDIC provided information on the latest international trends and practical approaches related to deposit insurance and handling problem financial institutions in other countries.

6. Publication of the Deposit Insurance Quarterly Bulletin

The CDIC’s “Deposit Insurance Quarterly Bulletin” features articles by experts and scholars on deposit insurance, business management of financial institutions and trends in financial supervision. The Quarterly Bulletin is distributed to related government agencies, insured institutions, universities, legislators, libraries, and cultural centers to promote knowledge of deposit insurance.



VIII. International Affairs

Since international cooperation with other deposit insurance organizations can enhance financial stability, the CDIC, in line with government policies, joined the IADI as a founding member in 2002 and has been actively involved in its affairs. This year, the CDIC served as a member of the IADI Executive Council, Chairperson of the IADI Research and Guidance Committee, and Vice Chairperson of the APRC. To strengthen international cooperation and enhance international publicity, the CDIC continued to participate in international affairs and activities in 2015, including the following:

1. Holding the IADI APRC 13th Annual Meeting and International Conference

To strengthen substantive international interchanges and cooperation, and upgrade Taiwan's international professional awareness in the field of deposit insurance, the CDIC held the IADI APRC 13th Annual Meeting and International Conference in late April in 2015 in Taipei. The theme of the conference was "Cross-Border Cooperation in Resolution and Crisis Preparedness." The event was attended by about 100 international experts and senior executives from 25 countries, including the United States, Canada, France, Japan, Korea, Malaysia and Singapore. Representatives from the FSC, the Central Bank, the Ministry of Finance, the National Development Council, and other financial safety net players in Taiwan also participated in the event (See Appendix II for the agenda and summary of the international conference).

2. Participation in International Activities and Speaking at International Conferences to Share Taiwan's Experiences

In 2015, the CDIC on several occasions dispatched personnel to attend the IADI Executive Council meetings, as well as meetings of the IADI's Research and Guidance Committee, the Training and Conference Committee, the Membership and

Communications Committee, and the APRC. In addition, the CDIC received international acknowledgement for its experience in handling problem insured institutions and its implementation of measures to enhance the deposit insurance system in recent years. As a result, the CDIC was invited several times to give presentations to share Taiwan's experiences at international conferences or training seminars hosted by the IADI or its member organizations. Furthermore, the CDIC provided specific training or exchanged information with representatives of deposit insurance organizations, financial supervisory agencies and research institutes from other countries, such as Yu-Chou Foundation of Japan and the Daiwa Institute of Research Ltd., Deposit Insurance of Vietnam (DIV), and the South East Asian Central Banks Research and Training Center (SEACEN Center) based on their business needs. These international exchanges were very beneficial in promoting Taiwan's experiences and building its international image.

3. Continuance in Signing and Renewing of Memorandums of Understanding (MOUs) with Other Deposit Insurance Organizations to Expand and Strengthen International Relations

In 2015, the CDIC signed Memorandums of Understanding (MOUs) with the Canada Deposit Insurance Corporation, the Seguro de Depósitos S.A., Argentina and the Deposit Insurance Corporation of Mongolia. The CDIC up to the present has signed MOUs or Letters of Exchange (LOEs) with 16 international financial safety net players. The MOUs with the Deposit Protection Agency of Thailand, the Korea Asset Management Corporation, the Deposit Insurance of Vietnam, and the Deposit Protection of Swiss Banks and Securities Dealers were renewed in 2015.



Participation in a multilateral meeting for deposit insurance organizations from Taiwan, Vietnam, Indonesia, and Laos

International Activities Attended by the CDIC in 2015

Date	Name of Activity	Organizer(s)
January	CDIC Executive Vice President William Su led a delegation to participate in the IADI Governance Committee Workshop	IADI
March	CDIC Executive Vice President William Su led a delegation to participate in meetings of the IADI 44 th Executive Council, the Research and Guidance Committee, other committees, and the joint Conference of the Latin America Regional Committee (LARC) and the Regional Committee of North America (RCNA)	IADI and Fondo de Garantías de Instituciones Financieras
April	The CDIC held the IADI APRC 13 th Annual Meeting and International Conference (CDIC President Michael M.K. Lin was invited as a speaker)	CDIC
April	Signing of the MOUs with the Canada Deposit Insurance Corporation and the Seguro de Depósitos S.A., Argentina	CDIC, Canada Deposit Insurance Corporation, and Seguro de Depósitos S.A., Argentina
May	CDIC Executive Vice President William Su led a delegation to participate in meetings of the IADI 45 th Executive Council, the Research and Guidance Committee, and other committees	IADI
June	IADI International workshop on “Deposit Insurance Fund Target Size” (Ms. Yvonne Fan, CDIC Director of the International Relations and Research Office, and Ms. Lisa Hsi, Deputy Director of the Business Department, were invited as speakers)	Philippine Deposit Insurance Corporation
July	CDIC President Michael M.K. Lin led a delegation to Ulaanbaatar in Mongolia to sign the MOU with the Deposit Insurance Corporation of Mongolia and exchanged the information and experiences	CDIC and Deposit Insurance Corporation of Mongolia
August	CDIC Chairman Hsien-Nung Kuei together with Director-General of the Banking Bureau of the FSC Austin Chan led a delegation to visit financial safety net agencies of Indonesia	Indonesia Deposit Insurance Corporation
August	CDIC Chairman Hsien-Nung Kuei was invited to give a presentation in the 2015 International Dragon Award Annual Meeting and International Finance Outlook Forum	IMM International
September	International Conference on “Sailing towards Financial Stability” jointly hosted by the European Forum of Deposit Insurers and State Agency for Deposit Insurance and Bank Resolution-Croatia (Ms. Yvonne Fan, CDIC Director of the International Relations and Research Office was invited as a speaker)	European Forum of Deposit Insurers and State Agency for Deposit Insurance and Bank Resolution-Croatia
September	CDIC Chairman Hsien-Nung Kuei participated in the FSI-IADI Seminar on “Bank Resolution, Crisis Management and Deposit Insurance Issues.” Chairman Kuei also had dialogues with executives of leading deposit insurers as well as international financial standards setting organizations, such as Secretary General of the Basel Committee on Banking Supervision (BCBS), Secretary General of the International Association of Insurance Supervisors (IAIS), and Chair of the Executive Council and President of the IADI	Financial Stability Institute and IADI

Date	Name of Activity	Organizer(s)
September	CDIC Executive Vice President Robert L.I. Chen participated in the Indonesia Deposit Insurance Corporation's 10 th Anniversary and International Seminar on "Managing Financial Turbulence"	Indonesia Deposit Insurance Corporation
October	CDIC Chairman Hsien-Nung Kuei participated in the IADI 14 th Annual General Meeting and International Conference. Other delegates also attended meetings of the 46 th Executive Council, the Research and Guidance Committee, and other committees	IADI and Malaysia Deposit Insurance Corporation
December	CDIC Chairman Hsien-Nung Kuei led a delegation to Vietnam to renew the MOU with the Deposit Insurance of Vietnam (DIV) and to participate in the Joint Workshop hosted by the DIV on "Information Sharing and Differential Premium Systems" (CDIC Chairman Hsien-Nung Kuei, Risk Management Department Director Annie Cheng, International Relations and Research Office Director Yvonne Fan, and Business Department Deputy Director Lisa Hsi were invited as speakers)	Deposit Insurance of Vietnam



CDIC hosting the 2015 IADI APRC International Conference

IX. Human Resources

1. Employee Structure

Year	No. of Employees	Avg. Age of Employees	Educational Attainment of Employees		
			Graduate School	College	Other
2015	152	49	39	110	3
2014	156	49	35	118	3
2013	156	48	35	118	3
2012	155	47	35	117	3
2011	153	47	32	118	3
2010	155	46	34	118	3

Department breakdown of CDIC staff for 2015:

Senior officers and Secretariat (21)	Dept. of Risk Management (29)
Dept. of Resolution (10)	Special Inspection Dept. (15)
Dept. of Business (12)	International Relations and Research Office (7)
Dept. of Legal Affairs (12)	Dept. of Accounting (9)
Personnel Office (5)	Information Management Office (13)
Civil Service Ethics Office (2)	Central Region Office (8)
South Region Office (9)	



Signing of the MOU with the Canada Deposit Insurance Corporation

MOU SIGNING CEREMONY

April 21, 2015



Signing of the MOU with the Seguro de Depósitos S.A., Argentina

2. Five employees retired from the CDIC according to early retirement plan, and five full-time employees were recruited to renew human resources and reduced employment costs.

3. In conjunction with the winding down of operations after the termination of the FRF, it was decided not to renew the three contract employees at the end of 2015.

4. Personnel Training

To upgrade the quality of staff and enhance employees' professional knowledge, training programs arranged by the CDIC during the year, which included the dispatching of staff to attend specialized trainings, seminars, and conferences domestically and internationally, involved a total of 2,241 person-times. On average, each staff member (including contract employees for special projects) participated in professional training 14.3 times. Training programs attended include the following:

- Staff participated in professional training programs arranged by the Taiwan Academy of Banking and Finance, Civil Service Protection and Training Commission, and other institutes.
- The CDIC arranged professional training courses, business seminars and case study workshops lectured by outstanding senior employees or outside expert speakers.
- Selected colleagues were sent abroad to study and participate in international conferences to strengthen research on topics related to deposit insurance.
- The CDIC arranged one to two English and Japanese language classes per week to improve employees' English and Japanese language ability.

X. Internal Controls

1. Internal Control System

- On March 3, 2011, the CDIC set up an "Internal Controls Task Force," which was convened by a CDIC Executive Vice President and consisted of the directors of each CDIC department and office. The task force held a total of three meetings this year. The task force is responsible for implementing works related to internal audits and advocating important measures. In 2015, the task force continued to advocate and held educational training on internal controls and internal audits, as well as review and strengthen internal control operations, amend and maintain an effective internal control system, carry out internal audit self assessment operations, and progressively implement internal control mechanisms.
- The fourth edition of the CDIC's internal control system was submitted to the second meeting of the 11th Board of Directors and was approved on November 27, 2015.

2. Internal Audits

- The CDIC established an Internal Audit Task Force in August 2011 to implement internal audits. The task force is convened by a CDIC Executive Vice President and consists of senior staff from all CDIC departments and offices.
- In accordance with the Executive Yuan's "Operating Guidelines on Government Internal Control Supervision," the CDIC amended its "Internal Audit Guidelines" and "Handbook for Internal Audits" as a basis for the execution of internal audit and regulatory compliance.
- A general internal audit was performed for each department in 2015. The audit reports were signed and presented to the Chairman for approval and improvements in areas of deficiency were tracked through follow-up supervision.
- The Internal Audit Task Force made a written review of department self-assessment reports and followed up on improvements. The results of the assessments were compiled and reported monthly to the convener of the Internal Audit Task Force, and reported semiannually to the Chairman for review.



- The chief audit executive semiannually reported on the implementation status of internal audit and progress in follow-up improvements to the board of directors.
- In February 2015, the Internal Audit Task Force reviewed the results of the overall 2014 internal control self-assessment and reported to the board of directors.

XI. Cooperation with Competent Authority to Implement Major Financial Policies

1. Dispatching Staff to Assist in the Conservatorship of Two Insurance Companies under the Taiwan Insurance Guaranty Fund

In conjunction with the policy of the competent authority on the conservatorship of two insurance companies, the CDIC assigned staff to assist and support the Taiwan Insurance Guaranty Fund with the handling of conservatorship affairs and smoothly accomplished the assigned tasks.

2. Strengthening the Monitoring of Specific Risk Business Items in Conjunction with the Supervision Policy of the Competent Authority

The CDIC was entrusted by the decree of the competent authority to analyze or monitor the overseas and Mainland China area exposures of domestic banks, OTC financial derivative products undertaken by banks, and other risk-related operations. It also presented scheduled and unscheduled reports to the competent authority, and arranged the handling and follow-up tracking of major credit risk cases notified by insured institutions to assist supervision and strengthen the CDIC's risk management measures.

Integrity: Maintaining Financial Creditability

Strengthening the financial safety net

Maintaining the market order

Creating an environment for the steady development of financial institutions



FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Central Deposit Insurance Corporation

We have audited the accompanying balance sheets of Central Deposit Insurance Corporation as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's executive management. Our responsibility is to express an opinion on these financial statements based on our auditing results.

We conducted our audits in accordance with the "Guidelines for Certified Public Accountants' Examinations and Reports on Financial Statements" in Taiwan and with generally accepted auditing standards in Taiwan. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes the examination, by a random inspection, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant accounting estimates made by the management team, as well as evaluation of the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion based on our audits, the financial statements referred to in the first paragraph present fairly, in all material aspects, the financial position of the Central Deposit Insurance Corporation as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the year of 2015 and 2014, in conformity with the related domestic laws and International Financial Reporting Standards applied on a consistent basis.

Hui-Ling Chang 

Hui-Ling Chang (Chartered Accountant)

Evershine CPAs Firm

Jan. 29, 2016

CENTRAL DEPOSIT
STATEMENTS OF



DECEMBER 31,

ASSETS	NOTES	2015.12.31		2014.12.31	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and Deposits in the Central Bank	2,3,4	\$ 60,814,965	82.91	\$ 54,335,434	85.64
Available-for-Sale Financial Assets-Current	2,5	608	-	-	-
Held-to-Maturity Financial Assets-Current	2,6	11,459,027	15.62	8,085,178	12.74
Receivables	2,7	425,678	0.58	374,577	0.59
Current Tax Assets		143,922	0.20	107,590	0.17
Prepayments		14,681	0.02	16,191	0.03
Other Current Assets		709	-	723	-
Sub-total		72,859,590	99.33	62,919,693	99.17
PROPERTY, PLANT AND EQUIPMENT	2,8				
Land		228,833	0.31	228,833	0.36
Buildings		265,486	0.36	265,486	0.42
Machinery and Equipment		73,780	0.10	92,349	0.15
Transportation Equipment		14,094	0.02	13,799	0.02
Other Equipment		26,835	0.04	26,352	0.04
Sub-total		609,028	0.83	626,819	0.99
Revaluation Increment-Land		66,149	0.09	66,149	0.10
Cost and Revaluation Increment		675,177	0.92	692,968	1.09
Less Accumulated Depreciation					
Buildings		(107,275)	(0.15)	(102,541)	(0.16)
Machinery and Equipment		(51,274)	(0.07)	(66,414)	(0.10)
Transportation Equipment		(9,954)	(0.01)	(9,396)	(0.02)
Other Equipment		(20,165)	(0.03)	(19,196)	(0.03)
Sub-total		(188,668)	(0.26)	(197,547)	(0.31)
PROPERTY, PLANT AND EQUIPMENT-NET		486,509	0.66	495,421	0.78
INTANGIBLE ASSETS	2,9	6,272	0.01	11,795	0.02
OTHER ASSETS					
Prepaid Pension Cost	2	-	-	16,924	0.03
Guarantee Deposits Paid		882	-	882	-
Collateral Deposits		282,100	0.38	282,100	0.44
Securities Serving as Collateral Deposits		(282,100)	(0.38)	(282,100)	(0.44)
Sub-total		882	-	17,806	0.03
TOTAL ASSETS		\$ 73,353,253	100.00	\$ 63,444,715	100.00



INSURANCE CORPORATION

FINANCIAL POSITION

2015 and 2014

(Expressed in NT\$'000)

LIABILITIES AND EQUITY	NOTES	2015.12.31		2014.12.31	
		Amount	%	Amount	%
CURRENT LIABILITIES					
Liabilities for Bills and Bonds under Repurchase Agreement	10	\$ 350,000	0.48	\$ -	-
Payables	11	81,511	0.11	78,306	0.12
Sub-total		431,511	0.59	78,306	0.12
OTHER LIABILITIES					
General Financial Deposit Insurance Payout Special Reserves	2,12	56,428,375	76.94	47,349,774	74.63
Agricultural Financial Deposit Insurance Payout Special Reserves	2,12	4,007,204	5.46	3,690,023	5.82
Provision for Employee Benefits	2	176,720	0.24	-	-
Deferred Income Tax Liabilities		25,551	0.03	25,551	0.04
Guarantee Deposits Received		1,479	-	966	-
Temporary Receipts and the Account to be Carried Over	13	1,061,502	1.45	1,070,275	1.69
Sub-total		61,700,831	84.12	52,136,589	82.18
TOTAL LIABILITIES		62,132,342	84.71	52,214,895	82.30
CAPITAL STOCK	14	10,000,000	13.63	10,000,000	15.76
CAPITAL SURPLUS					
Donated Assets Received		265	-	265	-
RETAINED EARNINGS					
Legal Reserve		235,700	0.32	235,700	0.37
Special Reserve		1,000,466	1.36	1,000,466	1.58
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)					
Unrealized Gain or Loss on Available-for-Sale Financial Assets	2,5	(35)	-	-	-
Remeasurement for Defined Employee Benefit Plan	2	8,050	0.01	16,924	0.03
ADJUSTMENTS FOR THE FIRST ADOPTION OF IFRS		(23,535)	(0.03)	(23,535)	(0.04)
TOTAL EQUITY		11,220,911	15.29	11,229,820	17.70
TOTAL LIABILITIES AND EQUITY		\$ 73,353,253	100.00	\$ 63,444,715	100.00

CENTRAL DEPOSIT INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in NT\$'000)

DESCRIPTION	NOTES	2015		2014	
		Amount	%	Amount	%
OPERATING INCOME					
Interest Revenue		\$ 854,564	8.56	\$ 704,009	3.39
Premiums Revenue		9,124,236	91.44	8,968,282	43.20
Income Derived from Levies-Business Tax from Banking Industry	2	-	-	11,090,208	53.41
Sub-total		9,978,800	100.00	20,762,499	100.00
OPERATING COSTS					
Interest Expenses		716	0.01	1,456	0.01
Insurance Expenses		253	-	179	-
Handling Fees		361	-	209	-
Insurance Payout Reserve Provisions	2	8,914,097	89.33	20,034,170	96.49
Sub-total		8,915,427	89.34	20,036,014	96.50
GROSS PROFIT		1,063,373	10.66	726,485	3.50
OPERATING EXPENSES					
Transaction Expenses		811,981	8.14	662,286	3.19
General & Administrative Expenses		57,954	0.58	57,093	0.27
Other Operating Expenses		4,973	0.05	5,262	0.03
Sub-total		874,908	8.77	724,641	3.49
OPERATING INCOME		188,465	1.89	1,844	0.01
NON-OPERATING INCOME					
Indemnity Income		88	-	7	-
Other Income		4,251	0.04	3,122	0.01
Sub-total		4,339	0.04	3,129	0.01
NON-OPERATING EXPENSES					
Loss on Disposal of Assets		3,903	0.04	797	-
Others Expenses		188,901	1.89	4,176	0.02
Sub-total		192,804	1.93	4,973	0.02
NON-OPERATING INCOME (LOSS)		(188,465)	(1.89)	(1,844)	(0.01)
INCOME BEFORE INCOME TAX		-	-	-	-
INCOME TAX	2	-	-	-	-
NET INCOME FROM CONTINUING OPERATIONS		-	-	-	-
NET INCOME		\$ -	-	\$ -	-
NOTES:					
OTHER COMPREHENSIVE INCOME					
Unrealized Gain or Loss on Available-for-Sale Financial Assets	2,5	(35)	-	-	-
Remeasurement for Defined Employee Benefit Plan	2	(8,874)	-	20,762	-
TOTAL COMPREHENSIVE INCOME		\$ (8,909)	-	\$ 20,762	-
EARNINGS PER COMMON SHARE		\$ -	-	\$ -	-

CENTRAL DEPOSIT INSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in NT\$'000)

DESCRIPTION	CAPITAL STOCK	CAPITAL SURPLUS	RETAINED EARNINGS			ACCUMULATED OTHER COMPREHENSIVE INCOME		ADJUSTMENTS FOR THE FIRST ADOPTION OF IFRS	TOTAL
			Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain or Loss on Available-for-Sale Financial Assets	Remeasurement for Defined Employee Benefit Plan		
Balance, January 1, 2014	\$10,000,000	\$ 265	\$ 235,700	\$ 1,000,466	\$ -	\$ -	\$ (3,838)	\$ (23,535)	\$11,209,058
Net Income for The Year Ended December 31, 2014	-	-	-	-	-	-	-	-	-
Other Comprehensive Income (Loss), Net of Tax for The Year Ended December 31, 2014	-	-	-	-	-	-	20,762	-	20,762
Balance, December 31, 2014	10,000,000	265	235,700	1,000,466	-	-	16,924	(23,535)	11,229,820
Net Income for The Year Ended December 31, 2015	-	-	-	-	-	-	-	-	-
Other Comprehensive Income (Loss), Net of Tax for The Year Ended December 31, 2015	-	-	-	-	-	(35)	(8,874)	-	(8,909)
Balance, December 31, 2015	\$10,000,000	\$ 265	\$ 235,700	\$ 1,000,466	\$ -	\$ (35)	\$ 8,050	\$ (23,535)	\$11,220,911


CENTRAL DEPOSIT INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in NT\$'000)

DESCRIPTION	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Tax from Continuing Operations (Loss)	\$ -	\$ -
Net Income before Tax (Loss)	-	-
Adjustment for the Interests and Dividends	(853,847)	(702,553)
Net Income (Loss) Excluding Interests and Dividends	(853,847)	(702,553)
Adjustments	2,647,517	5,347,381
Net Cash Inflow (Outflow) Excluding Interests and Dividends	1,793,670	4,644,828
Interests Received	767,131	578,686
Interests Paid	(709)	(1,508)
Net Cash Inflow (Outflow) from Operating Activities	2,560,092	5,222,006
CASH FLOWS FROM INVESTING ACTIVITIES		
Current Financial Assets Decrease (Increase)	(3,374,491)	(5,650,617)
Intangible Assets and Other Assets Decrease (Increase)	-	(9,520)
Property, Plant and Equipments Increase	(5,190)	(4,763)
Property, Plant and Equipments Decrease	-	4
Net Cash Inflow (Outflow) from Investing Activities	(3,379,681)	(5,664,896)
CASH FLOWS FROM FINANCING ACTIVITIES		
Current Financial Liabilities Increase (Decrease)	350,000	(123,616)
Increase (Decrease) in Other Liabilities	473,120	1,333,836
Net Cash Inflow (Outflow) from Financing Activities	823,120	1,210,220
EQUIVALENTS	\$ 3,531	\$ 767,330
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	811,434	44,104
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 814,965	\$ 811,434

CENTRAL DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

(Amounts are expressed in New Taiwan thousand dollars, unless otherwise stated)

I. GENERAL

The Central Deposit Insurance Corporation (CDIC) was established in accordance with the *Deposit Insurance Act* in September 1985, with the aim of safeguarding the interests of depositors in financial institutions, maintaining an orderly credit system, and enhancing the sound development of financial operations.

The CDIC is a government-owned organization. Its capital was originally contributed by the Ministry of Finance, the Central Bank and other insured financial institutions based on the shares that each of them has subscribed. The Ministry of Finance decreed that the shares were not to be issued publicly. The CDIC's approved capital stock is NT\$10,000,000,000, divided into 1,000,000,000 shares with a face value at NT\$10 each. The number of shares issued is 1,000,000,000. In accordance with the official letter No. Yuan-Tai-Tasi 0990102146 from the Executive Yuan on August 17, 2010, stockholder's right management of the CDIC was transferred from the Ministry of Finance to the Financial Supervisory Commission. As of December 31, 2015, the Financial Supervisory Commission and the Central Bank held 50.95% and 49.05% of the shares respectively. The CDIC's major businesses range from handling deposit insurance, managing deposit insurance risk, conducting special on-site inspection to insured institutions, dealing with failing and failed insured institutions, and establishing related regulations and systems of deposit insurance. Financial institutions duly approved under the law to accept deposits are required to apply for deposit insurance, including banks, the Taiwan branches of foreign and mainland Chinese banks, credit cooperatives, credit departments of farmers' and fishermen's associations, and Chunghwa Post Co., Ltd.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Accounting Practice & Basis of Compilation for Financial Statements

As the CDIC is a government-owned organization, its accounting criteria are subject to the *Budget Act*, the *Financial Statement Act*, the *Deposit Insurance Act*, the CDIC's accounting system approved by Directorate-General of Budget, Accounting and Statistics of Executive Yuan, and other regulations for the accounting affairs of government-owned organizations promulgated by the Ministry of Audit, Control Yuan. Matters not regulated in the above-mentioned law are subject to International Financial Reporting Standards. Annual financial statements all have to be audited by Directorate-General of Budget, Accounting & Statistics, Executive Yuan, and the Ministry of Audit of the Control Yuan serves as the authority for final approval.

The CDIC's financial statements as of the end of 2014 were audited by Directorate-General of Budget, Accounting & Statistics, Executive Yuan and the Ministry of Audit, Control Yuan. These financial statements of 2014 are adjusted by International Financial Reporting Standards (2013).

2. Financial Assets

- A. Available-for-Sale Financial Assets are recognized at fair value. Changes in fair value from subsequent remeasurement are reported as a separate component of shareholders' equity.
- B. Held-to-Maturity Financial Assets are measured at the amortized cost by the interest method.

According to the *Deposit Insurance Act*, the funds of the CDIC, except for the allowance for regular expenses, fulfillment of deposit insurance responsibilities stipulated in the Act, provision of financial assistance, establishment of a bridge bank and processing of advance payments, shall be invested in government bonds, deposited with the Central Bank or used in other methods approved by the board of directors of the CDIC.

3. Liabilities for Bills and Bonds under Repurchase Agreement

Bills and bonds for transaction purposes are listed as liabilities for bills and bonds under repurchase agreements.

4. Property, Plant and Equipment on Evaluation Basis and Depreciation Method

Property, plant and equipment are recorded in the books at cost and shall be carried at its cost less any accumulated depreciation (besides lands). Major improvements, renewals and replacements are recorded as capital expenditure, while the expenditure of repairs and maintenance are recorded as expense at the year of occurrence. When property, plant and equipment are sold or disposed of, the cost and related accumulated depreciation are written off from the accounts. The amount of depreciation is based on the estimated durable period by using the straight-line method.

5. Intangible Assets

Computer software is recorded in the books at the acquisition cost and amortized equally in 3 years based on the straight-line method.

6. Employees' Pension

A. The CDIC dealing with its employees' retirement, consolation and dismissal applies to the "Retirement, Consolation and Dismissal Regulations for Government-run Financial and Insurance Institutions under the Ministry of Finance" approved by the Executive Yuan. Pursuant to Article 41-1 of the Regulations, the pension offered shall be calculated in accordance with the *Labor Standards Act* based on the length of an employee's service in the CDIC effective from Mar. 1, 1998. Prior to the *Labor Standards Act* being effective, the length of the employee's service in the CDIC will be reserved and the pension fund, appropriated from the CDIC (4%~8.5% of salary) and the employees (3% of salary) per month during the time of the employees working for the CDIC, will also be reserved. The calculation of the employees' pension offered by the CDIC is based on the length of each employee's service (seniority) and salary at the time of retirement. Appropriation of retirement pensions for contract workers for the CDIC's special projects is conducted as stipulated in the *Labor Standards Act* and the *Labor Pension Act* according to the choice of the said personnel.

Pursuant to relevant regulations and the IAS19 Employee Benefits (2013), the CDIC commissioned an actuary to calculate the amount of the CDIC's contributions to the pension fund. The CDIC deposits its contributions in the special labor pension accounts in the Bank of Taiwan and in the Bureau of Labor Insurance opened by the CDIC's Employees Pension Fund Supervision Committee and Labor Retirement Reserved Fund Supervision Committee. Starting from the 2015 financial year, actuarial gains or losses are recorded on "Remeasurement for Defined Employee Benefit Plan" account under the Equity. The above-mentioned account of financial years of 2014 and 2013 are readjusted too.

B. According to the amended *Civil Servant and Teacher Insurance Act* effective from June 19, 2015, if employees of the CDIC retire and their conditions meet the criteria set in the Section 3 of Article 16 of the *Civil Servant and Teacher Insurance Act*, they are eligible to apply for civil servant retirement annuity. Beside the basic retirement annuity, the civil servant and teacher insurance department of Bank of Taiwan will review and approve the excess annuity, which is the retirement annuity amount exceeding the amount calculated by statutory basic annuity rate, and inform the CDIC to pay the excess annuity to retired employees.

Pursuant to relevant regulations and the IAS19 Employee Benefits (2013), the CDIC commissioned an actuary to calculate the amount of excess annuity. The CDIC records enough amount in “Other Liabilities-Provision for Employee Benefits” account, and actuarial gains or losses are recorded on “Remeasurement of Defined Employee Benefit Plan” account under the Equity.

- C. As set forth in the “Directions for Care for Retirees” issued by the Executive Yuan, the CDIC will give a special allowance for each of the three major holidays each year, \$6,000 dollars in total, to retirees who have reached 60 years of age or 55 years of age after serving for 25 years when retiring from the CDIC.

7. Payout Special Reserves and Income Before Income Tax

Pursuant to Article 5 of the *Deposit Insurance Act*, “Any remainder of the annual gross income of the CDIC, after deducting costs, expenses and losses, shall be fully appropriated for the Deposit Insurance Payout Special Reserves.”

8. Asset Impairment

The CDIC should recognize an asset impairment loss when the environment has changed or a certain event occurs in order to reflect that recoverable amounts of its own assets are less than their book value. Recoverable amount refers to the higher of an asset’s net fair value and its value in use. Net fair value refers to the amount obtainable from the sale of an asset less costs to sell in a general transaction. Value in use refers to the discounted present value of the future cash flows arising from the continuing use of an asset.

When the situation resulting in recognition of the accumulated impairment loss in the previous years does not exist any more or has improved, accumulated impairment loss can be reversed to the extent of the amount of such loss recognized in the previous year.

9. Income Derived from Levies Business Tax from Banking Industry

According to Paragraph 7 of Article 11 of the *Value-added and Non-value-added Business Tax Act*, the business tax in the banking sector from 2011 should be exclusively appropriated to the Deposit Insurance Payout Special Reserves. After the Tax Act had been modified, the business taxes in the banking sector didn’t have to appropriate to the CDIC from July 1, 2014.

III. CASH

	Dec. 31, 2015	Dec. 31, 2014
Petty Cash	\$ 350	\$ 350
Checking Deposits	3,552	3,909
Demand Deposits	1	1
Treasury Deposits	797,892	798,453
Total	\$ 801,795	\$ 802,713

IV. DEPOSITS IN THE CENTRAL BANK

	Dec. 31, 2015	Dec. 31, 2014
Checking Deposits	\$ 13,170	\$ 8,721
Maturity Deposits over Three Months from the Date of Deposit	60,000,000	53,524,000
Total	\$ 60,013,170	\$ 53,532,721

V. AVAILABLE-FOR-SALE FINANCIAL ASSETS-CURRENT

	Dec. 31, 2015	Dec. 31, 2014
Stocks-Taiwan Top 50 Tracker Fund	\$ 643	\$ -
Deduct: Allowance for Assets Price Evaluation-Current	(35)	-
Total	\$ 608	\$ -

VI. HELD-TO-MATURITY FINANCIAL ASSETS-CURRENT

	Dec. 31, 2015	Dec. 31, 2014
Bonds	\$ 11,459,027	\$ 8,085,178

The interest rates at year ends of 2015 and 2014 ranged from 0.798%~2.2%.

VII. RECEIVABLES

	Dec. 31, 2015	Dec. 31, 2014
Interest Receivable	\$ 425,678	\$ 374,577

VIII. PROPERTY, PLANT AND EQUIPMENT

Dec. 31, 2015			
	Cost	Accumulated Depreciation	Book Value
Land	\$ 228,833	\$ -	\$ 228,833
Revaluation Increment-Land	66,149	-	66,149
Buildings	265,486	107,275	158,211
Machinery and Equipment	73,780	51,274	22,506
Transportation Equipment	14,094	9,954	4,140
Other Equipment	26,835	20,165	6,670
Total	\$ 675,177	\$ 188,668	\$ 486,509

Dec. 31, 2014			
	Cost	Accumulated Depreciation	Book Value
Land	\$ 228,833	\$ -	\$ 228,833
Revaluation Increment-Land	66,149	-	66,149
Buildings	265,486	102,541	162,945
Machinery and Equipment	92,349	66,414	25,935
Transportation Equipment	13,799	9,396	4,403
Other Equipment	26,352	19,196	7,156
Total	\$ 692,968	\$ 197,547	\$ 495,421

The fire and burglary insurance coverages on property, plant and equipment as of December 31, 2015 and 2014 were \$200,420 thousand and \$209,635 thousand, respectively.

IX. INTANGIBLE ASSETS-COMPUTER SOFTWARE

	2015	2014
Balance as of Beginning of the Year	\$ 11,795	\$ 6,270
Increase	-	9,520
Decrease	(5,523)	(3,995)
Balance as of the End of the Year	\$ 6,272	\$ 11,795

X. LIABILITIES FOR BILLS AND BONDS UNDER REPURCHASE AGREEMENT

	Dec. 31, 2015	Dec. 31, 2014
Liabilities for Bills and Bonds under Repurchase Agreement	\$ 350,000	\$ -

The bond repurchase rates was 0.4% at year end of 2015.

XI. PAYABLES

	Dec. 31, 2015	Dec. 31, 2014
Interest Payable	\$ 7	\$ -
Accrued Expenses	3,052	2,503
Collection Payable	4,060	1,466
Accrued Pension	8	12
Other Payables	74,384	74,325
Total	\$ 81,511	\$ 78,306

XII. PAYOUT SPECIAL RESERVES

	Dec. 31, 2015	Dec. 31, 2014
General Financial Deposit Insurance Payout Special Reserves	\$ 56,428,375	\$ 47,349,774
Agricultural Financial Deposit Insurance Payout Special Reserves	4,007,204	3,690,023
Total	\$ 60,435,579	\$ 51,039,797

The above was recorded in accordance with the *Deposit Insurance Act* and the “Plan for Handling the Issues Related to the Expiration of the Financial Restructuring Fund (hereinafter refers to as Plan for the Expiration of the Financial Restructuring Fund)” approved by the Executive Yuan.

XIII. TEMPORARY RECEIPTS AND THE ACCOUNT TO BE CARRIED OVER

	Dec. 31, 2015	Dec. 31, 2014
Temporary Receipts and the Account to be Carried Over	\$ 1,061,502	\$ 1,070,275

According to the *Deposit Insurance Act* and the “Plan for the Expiration of the Financial Restructuring Fund”, the unresolved issues under the Financial Restructuring Fund, with the amounts of \$263,177 thousand and \$249,700 thousand at year ends of 2015 and 2014 respectively, were transferred to the CDIC to handle.

XIV. CAPITAL STOCK

Dec. 31, 2015 and 2014	
Authorized Capital	10,000,000
Paid-in Capital	10,000,000
Authorized Shares	1,000,000,000 Shares
Outstanding Shares	1,000,000,000 Shares

XV. OTHER

There were \$263,662 thousand under the total assets and liabilities as of Dec. 31, 2015, respectively, which were the unresolved issues transferred to the CDIC to handle based on the “Plan for the Expiration of the Financial Restructuring Fund”. The book value of deposits in banks was \$163 thousand, deposits in the Central Bank \$263,014 thousand, prepaid expenses \$485 thousand, accrued expenses \$485 thousand and temporary receipts and the account to be carried over \$263,177 thousand.

XVI. CONTINGENCY

1. After the Chinatrust Commercial Bank had assumed the assets, liabilities, and business of the Enterprise Bank of Hualien, it discovered an undisclosed liability, \$270 thousand, and required the CDIC to compensate. The Financial Restructuring Fund approved to make the compensation. Once the Chinatrust Commercial Bank actually pays off this liability, the CDIC will handle this case based on the “Plan for the Expiration of the Financial Restructuring Fund”; however, until the end of 2015, the Chinatrust Commercial Bank has not yet applied for the compensation.
2. The collateral deposits amounted \$984 thousand on the assets under trust, agency, and guaranty, as well as the liabilities under trust, agency, and guaranty. As they belong to contingencies, they are not recorded on the balance sheet.

Reliability: Supporting a robust financial sector

Building momentum for innovation

Benchmarking financial market with international standards

Firmly supporting national competitiveness



Table 1: Number of Insured Institutions for the Last Five Years

Unit: number of Institutions

Type of Institution \ Year	2015	2014	2013	2012	2011
Domestic Banks	39	40	40	39	38
Credit Cooperatives	23	23	24	24	25
Credit Departments of Farmers' Association	281	278	277	277	277
Credit Departments of Fishermen's Association	25	25	25	25	25
Local Branches of Foreign Banks and Mainland Chinese Banks in Taiwan	29	29	29	26	27
Total	397	395	395	391	392

Notes: 1. The standard date for the annual figures in the table is December 31 of each year.

2. The figure for domestic banks includes the Agricultural Bank of Taiwan and Chunghwa Post Co., Ltd.

Table 2: Ratio of Covered Deposits to Total Eligible Deposits for the Last Five Years

Unit: %

Type of Institution/Year	Ratio of Covered Deposits to Total Eligible Deposits (%)				
	2015	2014	2013	2012	2011
Domestic Banks	51.8	52.8	52.7	53.4	53.2
Credit Cooperatives	67.1	68.3	69.4	71.3	71.8
Credit Departments of Farmers' Associations	79.4	79.0	80.0	81.0	81.6
Credit Departments of Fishermen's Associations	83.4	82.5	83.4	83.3	83.4
Local Branches of Foreign Banks and Mainland Chinese Banks in Taiwan	2.4	2.4	3.0	10.5	17.1
Total	52.5	53.5	53.6	54.5	54.2

Notes: 1. In October 2008 the government announced that all deposits of depositors in financial institutions participating in the deposit insurance system (include principal and interest as stipulated in Paragraph 1 and Paragraph 2 of Article 12 of the *Deposit Insurance Act*) would be provided with temporary full coverage, without being limited to the coverage limit, up to December 31, 2009. This was later extended by one year to December 31, 2010. In order to respond to the return to a system of limited deposit insurance coverage, the Financial Supervisory Commission, the Ministry of Finance, and the Central Bank announced that starting from January 1, 2011 the coverage limit would be raised to NT\$3 million from NT\$1.5 million that had been effective since July 1, 2007.

2. The standard date for the annual figures in the table is December 31 of each year.

3. The figure for domestic banks includes the Agricultural Bank of Taiwan and Chunghwa Post Co., Ltd.

4. The term "Covered Deposits" refers to the total deposit amount of each depositor under the coverage limit in an insured institution. From the year 2011 onwards, the coverage limit is NT\$3 million.

5. The term "Eligible Deposits" refers to the total amount of checking deposits, demand deposits, time deposits, and other deposits listed under the deposit liabilities item, after deducting the outstanding amount of negotiable certificates of deposit, government deposits, Central Bank deposits, interbank deposits, and other uninsured deposits.

Table 3: Covered Deposits, Deposit Insurance Premiums and Deposit Insurance Payout Special Reserves for the Last Ten Years

Unit: NT\$ million

Year	Insured Institutions					Premium Revenue	Deposit Insurance Payout Special Reserves	Ratio of Deposit Insurance Payout Special Reserves to Covered Deposits (%)			
	Type	No. of Institutions	Total Eligible Deposits	Covered Deposits	Ratio of Covered Deposits to Total Eligible Deposits (%)						
			(a)	(b)	(b)/(a)						
							(c)	(c)/(b)			
2015	General	90	36,903,038	19,263,169	52.20	8,799	56,428	0.29			
	Agricultural	307	2,349,858	1,336,231	56.86	325	4,007	0.30			
2014	General	91	34,980,573	18,636,378	53.28	8,646	47,343	0.27			
	Agricultural	304	2,314,523	1,299,574	56.15	322	3,690	0.29			
2013	General	92	33,053,762	17,667,896	53.45	8,328	27,130	0.15			
	Agricultural	303	2,243,395	1,263,214	56.31	322	3,368	0.27			
2012	General	88	31,305,920	17,007,656	54.33	8,196	0	0			
	Agricultural	303	2,166,797	1,230,068	56.77	324	3,054	0.25			
2011	General	89	30,127,900	16,255,949	53.96	8,792	0	0			
	Agricultural	303	2,093,921	1,194,099	57.03	355	2,744	0.23			
2010	General	90	Blanket Guarantee			4,389	0	0			
	Agricultural	301				302	2,507	-			
2009	General	93				4,184	0	0			
	Agricultural	290				291	2,395	-			
2008	General	94				4,067	0	0			
	Agricultural	290				301	2,293	-			
2007	General	98				21,764,787	10,472,346	48.12	3,965	0	0
	Agricultural	278				1,298,495	900,009	69.31	365	2,189	0.24
2006	All	383	22,670,064	9,686,080	42.73	4,109	15,125	0.16			

Notes: 1. The government announced in October 2008 that the deposits in all financial institutions participating in deposit insurance (including principal and interest as stipulated in Paragraph 1 and Paragraph 2 of Article 12 of the *Deposit Insurance Act*) would be provided with temporary full coverage without being limited to the coverage limit until December 31, 2009. This was later extended by one year to December 31, 2010. The deposit insurance system was returned to the limited deposit insurance coverage on January 1, 2011.

2. The standard date for the annual figures in the table is December 31 of each year.

3. According to stipulations under Article 6 of the *Deposit Insurance Act*, the Deposit Insurance Payout Special Reserves were divided into two accounts from 2007. One is for general financial institutions and the other one for agricultural financial institutions. The term "General Account" refers to general financial institutions including domestic banks, Chunghwa Post Co., Ltd., local branches of foreign banks and mainland Chinese banks in Taiwan, and credit cooperatives, whereas the term "Agricultural Account" refers to agricultural financial institutions including the Agricultural Bank of Taiwan, and the credit departments of farmers' and fishermen's associations.

4. The term "Covered Deposits" refers to the total deposit amount of each depositor under the coverage limit in an insured institution. After a period of full coverage, deposit insurance system returned to limited coverage on January 1, 2011 at which point the coverage limit was raised to NT\$3 million from the NT\$1.5 million coverage limit that took effect on July 1, 2007. Thus the covered deposits for 2007 refer to deposits under the NT\$1.5 million limit, while the covered deposits for the earlier years refer to deposits under the NT\$1 million limit.

5. Deposit Insurance Premium Rates:

(1) From July 1, 2007, the premium of covered deposits for general financial institutions (including banks and credit cooperatives) was divided into five-tiered risk-based premium rates of 0.03%, 0.04%, 0.05%, 0.06%, and 0.07% respectively. For eligible deposits in excess of the coverage limit, a flat premium rate of 0.0025% was adopted; however, from January 1, 2010, this flat premium rate was raised to 0.005%. The premium of covered deposits for the credit departments of farmers' and fishermen's associations was divided into five-tiered risk-based premium rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06% respectively. For eligible deposits in excess of the coverage limit, a flat premium rate of 0.0025% was adopted.

(2) From January 1, 2011, the premium for banks and credit cooperatives was divided into five-tiered risk-based premium rates of 0.05%, 0.06%, 0.08%, 0.11%, 0.15% and 0.04%, 0.05%, 0.07%, 0.10%, and 0.14% respectively. For deposits in excess of the coverage limit, a flat premium rate of 0.005% has been adopted. The premium of covered deposits for the credit departments of farmers' and fishermen's associations remained the same at 0.02%, 0.03%, 0.04%, 0.05%, and 0.06% respectively with the same flat premium rate of 0.0025% for deposits in excess of the coverage limit.

6. According to stipulations under Article 3 of the *Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund*, the CDIC shall transfer any incremental deposit insurance premium income to the Financial Restructuring Fund covering a ten-year period from January 2002 onwards that arises as a result of the increase in the deposit insurance premium rate that took effect on January 1, 2000.

7. Beginning in September 2007, the CDIC's Deposit Insurance Payout Special Reserves were used to share some of the compensation paid in relation to the disposition of failed financial institutions in line with the "Mechanism for the Combined Use of the Financial Restructuring Fund and the Deposit Insurance Payout Special Reserves" as approved by the Executive Yuan. Thus, from 2007 to 2012 the Deposit Insurance Payout Special Reserve for general financial institutions as well as the ratio of this Reserve to covered deposits were both 0.

8. From October 2008 to December 31, 2010, the government implemented temporary full deposit insurance coverage, and thus the ratio of the Deposit Insurance Payout Special Reserves to covered deposits had no relevant meaning, and was hence denoted by "-" in the table.



Table 4: Major Revenue and Expense Items for the Last Five Years

Unit: NT\$ million

Item	Year	2015	2014	2013	2012	2011
Operating Revenues		9,979	20,762	28,053	23,626	25,346
Interest Revenue		855	704	387	238	232
Premium Revenue		9,124	8,968	8,651	8,520	9,147
Other Operating Revenue			11,090	19,015	14,868	15,967
Operating Costs and Expenses		9,791	20,760	28,045	23,522	25,341
Deposit Insurance Payout Special Reserve Provisions		8,914	20,034	27,457	22,930	22,076
Financial Restructuring Fund Expenses		-	-	-	-	2,650
Interest Expenses		1	2	1	2	2
Transaction Expenses		812	662	522	523	545
General & Administrative Expenses		58	57	61	63	64
Other Operating Expenses		5	5	4	4	4
Other Expenses		1	-	-	-	-
Operating Income		188	2	8	104	5
Non-Operating Income (Loss)		(188)	(2)	(8)	(104)	(5)
Net Income before Income Tax		-	-	-	-	-
Income Tax Expenses		-	-	-	-	-
Net Income		-	-	-	-	-

Notes: 1. The figures for 2011, 2012, 2013 and 2014 were reviewed and audited by the National Audit Office; those for 2015 were based on CDIC's final accounts for that year.

2. According to the stipulation in Article 5 of the *Deposit Insurance Act* that "Any remainder of the annual gross income after deducting costs, expenses and losses shall be fully appropriated for deposit insurance payout special reserves", so net income for these periods was not listed.

Appendix I :

Evolution of Taiwan's Deposit Insurance System

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Type of Membership	Voluntary	Changed to mandatory system in January 1999	Revised in January 2007 as follows: <ol style="list-style-type: none"> 1. All financial institutions legally approved to accept deposits must apply to CDIC to join the deposit insurance system. 2. Such institutions may become insured institutions after inspection and approval by CDIC. 3. The two preceding items do not apply to insured institutions that have joined the deposit insurance system prior to the enactment of the revised <i>Deposit Insurance Act</i>.
Capital	<ul style="list-style-type: none"> ● Legally prescribed capital NT\$2 billion ● Paid-in capital NT\$800,050,000 	<ul style="list-style-type: none"> ● Legally prescribed capital raised to NT\$5 billion in July 1992 ● Prescribed capital raised to NT\$10 billion in November 1995 	Same as the left column
Insured Institutions	<ul style="list-style-type: none"> ● Domestic banks (excluding Chunghwa Post Co., Ltd.) ● Small and medium business banks ● Trust and investment companies ● Credit cooperatives ● Credit departments of farmers' and fishermen's associations ● Foreign bank branches in Taiwan (even if their deposits are protected in their home countries) ● Other financial institutions designated by the Ministry of Finance 	<ul style="list-style-type: none"> ● Revised in January 1999, to include the financial institutions listed on the left and Chunghwa Post Co., Ltd. ● Beginning in January 1999, foreign bank branches whose deposits are protected in their home countries may not participate 	<p>Same as the left column (Note: Chunghwa Post Co., Ltd. was renamed Taiwan Post on February 9, 2007, but the name reverted back to Chunghwa Post Co., Ltd. on August 1, 2008)</p> <p>Revised in October 2013: Revised "Local Branches of Foreign Banks" into "Local Branches of Foreign Banks and Mainland Chinese Banks"</p>
Premium Assessment Base	Covered deposits	Same as the left column	Revised in January 2007 to total eligible deposits

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)												
Insurance Premium	Flat rate: 0.05%	<ul style="list-style-type: none"> ● Flat rate, but reduced to 0.04% in July 1987 ● Further reduced to 0.015% in January 1988 ● Risk-based premium system adopted on July 1, 1999, and three-tier rates instituted: 0.015%, 0.0175%, and 0.02% ● Three-tier rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000 	<p>Revised in July 2007 to: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for any amounts beyond this, as follows:</p> <table border="1"> <thead> <tr> <th>Financial Institutions</th> <th>Risk-based Premium Rates</th> <th>Flat Premium Rate</th> </tr> </thead> <tbody> <tr> <td>Domestic banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives</td> <td>Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%</td> <td>Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%</td> </tr> <tr> <td>Credit departments of farmers' and fishermen's associations</td> <td>Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td> <td>0.0025%</td> </tr> </tbody> </table>	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	Domestic banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives	Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%	Credit departments of farmers' and fishermen's associations	Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%			
			Financial Institutions	Risk-based Premium Rates	Flat Premium Rate										
Domestic banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives	Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	Formerly 0.0025%, but from January 1, 2010 the flat premium rate was adjusted to 0.005%													
Credit departments of farmers' and fishermen's associations	Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%													
			<p>Revised in November 2010 to: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for any amounts beyond this, effective from January 1, 2011; also revised in October 2013 the term "Local Branches of Foreign Banks" into "Local Branches of Foreign Banks and Mainland Chinese Banks" and applying the same risk-based premium rate as follows:</p> <table border="1"> <thead> <tr> <th>Financial Institutions</th> <th>Risk-based Premium Rates</th> <th>Flat Premium Rate</th> </tr> </thead> <tbody> <tr> <td>Domestic banks, local branches of foreign banks and mainland Chinese banks</td> <td>Five-tier rates: 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%</td> <td>0.005%</td> </tr> <tr> <td>Credit cooperatives</td> <td>Five-tier rates of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%</td> <td>0.005%</td> </tr> <tr> <td>Credit departments of farmers' and fishermen's associations</td> <td>Five-tier rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td> <td>0.0025%</td> </tr> </tbody> </table>	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	Domestic banks, local branches of foreign banks and mainland Chinese banks	Five-tier rates: 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%	0.005%	Credit cooperatives	Five-tier rates of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%	0.005%	Credit departments of farmers' and fishermen's associations	Five-tier rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%
Financial Institutions	Risk-based Premium Rates	Flat Premium Rate													
Domestic banks, local branches of foreign banks and mainland Chinese banks	Five-tier rates: 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%	0.005%													
Credit cooperatives	Five-tier rates of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%	0.005%													
Credit departments of farmers' and fishermen's associations	Five-tier rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%													

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Coverage Limit	NT\$700,000	Increased to NT\$1 million on August 15, 1987. (In July 2001, the government passed the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i> and established the Financial Restructuring Fund to dispose of unsound financial institutions. During the period of the Fund's operation, there was no coverage limit on the deposits in unsound institutions under disposal or listed for disposal.)	<ul style="list-style-type: none"> ● Increased to NT\$1.5 million on July 1, 2007. ● To stabilize the financial system and strengthen the confidence of depositors, the government announced in October 2008 that, until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage and would not be subject to the coverage limit. ● In October 2009, the government announced that the period of temporary full deposit insurance coverage would be extended one more year until December 31, 2010. ● On August 12, 2010, the Financial Supervisory Commission, the Ministry of Finance and the Central Bank jointly announced that the coverage limit would be increased to NT\$3 million from January 1, 2011.
Types of Eligible Deposits	<ul style="list-style-type: none"> ● Checking deposits ● Demand deposits ● Time deposits ● Savings deposits ● Trust funds ● Other deposits that the competent authority has approved as eligible 	Same as the left column	<ol style="list-style-type: none"> 1. Same as the left column. (Beginning in July 2001, all deposits and non-deposit liabilities of insured institutions disposed of by the Financial Restructuring Fund were fully guaranteed. In June 2005, after a revision of the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i>, the non-deposit liabilities of unsound financial institutions were not eligible for protection. However, those non-deposit liabilities that were incurred prior to the implementation of the revised Statute remained protected.) 2. Revised in January 2007 as follows: <ul style="list-style-type: none"> ● Checking deposits ● Demand deposits ● Time deposits ● Other deposits that the competent authority has approved as eligible 3. Revised in May 2008 as follows: <ul style="list-style-type: none"> ● Checking deposits ● Demand deposits ● Time deposits ● Deposits required by law to be deposited in certain financial institutions ● Other deposits that the competent authority has approved as eligible 4. In October 2008, the government announced that until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage. According to the Measures to Support the Full Deposit Insurance Coverage jointly promulgated by the Financial Supervisory Commission, the Ministry of Finance and the Central Bank on October 28, 2008, the scope of the temporary full deposit insurance coverage includes the following: The principal and interest of deposits pursuant to Paragraphs 1 and 2 of Article 12 of the <i>Deposit Insurance Act</i> Interbank call loans

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
			<ul style="list-style-type: none"> ● The payments during the period in which CDIC acts as a conservator that are necessary to keep an insured institution operating as well as the pensions, severance pay, and related taxes that shall be paid according to law ● Bank debentures issued on or before June 23, 2005 <p>5. In October 2009, the government announced that the period of temporary full deposit insurance coverage would be extended a further year until December 31, 2010.</p> <p>6. On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the following deposits within the territory of the Republic of China would be the targets of deposit insurance:</p> <ul style="list-style-type: none"> ● Checking deposits ● Demand deposits ● Time deposits ● Deposits required by law to be deposited in certain financial institutions ● Other deposits that the competent authority has approved as eligible <p>The above deposits referred to as being within the territory of the Republic of China do not include the deposits accepted by offshore banking branches.</p>
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<ul style="list-style-type: none"> ● Limited to principal as in the left column. However, beginning in July 2001, the principal and interest of deposits in unsound financial institutions disposed of by the Financial Restructuring Fund were both guaranteed. ● In October 2008, the government announced that the coverage of deposits under the temporary full deposit insurance coverage would encompass both principal and interest until December 31, 2009. ● In October 2009, the government announced that the period of temporary full coverage would be extended a further year until December 31, 2010. ● On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the scope of coverage was enlarged to encompass both foreign currency deposits and interest on deposits.
Scope of Capital Utilization	<ul style="list-style-type: none"> ● deposits at the Central Bank ● Investments in government bonds, bonds with principal and interest guaranteed by the government, or financial debentures 	<p>The following revisions were effective in January 1999:</p> <ul style="list-style-type: none"> ● Deposits at the Central Bank ● Deposits in financial institutions approved by the competent authority and which provide government bonds as collateral ● Investments in government bonds and financial debentures 	<p>Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> ● Deposits at the Central Bank ● Investments in government bonds ● Utilization by methods approved by CDIC Board of Directors

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Means of Fulfilling Insurance Responsibilities	<ul style="list-style-type: none"> ● Cash payouts ● Deposit transfers ● Temporarily continued operation in the name of CDIC 	According to revisions enacted in January 1999, the provision of financial assistance to encourage acquisitions or assumptions by other insured institutions was added to the three means listed to the left.	Revised in January 2007 as follows: <ul style="list-style-type: none"> ● Deletion of temporarily continued operation in the name of CDIC. ● In addition to providing financial assistance to encourage acquisitions or assumptions of insured institutions that have been ordered to close, such financial assistance can also be provided to insured institutions being put under conservatorship or taken over by the authorities according to law.
Advance Payment for Deposit and Non-deposit Liabilities in Excess of Coverage Limit	None	According to revisions made in January 1999, advance payment is allowed to resolve the needs of creditors' liquidity at failed institutions, under the principle that no additional costs are incurred.	Same as the left column
Exemption from Open Tender, Price Comparison, Price Negotiation, and the Provisions of Articles 25~27 of the <i>Budget Act</i> When Disposing of Problem Insured Institutions	None	Added in January 1999	Stipulations of the <i>Government Procurement Act</i> and Articles 25 to 27 of the <i>Budget Act</i> do not apply to CDIC in the fulfilment of its insurance responsibility, provision of financial assistance, establishment of bridge banks and handling of advance payments in accordance with the <i>Deposit Insurance Act</i> .
Recipient of Financial Assistance and Method of Assistance	Limited to loans or the purchases of assets to enable problem financial institutions to resume operation, when such resumption is deemed necessary.	<ul style="list-style-type: none"> ● Revised in January 1999 as follows: ● Insured institutions under guidance, superintendence, or conservatorship, may be assisted by provision of loans or deposits. ● Other insured institutions that acquire or assume insured institutions that are under guidance, superintendence, or conservatorship, or that have failed, may be assisted with loans, deposits, or the provision of funds and guarantees. 	Revised in January 2007 as follows: <ul style="list-style-type: none"> ● If an insured institution has a seriously deficient net worth, or there is concern that it seriously threatens the credit order and financial stability, and the competent authority has determined a need for the institution's liquidation or market withdrawal, personnel may be dispatched to assume conservatorship or take over the powers of the board of directors and supervisors of the institution prior to liquidation or market withdrawal. In such cases, CDIC may provide loans, deposits or other financial assistance to the insured institution. ● Before providing financial assistance, CDIC shall request the full amount of collateral from the financial holding company of the insured institution or from any other insured institution that it has a dominant shareholding.

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
			<ul style="list-style-type: none"> In cases where the competent authority has dispatched personnel to assume conservatorship or take over the powers of the board of directors and supervisors of an insured institution, CDIC may encourage the acquisition or assumption of the institution by the other insured institutions or financial holding companies, by providing funds, arranging loans, deposits or guarantees, or purchasing the subordinated securities issued by the acquiring or assuming insured institutions or financial holding companies.
Borrowing of Funds from Other Financial Institutions	None	Added in January 1999	Same as the left column
Provision of Collateral when Applying to the Central Bank for Accommodation	Full collateral must be provided.	Provisions added in January 1999 as follows: <ul style="list-style-type: none"> That part for which CDIC is unable to provide collateral is to be guaranteed by the National Treasury. When the secured portion exceeds CDIC's net worth, the competent authority and the Central Bank must apply to the Executive Yuan for approval. 	Revised in January 2007 to: Through a joint request by the competent authority with the Ministry of Finance and the Central Bank and approval by the Executive Yuan, the part for which collateral cannot be provided may be guaranteed by the National Treasury.
Penalty for Refusal to Apply to Participate in Deposit Insurance	None	Provision added in January 1999: A fine of double the amount of the deposit insurance premium for penalty is to be imposed.	Revised in January 2007 to: Depending on whether the institution is a general financial institution or agricultural financial institution, CDIC shall report to the competent authority to order the financial institution to replace its persons in charge or to revoke its business license.
Method of Allocation of CDIC's Surplus	As stipulated in the <i>Company Act</i> .	Same as the left column	<ul style="list-style-type: none"> Beginning in July 2001, the entire amount of the surplus remaining after the accounts are closed in placed into the Deposit Insurance Payout Special Reserves. Revised in January 2007 to: The entire amount of the surplus remaining from annual income after deducting costs, expenses and losses shall be deposited into the Deposit Insurance Payout Special Reserves.
Depositor Preference	None	Same as the left column	Addition in May 2006: When an insured institution is disposed of by CDIC with the stipulation of the <i>Deposit Insurance Act</i> by the competent authority or the central competent authority for agricultural finance for resolution or liquidation upon clearing the debt, its deposit liabilities shall take precedence over non-deposit liabilities.

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Establishment of Two Separate Deposit Insurance Payout Special Reserves	None	Same as the left column	<p>Addition in January 2007:</p> <ul style="list-style-type: none"> ● The reserves were divided into separate deposit insurance payout accounts for general financial institutions and agricultural financial institutions. ● Both reserve funds have a target ratio of 2% of covered deposits.
Inspection of Insured Institutions	If CDIC deemed it necessary, and after obtaining the prior approval of the competent authority in consultation with the Central Bank, CDIC could examine the business records and accounts of an insured institution.	Same as the left column	<p>Revised in January 2007 as follows: CDIC may in accordance with Article 24 of the <i>Deposit Insurance Act</i> conduct inspections on insured institutions on the following items:</p> <ul style="list-style-type: none"> ● Accuracy of deposit assessment base and the content of the electronic data files for the calculation of deposit insurance premiums and the amount of the payout. ● Any event causing the termination of the deposit insurance agreement. ● Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities. ● Property information and information needed to pursue civil liabilities for illegal acts or omissions by employees of failed insured institutions and for those of problem insured institutions that receive financial assistance. <p>Addition in January 2012: Pursuant to Subparagraph 1, Paragraph 1, Article 24 of the <i>Deposit Insurance Act</i> and Item 4, Point 3 of the <i>Implementation Scheme of the Deposit Insurance Premium System</i> approved by the Financial Supervisory Commission, in order to confirm the accuracy of the data and files related to the risk indicators reported by insured institutions, CDIC shall conduct review inspections and evaluation inspections.</p>
Elimination of Limits on Payout Cost	None	Same as the left column	<p>Addition in January 2007: When there is concern of a serious threat to credit order and financial stability, after CDIC obtains the consent of the competent authority in consultation with the Ministry of Finance and the Central Bank and with the final approval of the Executive Yuan, the limit on payout cost may be eliminated.</p>
Set-off	None	Same as the left column	<p>Addition in January 2007: Before handling any payout, CDIC Taiwan may offset the claims of a depositor against his/her liabilities in the failed insured institution.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Termination of Membership	If an insured institution violated the laws or regulations or the deposit insurance agreement or engaged in unsound business transactions, and failed to rectify such violations within the time limit prescribed by CDIC, CDIC shall terminate its status as an insured institution and report such action to the competent authority for disposal.	Same as the left column.	Revised in January 2007 to: The scope of reasons for termination of insured status is revised to also include the following: <ul style="list-style-type: none"> ● An insured institution is ordered and required by the competent authority or the central competent authority for agricultural finance to be recapitalized or improve its financial or business condition, but fails to meet such requirements within the prescribed time limit; or the time limit is not due but the competent authorities or CDIC deem the said insured institution's condition non-improvable. ● There is a major fraud or other illegal activities occurring at an insured institution with the potential to increase the deposit insurance payout cost. In the aforementioned situations, CDIC shall, after notifying the competent authority or the central competent authority for agricultural finance, terminate the deposit insurance membership of the insured institution and make a public announcement.
Disclosure Requirement of Eligibility of Deposit Insurance in Financial Products	None	Same as the left column	Added in January 2007
Depositor Protections upon Termination of Membership	CDIC shall continue to protect the depositors' deposits up to the coverage limit for one year after the date of termination of membership.	Same as the left column	Revised in January 2007 to: CDIC shall continue to protect the depositors' deposits up to the coverage limit for six months after the date of termination of membership.

Appendix II:

Agenda of the IADI Asia-Pacific Regional Committee 13th International Conference

Theme: Cross-Border Cooperation in Resolution and Crisis Preparedness

Tuesday, April 21, 2015

08:20 – 08:50	Registration and Coffee	
08:50 – 09:00	Special Demonstration Film – the Beauty of Taiwan	
09:00 – 09:15	Welcome Remarks	Hsien-Nung Kuei, Chairman, CDIC, Taiwan Hiroyuki Obata, Chairperson, APRC Deputy Governor, Deposit Insurance Corporation of Japan
09:15 – 09:30	Opening Remarks	Jerzy Pruski, President and Chair of Executive Council, IADI
09:30 – 10:00	Keynote Speech I Cross-Border Resolution and Crisis Preparedness	David Hoelscher, Special Advisor to the Chairman of the Federal Deposit Insurance Corporation (FDIC) U.S.A.
10:00 – 10:30	Keynote Speech II Cross-Border Resolution and Crisis Preparedness - Japanese Perspective	Katsunori Mikuniya, Governor, Deposit Insurance Corporation of Japan
10:30 – 11:00	Group Photo Session and Coffee Break	
11:00 – 12:00	Session 1: Policy Measures and International Development of Cross-Border Cooperation in Resolution and Crisis Preparedness	Moderator: Hiroyuki Obata, Chairperson, APRC
	<ul style="list-style-type: none"> ● FSB policy measures and development of cross-border cooperation in resolution and crisis preparedness issues ● Roles and responsibilities of deposit insurers in cross-border resolution and crisis preparedness- the IADI Core Principles and FSB Key Attributes ● Feasibility and observations of the international development ● Key Attributes Methodology Pilot Test 	Speakers: 1. David Walker, Chairperson of Guidance Group, IADI and IADI representative to the FSB Resolution Steering Group 2. Patrick Loeb , CEO , Swiss Banks ' and Securities Dealers' Depositor Protection Association
12:00 - 13:30	Lunch	
13:30 - 15:00	Session 2: Cross-Border Cooperation in Resolution – Cases and Lessons Learnt	Moderator: András Fekete-Györ, Managing Director, National Deposit Insurance Fund of Hungary
	<ul style="list-style-type: none"> ● Cross-border cooperation in resolution – key elements and operational challenges ● Cross-border resolution case – lessons learnt ● Cross-border cooperation in payout – key elements and challenges 	Speakers: 1. Juan Cardenas, Financial Specialist, Financial Stability Directorate, Bank of Mexico 2. Joseph Fellerman, Special Advisor to the Director on Resolution Matters, Office of Complex Financial Institutions, Federal Deposit Insurance Corporation, U.S.A. 3. Thierry Dissaux, Chairman, Fonds de Garantie des Dépôts et de Résolution, France

15:00 - 15:20	Coffee Break	
15:20 - 16:30	Session 3: Crisis Preparedness and Contingency Planning – Cases and Lessons Learnt	Moderator: Joo Hyun Kim, Chairman and President, Korea Deposit Insurance Corporation.
	<ul style="list-style-type: none"> ● Cross-border crisis preparedness and contingency planning – key elements and challenges ● Cross-border cooperation among safety-net participants in crisis preparedness: framework and obstacles ● Key issues for deposit insurers in cross-border crisis preparedness and management: role, powers, funding and crisis communication ● Experiences in crisis preparedness 	Speakers: 1. Michèle Bourque, President and CEO, Canada Deposit Insurance Corporation 2. Alejandro López, CEO, Seguro de Depósitos S.A., Argentina
18:30	Optional mini-tours - 3C shopping or night market shopping (No dinner arrangement)	Assemble at the 1F of Humble House at 18:30 Dress Code: Casual

Wednesday, April 22, 2015

08:30 - 11:00	Session 4: Round Table Discussion - Challenges Facing Deposit Insurers on Cross-Border Cooperation in Resolution and Crisis Preparedness in Asia-Pacific Jurisdictions	Moderator and Keynote Speaker: Jean Pierre Sabourin, CEO, Malaysia Deposit Insurance Corporation
	<ul style="list-style-type: none"> ● Experiences sharing related to cross-border cooperation in resolution ● Major challenges in cross-border resolution and crisis preparedness ● Implications and way forward for financial safety net in cross-border resolution and crisis preparedness 	Discussants: 1. C. Heru Budiargo, Chairman, Indonesia Deposit Insurance Corporation 2. Meena Datwani, CEO, Hong Kong Deposit Protection Board 3. Sin Teik Ooi, CEO, Singapore Deposit Insurance Corporation 4. Michael M. K. Lin, President, CDIC, Taiwan
11:00 - 11:10	Closing Remarks	Mr. Michael M. K. Lin, President, CDIC, Taiwan
11:10	End of Conference	
12:10 - 18:00	Cultural Tour- Juming Museum	Assemble at the 1F of Humble House at 12:10 Dress Code: Casual
18:30 - 21:00	Farewell Dinner	Kunlun Hall, 12F of the Grand Hotel Dress Code: Casual

Summary of the IADI APRC 13th International Conference

“Cross-Border Cooperation in Resolution and Crisis Preparedness”

April 21~22, 2015

Welcoming remarks

Hsien-Nung Kuei, Chairman, Central Deposit Insurance Corporation (CDIC), Taiwan

Taiwan is known as Formosa, which means a beautiful island. I couldn't agree more to first greet our guests with the beauty of Taiwan Island. On behalf of CDIC, I would like to express my warmest welcome again to everyone joining us today.

The conference focuses on the theme, Cross-Border Cooperation in Resolution and Crisis Preparedness. In the wake of world financial tsunami, international organizations including the Financial Stability Board (FSB), Basel Committee on Banking Supervision (BCBS), and International Association of Deposit Insurers (IADI) actively engaged in the task of developing a more comprehensive system for cross-border cooperation in resolution. In the process of developing the major framework of the new system, issues under consideration included the legal system, funding sources, resolution strategies, resolution tools for cross-border cooperation and major recovery and resolution plans (RRPs) related to crisis preparedness.

In addition, detailed implementation practices were also taken into account, such as information sharing and confidentiality, the formation and operation of crisis management group (CMGs), and essential elements for institution-specific cross-border cooperation agreements (CoAGs). The goal is anticipated to maintain the functions of systemically important financial institutions (SIFIs) without generating tax payers' burdens and thereby promoting financial stability.

Some countries have started to implement these guidelines through legislation, such as the US Dodd-Frank Wall Street Reform and the Consumer Protection Act in 2012, as well as the European Union's Bank Recovery and Resolution Directive implemented in 2015. These examples demonstrate the high priority of these issues on the government agenda. Recognizing the importance of deposit insurance in the resolution of financial institutions, IADI and BCBS jointly issued the Core Principles for Effective Deposit Insurance Systems in 2009, and their assessment methodology in 2010. These core principles have been included by FSB as one of the 12 Key Standards for Sound Financial Systems. Moreover, they also have been widely adopted by international financial systems, financial supervisors, and deposit insurers around the world.

To cope with the change in the financial environment and the current progress in financial supervision, IADI

launched the plan to review and revise the Core Principles in 2013. The plan was undertaken in cooperation with BCBS, the International Monetary Fund (IMF), the World Bank, the European Forum of Deposit Insurers (EFDI), and other international organizations. The newly revised core principles were issued in November 2014. It is believed that the framework of financial stability will be further enhanced.

Cross-border cooperation has become crucial for successful crisis management. In ordinary days, it may help the exchange of cross-border supervisory information, and enhance the coordination and communication mechanisms prepared for the resolution of problem financial institutions. In time of crisis, it can preserve the credibility and feasibility of resolution while circumventing the barriers resulting from legal differences and restrictions between of the home and host countries.

In resolving the cross-border crisis, it is inevitable that the issues of cross-border cooperation will be faced no matter it is involving global systemically important banks or domestical systemically important banks, or even the small and medium sized commercial banks with overseas branches. It is hoped that the discussion and conclusion reached during this conference will help the participants find a more comprehensive policies, and implement more suitable resolution strategies. In response to the trend of globalization, the Financial Supervisory Commission (FSC) in Taiwan has developed a policy to encourage local financial institutions to make the business expansion abroad, particularly in Asia. FSC has been making efforts to foster a favorable business environment, in an attempt to strengthen the competitiveness of local financial industry in the era of globalization. Since its establishment in Sep. 1985, CDIC has been dedicated to protecting the interests of depositors, maintaining an orderly credit system and facilitating the sound development of financial services. CDIC was also deeply involved in dealing with resolution of troubled financial institutions. Over the years, CDIC was not only in compliance with financial supervisory policies, but also actively participating in the structural planning and implementation of the policy measures, relating to financial safety net. In the future, CDIC will be in accordance with the policy of FSC, to actively help the local financial institutions to make expansion in the international arena. CDIC as part of the global financial safety net will also continue strengthening the cross-border cooperation with other jurisdictions. Therefore, it

is particularly meaningful that today's conference focuses on the cross-border cooperation issues. This year marks the 30th anniversary of CDIC. Over the past three decades, we have been dedicated to the mission of maintaining financial order and making every effort to perform our duties to protect depositors. In the future, CDIC will continue having joint-ventures with our peers in financial sectors to jointly create a stronger, better and more resilient financial system. Thank you all for being here.

Hiroyuki Obata, Chairperson, APRC, and Deputy Governor of Deposit Insurance Corporation of Japan

First of all, I would like to express my sincere appreciation to CDIC for a wonderful preparation and hospitality. I am also impressed by having so many important figures, and moderators from all over the world. In particular, I would like to thank CDIC for hosting APRC Annual Meeting and the International Conference on this special occasion for CDIC's 30th Anniversary. As for the Deposit Insurance Corporation of Japan (DICJ), DICJ was established in 1971, so when we celebrated our 30th anniversary, we were still in the middle of financial crisis. On the other hand, CDIC had achieved so much in the last 30 years, overcoming a financial crisis in late 1990s, and at the same time, enhancing its deposit insurance system in various areas, including enhancement of the differential premium system. Moreover, CDIC has been playing a leading role in APRC activities, including APRC research paper as well as outreach and training events.

I would like to mention a Taiwanese hero, Mr. Sadaharu Oh, a baseball player in the Japanese professional baseball league, who holds 868 home runs records. He is of course famous for baseball, but also for his hard work, which made him the home run king. I would like to recognize the hard work CDIC has done for the last 30 years.

Actually, it's my 4th time to come to Taipei. I was always introduced to Taiwan not only because of the close distance, but also because of its beautiful nature, oceans and mountains, and of course hot springs. I was appointed as APRC Chairperson this March, and would like to take this opportunity to thank all APRC members for the kind support and cooperation.

Looking back, APRC has shared information and implemented many activities for the last few years, such as the APRC technical seminars and continuous efforts in APRC outreach. I am very excited to continue to work with the old friends and the new friends. Finally, I would like to stress the importance of the communication in the region, and be confident that the APRC community has a close network with each member. I would like to enhance our friendship further more along with the increased interconnection of the regional and international market. I think this conference is really timely in this regard. I am looking forward to the discussion in this conference.

Opening Remarks

Jerzy Pruski, President and Chair of Executive Council, IADI (represented by Mariusz Mastalerz)

I am grateful to the entire CDIC for the work and engagement in putting this event together. It is gratifying to note the ambitious agenda of the conference. I feel its focus is well balanced, presenting both policy developments and the practical side.

Despite the fact that the reform agenda has moved forward in response to the recent crisis, effective cross-border cooperation in resolution and crisis preparedness remains a challenge. Even though very good progress can be observed in certain areas, the biggest remaining obstacles are in the field of cross-border cooperation. One of the fundamental problems that remains unresolved is the inherent home-host conflict of interest in trying to apply a balanced and equitable burden sharing arrangement when deposit-taking institutions with a cross-border scope of operations fail.

Another area of concern was about prompt resolution actions. This is one area with the weakest delivery when we look at the status of implementation of specific aspects of bank resolution regimes in FSB jurisdictions.

As for the situation in the EU, Europe was inadequately prepared to respond to the crisis effectively due to shortcomings in the area of common supervision and resolution mechanism. Let me add that in Europe, with major interdependence between political systems and banks, the resolution of banks is a challenging topic in its own respect.

This resulted in the fact that in 2011-12, Europe experienced a full-blown bank-sovereign debt crisis that at one point threatened the very existence of the monetary union itself.

With so many challenges ahead in what are largely uncharted waters, I am sure that here today we will be hearing more on different aspects of cross-border cooperation.

Keynote Speech I: Cross-Border Resolution and Crisis Preparedness

David Hoelscher, Special Advisor to the Chairman of the Federal Deposit Insurance Corporation, U.S.A.

CDIC has been a leader in the region. It has provided important assistance for countries in the area; more broadly, it has also supported many countries outside of the region. CDIC is also a founding member of IADI, and in that position, has provided leadership in making the association an effective institution.

- Resolution Regimes During the Global Crisis

Challenges: There are about 145 firms dominating global international transactions. FSB has identified

29 global systemically important financial institutions (G-SIFIs) which have dominated cross-border activities. We found that in the global recession, there was no framework for cross-border resolution. Issues faced include the size and complexity of global firms, with no clear authority over these wide flung operations of these firms. There are four major problems identified: different or inadequate national framework among countries; no effective oversight; lack of arrangements for cross-border cooperation; and no funding.

New tool kits: Advances have been seen in developing new tools that allow us to solve the issues, and perform more effectively than what we were forced to do in the 2008-2009 crisis. For tools for strengthening national powers, we need to make sure that the tools are not only adequate but also similar. We need to take control of a failing financial institution or holding company, which is what we neglected. We need the capability to handle merger of ailing banks and holding companies with sound firms, and transfer assets and liabilities to a sound institution or bridge bank. Financing is also important. We tried to find ways to do mandatory debt restructuring or “bail-in” of a financial institution. Harmonization of tools across national jurisdictions will make future resolution relatively easier than before.

For tools for cross-border resolution, we must put in place a single resolution framework across national jurisdictions. There can be two ways to resolve a complex firm: top-down from the holding level or starting from the individual level first and then working our way up. We also spent a fair amount of time trying to work on cross-border cooperative arrangements. During the crisis, it was evident that there was no incentive for cooperation, so we need to find ways to enhance cooperation. Cross-border Crisis Management Groups are essential for dealing with global crises including how to get the information across and how to get agreement. There is also a hope to develop a relationship between home and host jurisdictions where we agree on sharing information and the confidentiality issues.

However, despite the new tools, we still face remaining cross-border challenges. We need to recognize that the incentives to cooperate are weak. Although a number of countries are trying to update their resolution regimes, the process is being slow. Besides differences in national resolution regimes, also there are technical differences, such as lack of agreement on creditor hierarchy (deposit preference) and funding arrangements.

- International Institutional Architecture

In faced with the remaining challenges, there are currently IMF, the World Bank, FSB and national regulatory bodies trying to deal with the issues. FSB used to have a simpler structure in 2009 including the working group on markets, and it became a lot

more complex after the crisis happened. Its complexity and cross-border nature reflects how difficult it is to solve these issues.

- Role in Crisis Preparedness

The deposit insurer has a unique perspective which is different from those of safety net players, so we need to be more effective in the process. We have learned that cross-border events affect the national level and reach very quickly to a variety of channels. Therefore, countries, with or without SIFI exposure, need to be fully aware of any possible event which happened outside. So why do we, deposit insurers, care? Because we are responsible for maintaining the solvency of the funds and ensuring that they are not misused. We need to make sure the resolution is done effectively so that the cost of resolution is small. We need to make sure the assuming institution is strong. Therefore, we need to be part of the discussion for the safety net. As cross-border events happen, the deposit insurers need to make sure that the resolution makes sense. To do that, we need to strengthen our capacity, including diagnostic capacity, funding structures, and design features. We also need to strengthen coordination not only on the international level, but also domestically, and build the necessary trust among different players whenever a concern rises.

- Conclusion

The global crisis initiated an innovative period of regulatory reforms for cross-border resolution, but success in establishing the architecture must be continued with efforts at implementation. However, the role of the deposit insurer is undervalued. Our unique perspective in maintaining the stability and effective usage of the funds is an important element in collaboration for resolution strategies. To do that, we need to strengthen internal capacity as well as cross-border cooperation. And a conference like this is also a good way to start and we can learn lessons and experiences from each other.

Keynote Speech II: Cross-Border Resolution and Crisis Preparedness - Japanese Perspective

Katsunori Mikuniya, Governor, Deposit Insurance Corporation of Japan

- Overview of Japan's Financial System Reforms:

Economic History: Historical high of Nikkei Average appeared in 1989 after the fall of Berlin Wall. In 1998, the Financial Supervisory Agency was established. In 2009 after the financial crisis, the historical low appeared. Since the late 1990s, Japan has been putting lots of efforts to put in place a mechanism to ensure financial stability.

Four Main Areas of the Reforms:

- Establishing a framework for the disposal of non-performing loans and for dealing with failures of individual financial institutions.

- Building and enhancing safety net system. We modified the US system and pioneered a Japanese style system which has become one of the most sophisticated systems in the world.
- Improving infrastructures of financial and capital markets in the global arena.
- Establishing and managing institutional framework with an aim to protect consumers for use of financial services.

Development of the Japanese Deposit Insurance System: Most of current important resolutions were firstly introduced in the late 1990s. The deposit insurance system changed the role from just protecting depositors to additional functions. In 2000 and 2002 respectively, revision of the Deposit Insurance Act was introduced. In 2013, another revision of the Deposit Insurance Act was conducted to introduce Orderly Resolution Mechanism.

- **DICJ's Efforts in Orderly Resolution Framework**

The main objective of FSB Key Attributes is to achieve resolution for financial institutions in an orderly manner without tax payer exposure. The orderly resolution framework was introduced in the 2013 revision of the Deposit Insurance Act. The revision took effect in March 2014. The triggers of orderly resolution measures happen when it is recognized that severe disruption in Japan's financial market happens. The initiation was deliberated by the Financial Crisis Response Council (FCRC), composed of high level government officials including the Prime Minister.

Scope:

- Banks and other deposit-taking institutions, branches of foreign banks, and bank holding companies
- Insurance companies, foreign insurance companies, and insurance holding companies
- Financial instruments business operators (FIBOs) providing securities services (i.e. securities firms), designated parent companies of FIBOs and their group entities
- Securities finance companies and other systemically important entities designated by a Cabinet Order

Key Features: Key features include stabilization measures, orderly resolution measures and additional measures.

- **Cross-border Issues**

Economic activities, financial crisis, policies and regulations, and supervision have become more inter-connected. Any financial crisis can spread out to the globe really quickly. As a result, clear roles and responsibilities need to be coordinated globally. Cross-border cooperation is one of the challenges when we are implementing our resolution framework. In the 2013 revision of the Deposit Insurance Act, it specified the importance of the necessary information sharing with foreign counterparts. We

have been engaged in cross-border cooperation, including crisis management groups.

Even though cross-border cooperation is the key to international financial stability, there are similarities and differences among different jurisdictions. The similarities between the recent global financial crisis and that of Japan lie in the lax lending, sharp rise in stock prices and real estate prices, and the level of debt. In addition, there are adverse effects on the real economy, failure to declare exactly when the bubble would burst, as well as excessive risk concentration.

The differences include the whereabouts of the risk concentration, where Japan focuses more on banks whereas other international institutions focus more on the market. To sum up, to prevent such a crisis, international discussion on measures is needed. Going forward, we need to take into consideration the combination of short-term and mid-to-long-term objectives, virtuous cycle between financial sector and real economy, as well as collaboration between macro-prudential and micro-prudential supervision. In particular, I would like to stress the importance of the actual implementation of supervisory framework.

My perspectives on financial system is that the adequate risk-taking is the key, and diligent daily risk management by financial institutions and providing proper discipline through robust and consistent regulation and supervision are required. Finally, the role of deposit insurance system will be more and more important.

Session I: Policy Measures and International Development of Cross-Border Cooperation in Resolution and Crisis Preparedness

Moderator: Hiroyuki Obata, Chairperson, APRC

David Walker, Chairperson of Guidance Group, IADI and IADI representative to the FSB Resolution Steering Group

Cross-border issues played a central role in the international financial crisis. The crisis also revealed major weaknesses and lack of powers in many deposit insurance and resolution regimes. As a result, new policy measures were introduced to reduce chance of failures, enhance resolution and depositor protection, and bolster financial stability.

- FSB Key Attributes: The Key Attributes of Effective Resolution Regimes aims to resolve any financial institutions in an orderly manner, without taxpayer exposure to loss from solvency, while maintaining continuity of their vital economic functions. Funding in resolution has always been a challenge for a deposit insurance system, especially for bailing in large banks. We will also need temporary liquidity support, meaning cooperating with the central bank. These are the areas that Key Attributes mention but it does

not provide enough clarity. In order to ensure cross-border cooperation, Key Attributes introduce statutory mandate to cooperate with financial safety net players in other jurisdictions, and legal capacity to share information and to give effect to foreign resolution measures across borders. Crisis Management Groups (CMG) aim to help develop group resolution plans and resolvability assessments. Institution-specific cross-border cooperation agreements (CoAGs) establish a framework for dealing with each institution's resolution plan. Despite two years of work, this area is still lagging behind. Key Attributes set a really high bar with super ambitious goals for countries to follow, so no country can really say they are 100% compliant. Challenges for implementing Key Attributes include recognition, new tools, cross-border cooperation agreements, bank structure, funding, non-CMG hosts, and other SIFIs such as life insurance companies and global payment systems.

- **Revised IADI Core Principles:** Key objectives of the revised IADI Core Principles (CPs) are to improve the effectiveness of deposit insurance systems in protecting depositors and contributing to financial stability, ensure the CPs adaptable to a wide range of country circumstances, settings and structures, as well as mitigate moral hazard. Challenges of implementing CPs include, among many others, the mandates, where differences in deposit insurer mandates and administration of systems complicate information sharing and coordination domestically and globally.
- **Impact and challenges for deposit insurers:** Going forward, first step to implement the revised CPs is that we need to identify and address the problems in a more systematic way. For Key Attributes, it is a long process to implement it, and there are still parts that are not yet finalized.

Patrick Loeb, CEO, Depositor Protection of Swiss Banks and Securities Dealers

Switzerland volunteered to be the pilot for Key Attributes (KA) implementation, with an aim to finalize the assessment methodology. Among the main findings, the most important one may be the funding elements. Swiss attitude is that we do not need ex-ante resolution funds. The resolution fund mechanism has no support with politics and only very little backing from the authorities in Switzerland. Key learnings are that it is very difficult to fulfill all the requirements. There are many overlapping essential criteria, and it was challenging to use KA in an efficient manner. KA needs to be equally relevant for most jurisdictions.

Example to show is a really small bank, Kaupthing Bank Luxembourg SA, Geneva Branch. The business model of the banks include aggressive retail strategy, 4% on call money when the market paid 1%-1.5% on saving accounts, big advertising efforts, misusing deposit protection in the promotion, and deposits immediately transferred abroad. The other example is the Hypo Alpe Adria, a state bank of Austrian Federal State Kärnten,

with balance sheet growing from EUR 2 bn in 1991 to 43 bn in 2008, and it was guaranteed by Kärnten. Due to risky loans, weak compliance, and fraudulent business, high loss was the result.

Session II: Cross-Border Cooperation in Resolution – Cases and Lessons Learnt

Moderator: András Fekete-Györ, Managing Director, National Deposit Insurance Fund of Hungary

Juan Cardenas, Financial Specialist, Financial Stability Department, Bank of Mexico

- **Bank resolution framework in Mexico**
 - The resolution regime applies to all banks operating in Mexico, including subsidiaries of foreign banks. The bank resolution framework in Mexico is a comprehensive legal framework to handle financially troubled banks, and is set forth in the *Banking Law*. The framework was developed in three successive stages: establishing prompt corrective actions during Mexico's own currency crisis in 1994, building bank resolution process in 2004, and lastly establishing bank bankruptcy regime. From the lessons we learned during the crisis in 1994, we wanted to make sure the process of closing banks can be carried out in a timely manner. One of the challenges we face is the judicial process, as any citizen can challenge any authoritative actions, such as closing a bank in this case.
- **Cross-border resolution**
 - Since each financial authority is accountable to its own local constituency, there is a natural tendency to ring-fence and reluctance to share all relevant information among authorities in different jurisdictions. It is also difficult to delegate resolution powers and responsibilities to a foreign authority.
 - The FSB is working on the SIFI framework and ending Too-Big-To-Fail and the SIFI framework, including more intensive supervision, reducing impact of failure, improving resolution regimes, enhancing preparedness, and implementing higher Total Loss Absorbency Capacity (TLAC).
 - Single point of entry applies resolution powers at the top holding or parent-company level by a single resolution authority whereas multiple points of entry applies resolution powers by two or more resolution authorities to multiple parts of the group.
- **Conclusion**
 - There are many sensitive issues that need to be resolved and shared across jurisdictions, but some jurisdictions in the region are generally not empowered to share information with foreign resolution authorities. However in conclusion, we need to start by cleaning up our own house in order to establish cooperation with others.

Joseph Fellerman, Special Advisor to the Director on Resolution Matters, Office of Complex Financial Institutions, Federal Deposit Insurance Corporation (FDIC), U.S.A. (SIFI Resolution under the Dodd-Frank Act)

- Key Challenges to Orderly Resolution of SIFIs
 - Funding, operations, business lines and legal entities are not aligned
 - High liquidity needs
 - Close-out and netting provisions contained in financial contracts
 - Operations in multiple jurisdictions via multiple charters, licenses, etc
 - Intragroup financial positions and obligations
 - Rapid dissipation of franchise value
 - Execution risk

- Title I and Title II of Dodd-Frank Act:

Title I and Title II of the Dodd-Frank Act (“DFA”) provide significant authorities to the FDIC and other regulators to address the failure of a SIFI. Under Title I, bankruptcy is the first option in the event of a failure of a systemically important financial institution, which proved to be not working for Lehman Brothers. On the 2013 submissions, the FRB and the FDIC identified a set of obstacles to rapid and orderly resolution for each first wave filer, including multiple competing insolvencies, global cooperation, operations and interconnectedness, counterparty actions, and funding and liquidity.

Congress recognized that there may be circumstances under which a SIFI could not be resolved under bankruptcy without posing risk to U.S. financial stability. Title II made the FDIC responsible for resolving G-SIFI in the U.S., including coming up with resolution plans for each of the G-SIFIs.

Single Point of Entry: The FDIC is developing the Single Point of Entry strategy as a possible approach to resolving a SIFI, in that we can force the institutions to conduct structural changes. But this is still on a theoretical basis; it's still remained unknown as to how this can apply on a global basis.

Thierry Dissaux, Chairman, Fonds de Garantie des Dépôts et de Résolution, France (Cross-Border Cooperation among EU Deposit Insurers)

- The Home/Host Cooperation Initiative (H2C)

In order to implement the Deposit Guarantee Schemes Directive, H2C was designed to build a payout process starting from pre-failure, payment to depositors, claims handling, to post-mortem analysis. The core structure of H2C is the EU Committee which validates all recommendations and proposals made by H2C components.

- Issue: Single Customer View (SCV) harmonization and payout currency

For now, it's impossible to conduct a cross-border payout system, so it's more efficient to harmonize the payment instruction files. This is what requires core EU coordination. In the payout procedure, issues arise such as the currency selection, responsibilities for cost and payment reconciliation, and language.

- H2C goal:

We have to harmonize payment files among all EU deposit insurers. For depositors' compensation, we need to solve issues including language, compensation currency selection, and information articulation. We must ensure proper institutional interaction among deposit insurers, in areas such as cross-border funding and stress testing on cross-border payouts.

Session III: Crisis Preparedness and Contingency Planning – Cases and Lessons Learnt

Moderator: Joo Hyun Kim, Chairman and President, Korea Deposit Insurance Corporation

Michèle Bourque, President and CEO, Canada Deposit Insurance Corporation (The Canadian Perspective)

In late 2011, the CDIC Canada became the Resolution Authority in Canada, since then we have been given new powers and extended workforce to address challenges that may be caused by large banks, which requires new approaches to preparedness. As the Resolution Authority, the CDIC Canada has assessed existing operational structures, and concluded that model changes are required in the following areas:

- Resolution planning: Not a natural extension of deposit insurance experience. No precedents, no experience, resource-intensive. Must create de novo.
- Relationship with stakeholders, i.e. foreign authorities: Need to prioritize cross-border stakeholders and to reach out to most important ones first.
- Insurance determination & loss estimation: Loss determination is critical, as may be determinative of tool to be used. Still a work in progress.
- Funding is a top issue: New funding model is required.
- Resourcing & communications: Changes to the traditional models are required. There will be no second chances if confidence is not maintained.
- Testing operational capacity: Tabletops are critical to building experience and demonstrating resolvability.

Alejandro López, CEO, Seguro de Depósitos S.A. (SEDESA), Argentina (Exploring the Current Scenario and Lessons Learned on Resolution Processes)

In Argentina, the Deposit Guarantee Fund (DGF) was created in 1995. The SEDESA was established to act as a trustee of the DGF, and manage the fund to protect and guarantee bank deposits. Argentina's Deposit insurance system is a government legislated body serving as an independent institution with private administration. The characteristics include its mandatory nature, with preventive (ex-ante) measures and limited coverage. The SEDESA may perform with the resources of the DGF, conduct payout of the guarantee, make capital contributions or loans, acquire deposits from suspended banks, take or receive loans, or enter into other credit operations on account of the DGF, etc.

The Steering Committee of DGF is a body different from the Board of Directors of the SEDESA and it is composed of one representative of the Central Bank and representatives of the financial institution. It is the only body competent to determine the bank resolution process in each particular case, and to produce binding decision for the Board of Directors of the SEDESA.

In the SEDESA, what we have done was we've consolidated existing documentation and information, and developed strong checkpoints as preventive actions. However, I do believe that a crisis should not be the only element that triggers the development of new regulations, and we need to develop new regulatory framework for the international financial system.

Session IV: Round Table Discussion Challenges Facing Deposit Insurers on Cross-Border Cooperation in Resolution and Crisis Preparedness in Asia-Pacific Region

Moderator: Jean Pierre Sabourin, CEO, Malaysia Deposit Insurance Corporation (MDIC)

We need to remind ourselves that cross-border resolution posts challenges because we have different mandates, scopes, roles and responsibilities. In Malaysia, the MDIC is the resolution authority for the financial institutions, but in other parts in Asia, many deposit systems are "pay box". What people tend to neglect is that pay box systems also play a crucial role in maintaining public confidence, so they should be involved in resolution framework as a key player. As the resolution framework is highly localized, there has been a mismatch among the national laws of different jurisdictions, and absence of international legal framework. If we fully accept the existing restraints to put in place an international resolution framework, we should find an alternative to work around it. Before we achieve cross-border resolution framework, we must

have own house in order first with strong mandates and clear roles and responsibilities specified in law.

- Key focus areas for deposit insurers in the Asia Pacific Regions
 - Holistic and effective cooperation between safety net authorities at national level, with clear and distinct mandates and thorough understanding and agreement at national level
 - Holistic and effective cooperation between the deposit insurers and resolution authorities in the region to put in place comprehensive framework which includes consumer protection measures
 - Holistic and effective cooperation among non-core and non-CMG host jurisdictions
 - Commitment to adopting the international best practices to facilitate cross-border crisis management and resolution

C. Heru Budiargo, Chairman, Indonesia Deposit Insurance Corporation (Indonesian Perspective)

The most important thing of Indonesia over the past ten years is the financial regulatory reform. Three things should be emphasized:

- Bank resolution authority and power lie in Indonesia Deposit Insurance Cooperation.
- There is supervision in the industry money and government money. When a crisis comes, we agree that the government money will be used to fund the crisis.
- The roots of the problem not only come from foreign banks, but from local banks which dominate more than 90%.
- Possible options and solutions for cross-border issues and challenges of foreign bank branches
 - Carry out outreach programs to enable depositors to have deeper understanding on deposit insurance program for foreign bank branches
 - Build an effective coordination and cooperation on cross-border information sharing and bank resolution through bilateral and multilateral agreements
 - Opt out foreign bank branches from membership (still open to discussions)
 - Request special premium or surcharge for foreign bank branches, ie. higher premiums
 - Require foreign bank branches to be domestically incorporated institutions
 - Establish cash collateral reserved policies
 - Restrict inter-office asset/liquidity transfers
 - Cooperate with respective law enforcements to deal with trans-national crimes, e.g. mutual legal assistance (MLA).

Meena Datwani, CEO, Hong Kong Deposit Protection Board (Hong Kong Experience)

Hong Kong is trying to put into place laws that are consistent with the Key Attributes. Out of 29 G-SIFIs, 28 has operations in Hong Kong. Therefore, it's important for us to have resolution in place in cross-border context.

Key challenges include resolution regimes are national, while some financial institutions operate highly-integrated business models across multiple jurisdictions. Resolution planning to remove uncertainty is therefore important. Carrying out contractual arrangements serves as an interim solution to support cross-border resolution. In that, we may need to consider temporary stays on early termination rights and exercise of bail-in powers for instruments governed by foreign laws. We also need to recognize the importance of information sharing powers, so we need to have gateway to allow information to be shared, as well as protection for liabilities for those who provide the information. Also the confidentiality requirements need to be enacted in order to avoid any misuse of the information.

Hong Kong also participated in Crisis Management Groups of ten Global Systemically Important Banks (G-SIBs) and involved in the FSB forum. Although the legislation has not been in place, we do have certain powers to help overseas countries at the moment.

Sin Teik Ooi, CEO, Singapore Deposit Insurance Corporation (SDIC) (Singaporean Perspective)

With the recent revision to the IADI Core Principles (CP), CP 15 sets a new standard for the SDIC to do reimbursement within seven working days. The main challenge in meeting the new standard is the timeliness in which the failed member institution can process the required information as at end-of-day quantification date for submission to the SDIC. For prompt reimbursement, one of the issues we have observed is the cross-border data processing centers. These global financial institutions have already put in place contingency plans for technology outages or financial crisis, but no framework has been set up for failure situation where disruption for information flow happens.

The layers of processing which can pose potential cross-border risks if located offshore are back-end systems, front-end systems like ATM, or data extraction systems, which extract data from source systems and data warehouse. From a reimbursement perspective, there is generally a lack of formal arrangements for cooperation to mitigate cross-border risks.

For better preparation, in 2014, the SDIC conducted a full simulation exercise involving a Singapore branch of a large regional institution with significant Asia-Pacific banking operations. To achieve greater cross-border crisis preparedness, it would be more realistic if we

could have an exercise involving the supervisors and deposit insurers from the home and host countries.

Michael M. K. Lin, President, Central Deposit Insurance Corporation (CDIC), Taiwan (Taiwan Experience)

CDIC handled a cross-border failed bank resolution in September 2008 by using the resolution mechanism and a special "Financial Restructuring Fund" mechanism for mitigating a domestic financial crisis in Taiwan.

In the cross-border resolution case (CF Bank), the ground of cooperation includes a document on banking regulatory information exchange, an investment protection protocol, and a memorandum of understanding (MOU) between the CDIC (Home Country) and the deposit insurer in jurisdiction A (Host Country). During the cross-border discussions, conclusions reached included: the conservator would keep all the bank's branches and offices operating normally, and there would be no influence on the provision of financial services to customers in jurisdiction A. Consultations with the local authorities were also conducted to provide assistance and maintain the confidence of the local public in CF Bank, hence ensuring a smooth operation. CDIC also handled jurisdictional barriers to make sure the transfer of liquidity and solvency capital to jurisdiction A would be smooth.

During the conservatorship and Purchase and Assumption stage, the CDIC designed effective strategy by splitting up the branches of CF Bank into four packages. In order to solve employment issues, we asked the assuming bank to provide additional compensation, and ensure the 100% employee retention.

Closing Remarks

Michael M. K. Lin, President, Central Deposit Insurance Corporation (CDIC), Taiwan

I really appreciate all of your participation and the sharing to make this conference a success. We have experts providing a variety of views on cross-border resolution and crisis preparedness, especially on the role of deposit insurers in these issues. While the cross-border banking is widespread, cross-border cooperation has become more important. The FSB released a progress report on the reform of resolution regime and resolution planning for G-SIFIs at the end of last year, highlighting only a few jurisdictions compliant with all the principles of the Key Attributes. From the discussions, we have observed some future challenges, especially in the Asia-Pacific region. I hope that the sharing of this conference will be helpful for us going forward.

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