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### Deposit Insurance: Bridging the Way to a Happy Life

Deposit insurance is a guarantee for a happy life, providing the stability in life needed for the constant pursuit of a brighter future.



### **CDIC: Keeping Your Deposits Safe**

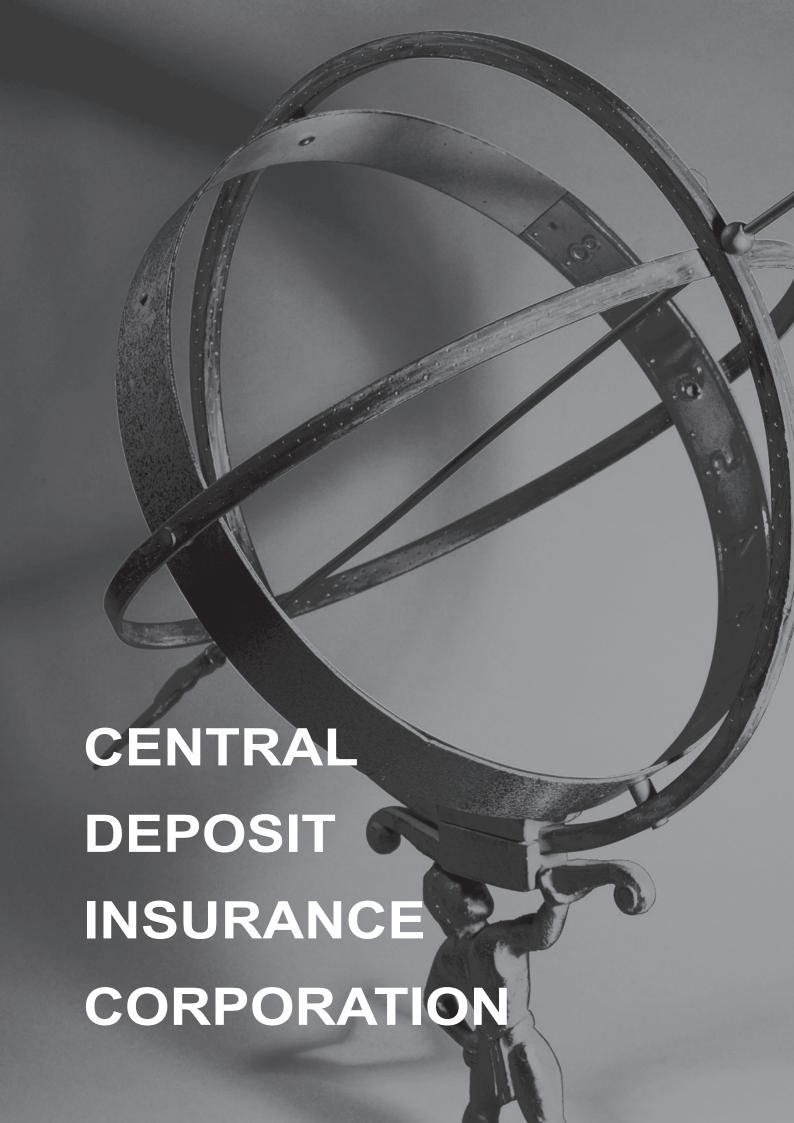
NT Dollars + Foreign Currency + Interest =
A maximum coverage of NT\$3 million per depositor at each insured institution

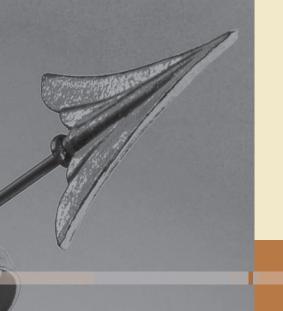












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### Message from the Chairman and the President

Looking back on the international economic picture in 2016, the global economy fell short of expectations under the impact of Britain's withdrawal from the European Union (EU), increased trade protectionism, slowing growth momentum in emerging markets and other factors. The U.S. economy grew steadily, but recovery was slower in the EU, Japan, Mainland China, and other economies. More recently, the global economic situation has re-stabilized. After bottoming out, Taiwan's economy is again on the rise. Nevertheless, the above instability factors in 2016 continue to pose latent risks for the global economy and could affect the future performance of Taiwan's economy. Among the government's policies, the priority is to stabilize development of the financial system to support economic growth. The Central Deposit Insurance Corporation (CDIC) serves dual policy roles to ensure financial stability and to protect of the rights and interests of depositors. Over the years, the CDIC has been closely in line with the government's financial reform policies to smoothly remove unsound financial institutions from the market and to improve the operating structure of financial institutions. Its contributions to protecting the rights and interests of depositors and maintaining financial stability are widely affirmed. In 2016, the CDIC continued to cooperate with the competent authorities on entrusted matters and regulatory policies, supported the Taiwan Insurance Guaranty Fund in affairs related to conservatorship of a problem insurance company; strengthened monitoring of financial institutions' risk exposure on assets overseas and in Mainland China, and their undertaking of over-the-counter (OTC) financial derivative products; held workshops on financial technology (FinTech) and cybersecurity, as well as international professional training seminars, to smoothly fulfill its mission and effectively realize the function of deposit insurance mechanism in stabilizing the financial order.

Given their vulnerability to the effects of international economic turmoil and financial innovation brought by advancing technology, financial institutions need to pay particular attention to legal compliance and risk management. The CDIC strengthened control and management of the insurance risk of insured institutions. It also implemented risk-oriented off-site monitoring mechanisms through the National Financial Early-Warning System (NFEWS) and Account Officer Analysis System to effectively keep abreast of the business information



of insured institutions. In coordination with the supervision policies of the competent authority, the CDIC strengthened monitoring of the operations of financial institutions, as well as regularly collected information and presented it to the competent authority for reference. The CDIC also controlled the business risk of insured institutions in a timely manner and gained comprehensive information to enhance the financial supervision and management through participation in the information exchange and coordination and handling mechanisms of financial regulators.

The CDIC previously handled disposal of failed financial institutions in conjunction with the Executive Yuan's Financial Restructuring Fund (FRF). Since the termination of the FRF at the end of 2011, the CDIC has continued as the conservator or receiver to take charge of disposing 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, justice, and the interests of the national treasury. To accelerate the accumulation of the Deposit Insurance Payout Special Reserves and strengthen risk absorbing capacity, the CDIC has, with consent of the competent authority, raised the deposit insurance premium rate since 2011. In 2016, the CDIC completed development of an online "Deposit Insurance Premium Reporting Transmission System" to enhance the convenience and efficiency of premium reporting by insured institutions.

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 around the world. In addition to continuing to serve several important posts of the International Association of Deposit Insurers (IADI), including a member of the Executive Council, the Chairperson of Core Principles and Research Council Committee, and the Chairperson of the Research and Guidance Technical Committee, the CDIC invited the Chair of the IADI Executive Council Dr. Thomas M. Hoenig to visit Taiwan and meet with high-level government officials and heads of competent agencies. In addition, the CDIC hosted the International Training Seminar on Payout Operations, Mechanisms and Case Studies, during which senior professionals from international peer organizations were invited to lecture in Taiwan. The CDIC also actively kept contact with international deposit insurance peers on the signing of Memorandums of Understanding (MOUs). As of the end of 2016, the CDIC had established formal partnerships with 16 international peer institutions to promote and share Taiwan's experience through international exchange. The CDIC also participated in various 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 thoroughly.

At a time of rapid change and increasing complexity and challenges 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 for the insured institutions, propose amendments to the *Deposit Insurance Act* and related bylaws, and actively raise public awareness of deposit insurance. Moreover, in conjunction with the supervisory policy of the competent authority and its assigned tasks, the CDIC will continue to monitor and analyze banks' financial derivatives and asset risk exposure overseas (including Mainland China). These measures aim to establish a more effective deposit insurance system to promote the sound operation of the financial sector and protect the rights and interests of depositors.

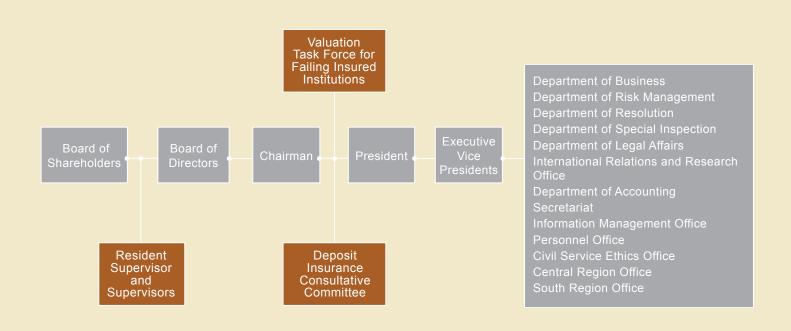
Thanks to the long-term support and encouragement from all sectors of society, as well as the diligence of our staff, the CDIC has been able to smoothly fulfill its objectives. Thus, we would like to express our sincere appreciation, and continue to solicit your ongoing support and guidance.

Chairman Dr. Paul C.D. Lei

President Michael M.K. Lin

Mihael 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.				
Department of Legal Affairs	Handles matters related to contracts, litigation, financial laws and regulations, research of laws and regulations related to deposit insurance, pursuit 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.				

### **Board of Directors and Supervisors**

### **Board of Directors**

Chairman Paul C.D. Lei

(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)

Jean Chiu

(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)

International Relations and Research Office	Handles matters with regard 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**



Executive Vice President Robert L. I. Chen



Executive Vice President William Su



Executive Vice President Anita S. Chou



Director Department of Resolution Ying-Ying Lin



Director Department of Legal Affairs Jenny Yang



Director Department of Accounting Li-Chueh Lu



Director
International Relations and Research Office
Yvonne Fan



Director South Region Office Yong-Huei Peng



Director Personnel Office Bin-Lian Jan



Director Director Department of Special Inspection





Director Department of Risk Management Department of Business Kuan-Jong Chen



Lu Ye

Director Central Region Office Shin-Yih Chen



Annie Cheng

Director Information Management Office Gina Chi



Director Civil Service Ethics Office Shun-Ching Su



Advisor Hon-Zinn Lin



Advisor Yao-Kun Chen



# INTEGRITY

# Safeguarding Depositors' Rights and Interests

The CDIC carefully plans deposit insurance mechanisms to provide financial consumers with the best, most appropriate, and most sufficient deposit protection.

### **Business Operations**

The CDIC is the sole government agency responsible for handling deposit insurance in Taiwan. Its public policy objectives include safeguarding the rights and interests 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 resolving problem or failed insured institutions. The following is a brief overview of the major tasks and achievements in 2016:

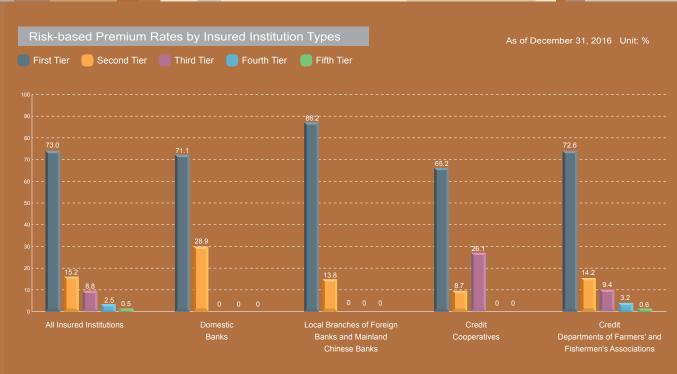
### I. Deposit Insurance

### 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 four farmers' and fishermen's associations became insured institutions in 2016. One foreign bank terminated the deposit insurance agreement after ceasing operations in Taiwan. As of December 31, 2016, a total of 400 insured financial institutions were insured, including three domestic government-owned financial institutions, 36 private banks, 28 Taiwan branches of foreign and mainland Chinese banks, 23 credit cooperatives, 282 credit departments of farmers' associations, and 28 credit departments of fishermen's associations.

### 2. Risk-based Premium Rate Adjustment and Enforcement

- 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 were insufficient due to the execution of government policies that involved the combined use of the FRF and the abovementioned 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 General 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.



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

- 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 adopted 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, 2016, the first tier of the premium rate was applied at about 73.0% of all insured institutions, the second tier at 15.2%, the third tier at 8.8%, the fourth tier at 2.5%, and the fifth tier at 0.5%.

#### 3. Coverage Limit and Coverage Ratios

According to the data submitted by insured institutions, the total amount of eligible deposits reached approximately NT\$41 trillion as of December 31, 2016. Deposits within the NT\$3 million coverage limit totaled roughly NT\$21 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 52.3%, while the ratio of fully covered deposit accounts to the total number of deposit accounts was 98.3%. This indicates that the NT\$3 million deposit insurance coverage limit has protected the majority of small depositors, increasing the confidence of depositors in financial institutions.

### **4.** Completion of the development of the "Deposit Insurance Premium Reporting Transmission System"

The CDIC completed the development of the "Deposit Insurance Premium Reporting Transmission System" in 2016 to simplify procedures for insured institutions to report and pay deposit insurance premiums. Reports on calculation of deposit insurance premiums, previously submitted in written form, can now be transmitted online, effectively reducing the reporting burden on insured institutions and improving the convenience and efficiency of premium reporting operations. Additionally, to promote the correct calculation of deposit insurance premiums by insured institutions, the CDIC held a "FinTech and Deposit Insurance Seminar" this year to answer the frequently asked questions of insured institutions regarding principles for insurance premiums on aggregated accounts, inspection of deposit-related electronic files, and other issues. Domestic FinTech experts were also asked to speak on the impact of the digital financial era on the operations of financial institutions and response measures.



### 5. Active Promotion of the Deposit Insurance System

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, 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 depositor awareness of their rights and knowledge of the deposit insurance system.

#### II. Risk Management

To control insurance risk, the CDIC continued to strengthen risk management performance according to the provisions in Article 22 of the *Deposit Insurance Act*. In the role of a risk-minimizer, it has developed the benefits of deposit insurance in protecting the rights and interests of depositors and stabilizing financial order.

Since 2013, the CDIC has standardized and clarified the information, warning alerts, and exception management items in off-site monitoring mechanisms to more effectively control risk. 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 more effectively control risk. The main achievements in this area in 2016 are as follows:

### 1. Operations of the National Financial Early-warning System (NFEWS) for Implementation of Off-site Monitoring

A. The NFEWS produces monthly or quarterly management reports and can be used for



President Michael M.K. Lin led CDIC executives to explain Taiwan's deposit insurance system to students at the National Taiwan University's Center for the Study of Banking and Finance and Department of Finance.

information sharing with the relevant competent authorities. These reports include 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 (daily; for monitoring the major business items of insured institutions), the Account Officer Analysis System to integrate the outpout from the previous two systems, and other subsystems.

- B. In response to changes in the economic and financial environment and in conjunction with financial regulatory reform, the CDIC continued to strengthen research on and the operations of the Call Report Data Rating System
  - a. In response to guiding principles by the Basel Committee on Banking Supervision for strengthening bank liquidity risk management, liquidity coverage ratio was included as an assessment benchmark of the Call Report Data Rating System from the second quarter of 2016.
  - b. At the end of September 2016, the CDIC began trial implementation of point addition/ deduction for information security on the "Declaration Form for Risk Adjusted Management Ability of Insured Institutions." It also arranged a workshop on the changes in hope that domestically insured banks can improve information security controls.
- C. In line with government's policies to gradually increase public disclosure of the information of financial institutions, the CDIC published extracted information from 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." The CDIC website also links to the websites of the relevant competent authorities to help depositors access financial and business-related information on insured institutions and strengthen market self-discipline.



Executive Vice President William Su participated in a CDIC online public awareness promotion kick-off event



### 2. Strengthening Assessment and Analysis of the Special Risk Operations of Financial Institution to Control Insurance Risk

- A. The CDIC regularly compiles a "Monthly Warning Analysis Report for All Insured Institutions," "Analysis of Loan Quality at Domestic Banks and Credit Cooperatives," "Report on Overview of Financial Institution Real Estate Loans," "Statistical Report on Domestic Bank Investment in Securitized and Structured Products," "Report on Overview of Small and Medium Enterprise Loans and Non-recourse Factoring by Domestic Banks," and "Market Status Report on the Debit Card and Credit Card Businesses." 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 (Excluding Mainland China)," "Analysis Report on the Asset Risk Exposure of Domestic Banks in Mainland China," "Analysis Report on OTC Financial Derivative Products Undertaken by Banks," and "Summarized Financial Status of the Mainland Chinese Branches and Subsidiaries of Domestic Banks" to strengthen risk monitoring of specific businesses.
- B. In 2016, the CDIC held a "FinTech and Information Security Seminar." Scholars, experts, and representatives of the financial industry, FinTech businesses, information security technology businesses, and related agencies were invited to join discussions centered mainly on the impact of FinTech on the banking industry in terms of information security and risk management mechanisms, as well as ways to strengthen information security and risk management mechanisms and establish a Financial Information Sharing and Analysis Center (F-ISAC). The seminar proceedings were compiled for the reference of the competent authority.

### 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. In 2016, special audits were conducted on the financial reports of insured institutions with a high level of construction loans, loan concentration in affiliated accounts, over-concentration in certain types of investment products, or subpar financial positions. The audits tracked improvements made by the institutions in risk-adjustment or financial performance. Where deficiencies were found, the CDIC asked the insured institutions to make improvements or submitted to the competent authority to monitor compliance.

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

In November 2016, the CDIC Chairman Dr. Paul C.D. Lei accompanied the FSC Vice Chairman and other officials on a visit to the U.S. to call on northern U.S. regional Federal Reserve Banks, State Financial Supervisory Authorities, and the Federal Deposit Insurance Corporation. The two sides exchanged views on a number of issues, including screening indicators for global systemically important banks (G-SIBs)



Chairman Dr. Paul C.D. Lei accompanied senior FSC officials on a visit to financial supervisory authorities of the U.S. and met with FDIC Chairman Mr. Martin J. Gruenberg.

and domestic systemically important banks (D-SIBs), cross-border cooperation on bank resolution mechanisms, and deposit insurance systems. Major related meetings attended by the CDIC this year included the FSC's Financial Supervisory Coordination Council. The CDIC also participated in discussions on the operational risk of insured institutions, and presented proposals on related issues, as well as attended a meeting on the FSC's off-site monitoring platform. Moreover, in response to the FSC's, amendments to operating guidelines for detecting major risk at financial institutions on July 14, 2016, the CDIC presented an analysis report on the financial and business conditions of insured institutions for supervision and management information sharing. The CDIC representatives participated in the Financial Supervisory Information Reporting Window Task Force for Banks and Bills Finance Companies on handling amendments to the submitted reports and changes in the single window reporting system. They also attended meetings of the "Stress Testing Task Force," "Market Risk Task Force," "Credit Risk Task Force," and "Operational Risk Task Force" under the Basel Accord Ongoing Deliberation Working Group of the Bankers Association of the Republic of China (ROC) to assist regulatory amendments and other matters. In addition, the CDIC participated in meetings convened by the competent authority for agricultural finance to provide guidance to the credit departments of farmers' and fishermen's associations, as well as coordinated closely with the competent authority for agricultural finance to strengthen such guidance on business operations.

#### III. Resolution of Problem Insured Institutions

The exit of failed financial institutions from the market was handled through the Financial Restructuring Fund (FRF) until the termination of the FRF at the end of 2011. Since then, the CDIC has continued to handle as the conservator or receiver the undisposed retained assets of such institutions, including real estate, stocks, creditor's rights, and antiques. The CDIC sells these assets through direct or commissioned public tender depending on the nature of the assets and market demand to accelerate funds recovery. It also actively handles unresolved litigation involving the institutions.

### 1. Continued Handling of Retained Assets and Unresolved Issues as a Receiver of Failed Insured Institutions

- A. The CDIC continued to carry out liquidation affairs for five banks, including the Kaohsiung Business Bank (KBB), the Chung Shing Commercial Bank (Chung Shing Bank), the Enterprise Bank of Hualien (EBH), the Taitung Business Bank (TBB), and the Chinese Bank.
- B. In 2016, the CDIC recovered NT\$301,039,399 in retained loans of the Chinese Bank. The Chinese Bank had retained assets of two creditor right accounts amounting to NT\$833,876,444 by the end of the year. Furthermore, a partial favorable decision was achieved in the ongoing litigation of the EBH.

### 2. Actively Handling Retained Assets and Unresolved Issues as the Conservator of Failed Insured Institutions:

- A. The Chinfon Commercial Bank:
  - Regarding the retained antiques, a total of 13 paintings and one bronze statue remain unsold, with a combined book value of NT\$310,300.
  - Retained real estate holdings: the remaining two real estate holdings have a net book value of NT\$99,181,298.
- B. The China United Trust and Investment Corporation (CUTIC):
  - The CUTIC held 15.116% shares in the Taipei Financial Center Corporation (Taipei 101) valued at NT\$2,222,050,000. According to a resolution of the 93rd FRF Management Committee meeting and in consideration of the ongoing recovery of the domestic economy and likely improvement in the CUTIC's operations and financial affairs, 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.
  - On June 29, 2016, Taipei 101 resolved at the regular general shareholders meeting to pay cash dividends of NT\$1.25 per share for 2015. The total amount

of the cash dividends based on the number of shares held by the CUTIC was NT\$277,756,368. This amount was apportioned to the CDIC and the FRF.

### **3. Drafting Deposit Insurance Regulations and Responses to Legal Questions Related to the Handling of Failed Insured Institutions**

In conjunction with regulation amendments and the evolving operations of insured institutions, the CDIC drafted the "Operating Standards for the Format and Content of Deposit Insurance Electronic Data Files Established by Insured Institutions (Fourth Edition)." In May 2016, insured institutions were requested to establish data files and conversion formats corresponding to the amendments. The amended standards are scheduled to be officially implemented from February 1, 2017.

### 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 failed financial institutions to compensate the losses of the FRF and serve the interests 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 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 2016, 143 civil liability claims were made.
- 2. Regarding unresolved litigation cases concerning failed insured institutions, a total of three cases were resolved in 2016.

### V. Inspection

In accordance with the inspection power provided by 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 2016, the CDIC carried out the following inspections:

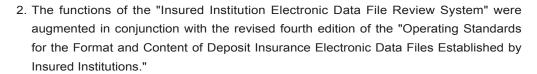
1. Conducting on-site inspections of newly established financial institutions applying for deposit insurance membership in order to strengthen underwriting auditing operation and reduce insurance risk: In 2016, such inspections were performed at two credit departments of farmers' associations and three credit departments of fishermen's 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 2016, a total of 79 institutions were inspected. Where the deficiencies and/or errors were detected in the aforementioned 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 format and content of the electronic data files established by insured institutions according to the law to help the CDIC calculate payout amount in a timely manner in fulfilling insurance responsibilities: In 2016, such inspections were conducted at a total of 41 insured institutions. Where deficiencies were found, the CDIC supervised 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 and truly reflects the current financial and business situations and risk factors of the insured institutions and help effectively control insurance risks: In 2016, 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

 The CDIC developed a "Deposit Insurance Premium Reporting Transmission System" for uploading and reporting online of premium calculation data, data maintenance, data queries, news notifications, and other functions for insured institutions and information sharing centers.



- 3. A commercial paper transaction module was added to the "Capital Utilization Management System."
- 4. In accordance with the revised government website specifications of the National Development Council, the CDIC redesigned its website with added functions, including the adoption of Responsive Website Design (RWD) technology and website accessibility A+ grade specifications.
- 5. The CDIC completed adoption of the Government Configuration Baseline (GCB) according to the Windows 7 and IE8 security setting specifications set by the Executive Yuan's National Information and Communication Security Taskforce, strengthening information security work.

#### VII. Research and Development

To ensure that the CDIC's business development conforms more closely to changes in the financial environment, the CDIC collected and studied the latest business-related information. The results of important R&D projects carried out in 2016 are briefly described as follows:

### 1. Research and Analysis of Bank Checks and Certified Checks and Methods of Protecting Worker Pension Trust Property Deposit Accounts

The CDIC deliberated the appropriateness of existing protections for bank checks and certified checks, as well as the legality of applying stipulations on employee pension accounts under Item 3, Article 13 of the *Deposit Insurance Act* to workers pension trust property deposit accounts. The conclusions of the research and analysis, consolidated comments of meetings of the Deposit Insurance Consultative Committee, and banking industry opinion polls were compiled and submitted to the competent authority for policy-making reference.

### 2. Drafting the Table of Methods for Aggregation of Trust Estate Deposit Accounts at Insured Institutions

The Enforcement Regulations of the *Deposit Insurance Act* stipulate that deposit accounts held or opened by trust estates are included within the scope of each depositor. Therefore, in consideration of trust related laws and trust business practices, the CDIC drafted the "Table of Methods for Aggregation of Trust Estate Deposit Accounts at Insured Institutions" and made amendments based on inputs from major trust banks and the Trust Association of R.O.C. All insured institutions were notified to conform to the methods in trust estate deposit account aggregation and calculation of deposit insurance premiums.

### 3. Holding the 28th and 29th Meetings of the Deposit Insurance Consultative Committee

The 28th meeting deliberated whether the shareholders of failed financial institutions withdrew from the market may petition for compensation for their investment impairment losses. The 29th meeting: A. discussing whether stipulations on "uninsured deposits due to all levels of government agencies" under Subparagraph 2, Paragraph 2, Article 12 of the Deposit Insurance Act should be revised for consistency with "all levels of treasury deposits" under Paragraph 2, Article 5 of the Enforcement Regulations of the Deposit Insurance Act; B. studying whether "national health insurance premium dedicated accounts" and "labor insurance dedicated premium accounts" are individually covered by deposit insurance as deposit accounts opened at insured units (including financial institutions or general insured units), as well as analyzed the risk exposure for losses on such deposit accounts and the real beneficiaries that should be protected by deposit insurance.

#### 4. Participation in IADI Research Projects

The CDIC chaired a research project on "Public Policy Objectives" and continued to participate in IADI research projects on "Financial Inclusion and Innovation," "Bail-in Implications for Deposit Insurance and Funding," "Purchase and Assumption," "Resolution Issues for Financial Cooperatives," and "Deposit Insurance Fund Target Ratio."

#### 5. Research Projects and Summary Translation Reports

- A. The CDIC researched important international financial and economic issues or important international development information. Special reports completed included: "Summary of ATM Information Security Protection Measures in the United States, Japan, Korea and Other Countries," "Information Technology Risk Examination (InTREx) Program Enhancing Information Technology and Operational Risk Inspection Processes," "Summary of Second Thematic Review on Resolution Regimes announced by the Financial Stability Board on March 18, 2016", "Summary of the Singapore Consultation Paper on FinTech Regulatory Sandbox Guidelines," and "Summary Report on Key Points on January 16, 2015, Update to the U.K.'s Supervisory Statement SS19/13 on Resolution Planning Announced in December 2013." These reports were provided to the competent authority for reference.
- B. The CDIC completed more than ten reports on participation in international conferences, workshops, or training seminars and provided specific recommendations, including for the 14<sup>th</sup> IADI Annual Conference on "Crisis Preparedness Institutional Arrangements and Coordination, Crisis Communication & Contingency Planning," and the 9<sup>th</sup> Round Table of the Deposit Insurance Corporation of Japan held in Kyoto in February 2016.

C. 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 of failed financial institutions in other countries.

### 6. Publication of 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.

#### 7. Publication of the CDIC Monograph Series

The CDIC published seven overseas study and research reports as a series for public reference:

- A. Summary report on participation in the international conference on "DGSs in a New Regulatory Environment" co-hosted by the European Forum of Deposit Insurers (EFDI) and the Bank Deposit Guarantee Fund of Romania.
- B. Report on participation in the 12<sup>th</sup> IADI Asia-Pacific Regional Committee (APRC) Annual Meeting and International Conference.
- C. Report on participation in the 13<sup>th</sup> IADI Annual General Meeting and International Conference on "Updated Core Principles to Strengthen the Financial Stability Architecture."





The CDIC hosted the International Training Seminar on "Payout Operations, Mechanisms, and Case Studies"

- D. Summary report on participation in the international conference on "Sailing towards Financial Stability" co-hosted by the European Forum of Deposit Insurers and State Agency for Deposit Insurance and Bank Resolution of Croatia.
- E. Summary report on participation in the international conference on "Bank Resolution, Crisis Management and Deposit Insurance Issues" co-hosted by the Financial Stability Institute and IADI.
- F. Overseas assignment report on participation in the international workshop on "Deposit Insurance Fund Target Size" hosted by the Philippine Deposit Insurance Corporation.
- G. Report on participation in the 14<sup>th</sup> IADI Annual Conference on "Crisis Preparedness—Institutional Arrangements and Coordination, Crisis Communication & Contingency Planning".

### VIII. International Affairs

Since participation in international deposit insurance organizations and international cooperation 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. In 2016, the CDIC served as a member of the IADI Executive Council, chairperson of the Core Principles and Research Council Committee (CPRC), and chairperson of the Research and Guidance Technical Committee (RGTC). It also served as a member of the Strategic Priorities and Action Plans Committee under the IADI Asia-Pacific Regional Committee. To promote international

cooperation and enhance its international visibility, the CDIC continued to participate in international affairs and activities in 2016, including the following:

### 1. Holding of the International Training Seminar on Payout Operations, Mechanisms and Case Studies

The CDIC held the International Training Seminar on Payout Operations, Mechanisms and Case Studies in late November 2016 to strengthen substantive international exchanges and cooperation and elevate Taiwan's international professional reputation in the field of deposit insurance. Senior experts representing international peer organizations were invited to Taiwan to share professional experience on payout operations, mechanisms and case studies. Representatives of the Central Bank, and the FSC, also attended.

## 2. Invitation of the Chair of the IADI Executive Council Dr. Thomas M. Hoenig to Taiwan in End of October 2016 to Strengthen International Financial Safety Net Cooperation and Exchange

The CDIC invited a delegation led by the Chair of the IADI Executive Council Dr. Thomas M. Hoenig to Taiwan in end of October 2016 to strengthen cooperation and exchange with international financial safety net institutions. Dr. Hoenig met with high-level government officials as well as the chairman and the vice chairman of the FSC. Dr. Hoenig's visit in the capacity of the Chair of the IADI Executive Council has particular significance toward Taiwan in recognizing CDIC's contribution in the global and national financial safety nets.



Chairman Dr. Paul C.D. Lei hosted the farewell dinner for the International Payout Training Seminar.



Chairman Dr. Paul C.D. Lei accompanied the Chair of the IADI Executive Council Dr. Thomas M. Hoenig during a visit with the FSC Chairman and other officials.



Chairman Dr. Paul C.D. Lei was invited as a speaker at the 3<sup>rd</sup> session of the 15<sup>th</sup> IADI Annual Conference on "Gearing up for the Next Crisis." He had group photos with other speakers.

# 3. Participation in International Activities and Speaking at International Conferences to Share Taiwan's Experience and Enhance Taiwan's Professional Image Internationally

In 2016, the CDIC on several occasions dispatched personnel to attend or host the IADI Executive Council meetings, as well as meetings of the IADI's Research and Guidance Committee, the Governance Working Group, the Training and Conference Committee, the Membership and Communications Committee, and the APRC. For example, the CDIC participated in the IADI 15th Annual Conference and General Meeting. As an invited speaker of Session III on "What is an Appropriate Funding Framework to Address a Crisis," the CDIC Chairman Dr. Paul C.D. Lei introduced Taiwan's deposit insurance funding framework and experience. During the IADI events, Chairman Lei, the Indonesia Deposit Insurance Corporation CEO Mr. Fauzi Ichsan and the Depositor Protection Fund of Laos Director General Mrs. Sengdaovy Vongkhamsao held multilateral talks on the current economic and financial status of various countries, the experiences in implementing the respective deposit insurance systems, and approaches to future cooperation. In addition, the CDIC received international acknowledgement for its experience in handling failed insured institutions and implementation of measures to improve the deposit insurance system in recent years. As a result, the CDIC was invited several times to give presentations to share Taiwan's experience at international conferences or training seminars hosted by the IADI or its member organizations. For example, the CDIC President Michael M.K. Lin was invited to attend and serve as a speaker at the IADI APRC Technical Seminar hosted by the Deposit Insurance Corporation of Mongolia (DICOM). Furthermore, the CDIC provided specific training or exchanged information with representatives of deposit insurance organizations, financial supervisory agencies and research institutes from other countries according to their



Chairman Dr. Paul C.D. Lei held multilateral talks with senior executives of the Indonesia Deposit Insurance Corporation and the Depositor Protection Fund of Laos.



Senior CDIC executives led by Chairman Dr. Paul C.D. Lei met with representatives of financial supervisory agencies in the Philippines, and Vietnam.

operational business needs. For example, the Asian Financial Supervisor Mission joined by officials of the Supervision and Examination Sector of the Central Bank of the Philippines, and the Banking Supervision Agency of the State Bank of Vietnam, as well as a delegation led by the Executive Vice President of the Korea Asset Management Corporation (KAMCO) visited the CDIC. The CDIC colleagues led by Chairman Paul C.D. Lei met and exchanged experiences and views with the visitors, greatly supporting the promotion of Taiwan's experience and international cooperation.

### 4. Continuation of Signing and Renewing Memorandums of Understanding (MOUs) with International Peer Organizations to Expand International Relations

In 2016, the CDIC continued to negotiate and sign Memorandums of Understanding (MOUs) with international peer organizations. As of December 31, 2016, the CDIC had signed MOUs or Letters of Exchange with 16 international financial safety net members.



President Michael M.K. Lin was invited to serve as a speaker at the IADI APRC Technical Seminar hosted by the Deposit Insurance Corporation of Mongolia (DICOM). He had a photo with then-CEO of the DICOM Mr. Lkhagvasuren Byadran.

### **International Activities Attended by the CDIC in 2016**

Date	Name of Activity	Organizer(s)	
February	Former CDIC Chairman Hsien-Nung Kuei led a delegation to participate in the 9th Deposit Insurance Corporation of Japan (DICJ) Round Table and served as a speaker, sharing Taiwan's experiences in dealing with financial crises and perspectives on future challenges facing the financial safety net	DICJ	
February	CDIC Executive Vice President William Su led a delegation to participate in the first ad hoc meeting of the IADI Governance Working Group	IADI	
March	CDIC Executive Vice President William Su led a delegation to participate in meetings of the 47 <sup>th</sup> IADI Executive Council, the Training and Conference Committee, the Research and Guidance Committee, and other committees	IADI	
April	The Deposit Insurance Corporation of Mongolia (DICOM) made a study tour to the CDIC	CDIC	
May	CDIC Executive Vice President William Su led a delegation to participate in the second ad hoc meeting of the IADI Governance Working Group	IADI and Federal Deposit Insurance Corporation (FDIC)	
May	CDIC Executive Vice President William Su led a delegation to participate in meetings of the 48th IADI Executive Council, the Training and Conference Committee, the Research and Guidance Committee, and other committees, as well as the International Conference on "Diversity and Harmonization of Deposit Insurance" held by the Europe Regional Committee (CDIC International Relations and Research Office Director Yvonne Fan was invited as a moderator)	IADI Europe Regional Committee and Fonds de Garantie des Depots et de Resolution, France	
June	CDIC Executive Vice President William Su led a delegation to participate in the 14 <sup>th</sup> APRC Annual Meeting and International Conference on "Raising Public Awareness in Depositor Protection" (CDIC International Relations and Research Office Director Yvonne Fan and Business Department Deputy Director Lisa Hsi were invited as speakers)	IADI Asia-Pacific Regional Committee and Philippine Deposit Insurance Corporation (PDIC)	
August	CDIC President Michael M.K. Lin led a delegation to participate in the IADI Asia-Pacific Regional Committee Technical Seminar on "Enhancing Asset Recovery" and was invited as a speaker	IADI Asia-Pacific Regional Committee and DICOM	
September	CDIC Executive Vice President William Su led a delegation to participate in the IADI 49 <sup>th</sup> Executive Council Meeting	IADI	
October	The delegation of Asian Financial Supervisor Mission visited the CDIC	CDIC	

Date	Name of Activity	Organizer(s)	
October	CDIC Chairman Paul C.D. Lei led a delegation to participate in the IADI 15 <sup>th</sup> Annual General Meeting and International Conference and was invited as a speaker. A multilateral meeting was held among Asian deposit insurance organizations.	IADI and Korea Deposit Insurance Corporation (KDIC)	
October	Chair of the IADI Executive Council Dr. Thomas M. Hoenig visited Taiwan	FSC and CDIC	
November	The CDIC held the International Training Seminar on "Payout Operations, Mechanisms and Case Studies"	CDIC	
November	Representatives of the Korea Asset Management Corporation (KAMCO) visited the CDIC	CDIC	
December	CDIC Chairman Paul C.D. Lei accompanied the FSC delegation visiting the financial supervisory agencies in the U.S.	FDIC, Board of Governors of the Federal Reserve System in Washington D.C., Federal Reserve Bank of Chicago, Federal Reserve Bank of New York, and State Financial Supervisory Authorities	
December	CDIC Chairman Paul C.D. Lei led a delegation to participate in the International Conference jointly hosted by the Financial Stability Institute (FSI) and IADI, as well as visited the Financial Services Compensation Scheme (FSCS), U.K.	FSI, IADI and FSCS	



#### IX. Human Resources

#### 1. Employee Structure

Year		Avg. Age of Employees	Educational Attainment of Employees		
			Graduate School	College	Other
2016	155	49	46	106	3
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

Department breakdown of CDIC staff for 2016:

Senior officers and Secretariat (20)

Dept. of Resolution (9)

Dept. of Business (14)

Dept. of Legal Affairs (12)

Personnel Office (5)

Civil Service Ethics Office (1)

South Region Office (9)

Dept. of Risk Management (30)

Special Inspection Dept. (16)

International Relations and Research Office (8)

Dept. of Accounting (9)

Information Management Office (14)

Central Region Office (8)

### 2. The Second Financial Early Warning Section Established under the Risk Management Department

In response to changing financial market trends, the FSC approved the establishment of the Second Financial Early Warning Section under the Risk Management Department, effective from July 1, 2016. The section is dedicated to monitoring the banks' financial derivative operations and risk exposure to overseas and Mainland China area.

#### 3. Nine Full-time Employees Recruited through Public Examinations

The CDIC drafted a plan for recruitment by publice examination to renew human resources (HR), cover shortfalls following HR streamlining in 2015, and meet the needs of future business development. With authorization from the FSC, the CDIC recruited nine new full-time employees through a commissioned public examination and arranged training for the new personnels.

#### 4. Leadership and Management Workshop held for Senior Executives

The CDIC held a Senior Executive Leadership and Management Workshop in July 2016 to enhance leadership and management knowledge and skills of directors and deputy directors, build team cohesion, and continue CDIC's excellent organizational development and vitality.

#### **5. Personnel Training**

To upgrade the quality of staff and enhance employees' professional knowledge, training programs arranged by the CDIC during 2016 involved a total of 1,557 person-times, averaging 10 times per staff member. 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.
- 2. The CDIC regularly arranged business seminars lectured by outstanding senior employees or outside expert speakers, as well as held case study workshops.
- Selected colleagues were sent abroad to study and participate in international conferences to strengthen research on topics related to deposit insurance.
- 4. 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 convened a total of two meetings in 2016. The task force is responsible for implementing works related to internal audits and advocating important measures. It also continued to arrange educational training on internal controls and internal audits, as well as to review and strengthen internal control operations, to amend and maintain an effective internal control system, to carry out internal audit self-assessment operations, and to progressively implement internal control mechanisms.
- The 5<sup>th</sup> edition of the CDIC's internal control system was submitted to the 8<sup>th</sup> meeting of the 11<sup>th</sup> Board of Directors and was approved on November 25, 2016.

#### 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. The Internal Audit Task Force amended the "Internal Audit Guidelines of the Central Deposit Insurance Corporation" and the "Handbook for Internal Audits of the Central Deposit Insurance Corporation" as a basis for the execution of internal audit and regulatory compliance.
- In 2016, the Internal Audit Task Force conducted a general internal audit of departments and offices related to annual plans and specific items. The findings were compiled into audit reports that were signed and presented to the Chairman for approval. Improvements in areas of deficiency were tracked through semiannual follow-up reviews and controls.
- The Internal Audit Task Force made a written review of department self-assessment reports and regularly tracked improvements in areas of deficiency.
- The results of internal audits, the implementation status of self-assessments, and follow-up
  reviews of improvements made in areas of deficiency were reported semiannually by the
  chief audit executive to the Chairman for review.
- The Internal Audit Task Force reviewed the results of the overall 2016 internal control selfassessment and reported to the board of directors.

### XI. Cooperation with the Competent Authority to Implement Major Financial Policies

### 1. Dispatching Staff to Assist in the Conservatorship of One Insurance Company under the Taiwan Insurance Guaranty Fund

In conjunction with the policy of the competent authority on the conservatorship of one insurance company, the CDIC assigned staff to assist and support the Taiwan Insurance Guaranty Fund in handling 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 analyzed data reported by insured institutions based on the Directions for the Financial Supervisory Commission to Monitor Major Risk of Financial Institutions and shared the findings with the competent authority. It was also entrusted by the decree of the competent authority to analyze or monitor domestic banks' risk exposures to the overseas and Mainland China area, OTC financial derivative products undertaken by banks, and other risk-related operations. Moreover, the CDIC presented periodical and unperiodical 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.

## 3. Deliberating the Supervisory Measure Plan for Domestic Systemically Important Banks and Financial Holding Companies in Taiwan in Conjunction with the Supervision Policy of the Competent Authority

To prevent systemic risk from future business crises at major banks and financial holding companies in Taiwan, the FSC convened a meeting to study and discuss the "Supervisory Measure Plan for Domestic Systemically Important Banks and Financial Holding Companies in Taiwan." A task force was established to deliberate and assess the screening of domestic systemically important banks and important financial holding companies in Taiwan, as well as to develop relevant supervisory measures. Four study and discussion meetings were convened in 2016. The CDIC was primarily responsible for deliberations on bank resolution plans and data reporting mechanisms. According to the meeting resolutions, the CDIC collected, summarized, and translated information on fulfillment of insurance responsibilities, recovery and resolution plans in other countries, as well as reported on the resolution plans of Hong Kong and the United Kingdom and "Opinions on Internet Reporting of Resolution Plans by Domestic Systemically Important Banks in Taiwan." In the future, the CDIC will establish related mechanisms according to the implementation plan and schedule of the competent authority.



# DEDICATION

## **Guaranteeing Credit Value**

The CDIC is dedicated to building a financial safety net and continuously strengthening its ability to control financial institution risk so financial markets can operate at full efficiency.

### 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, 2016 and 2015, 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, 2016 and 2015, and the results of its operations and its cash flows for the year of 2016 and 2015, 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 24, 2017



DECEMBER 31,

		2016.12.	31	2015.12.31		
ASSETS	NOTES	Amount		Amount	%	
CURRENT ASSETS						
Cash and Deposits in the Central Bank	3.4	\$ 60,815,537	73.64	\$ 60,814,965	82.91	
Available-for-Sale Financial Assets- Current	2.5	-	-	608	-	
Held-to-Maturity Financial Assets- Current	2.6	20,665,293	25.02	11,459,027	15.62	
Receivables	2.7	426,024	0.52	425,678	0.58	
Current Tax Assets		169,150	0.20	143,922	0.20	
Prepayments		14,715	0.02	14,681	0.02	
Other Current Assets		651	-	709	-	
Sub-total		82,091,370	99.40	72,859,590	99.33	
PROPERTY, PLANT AND EQUIPMENT	2.8					
Land		228,833	0.28	228,833	0.31	
Buildings		265,486	0.32	265,486	0.36	
Machinery and Equipment		77,837	0.09	73,780	0.10	
Transportation Equipment		14,111	0.02	14,094	0.02	
Other Equipment		28,567	0.03	26,835	0.04	
Sub-total		614,834	0.74	609,028	0.83	
Revaluation Increment-Land		66,149	0.08	66,149	0.09	
Cost and Revaluation Increment		680,983	0.82	675,177	0.92	
Less Accumulated Depreciation						
Buildings		(112,010)	(0.13)	(107,275)	(0.15)	
Machinery and Equipment		(55,050)	(0.07)	(51,274)	(0.07)	
Transportation Equipment		(10,480)	(0.01)	(9,954)	(0.01)	
Other Equipment		(20,323)	(0.02)	(20,165)	(0.03)	
Sub-total		(197,863)	(0.23)	(188,668)	(0.26)	
PROPERTY, PLANT AND EQUIPMENT-NET		483,120	0.59	486,509	0.66	
INTANGIBLE ASSETS	2.9	4,635	0.01	6,272	0.01	
OTHER ASSETS						
Guarantee Deposits Paid		657	-	882	-	
Collateral Deposits		262,600	0.32	282,100	0.38	
Securities Serving as Collateral Deposits		(262,600)	(0.32)	(282,100)	(0.38)	
Sub-total		657	-	882	-	
TOTAL ASSETS		\$ 82,579,782	100.00	\$ 73,353,253	100.00	

#### 川 NSURANCE CORPORATION 神野 NANCIAL POSITION

2016 and 2015

LIABILITIES AND EQUITY	NOTES	2016.12. Amount	31 %	2015.12.3	31 %		
CURRENT LIABILITIES		Amount	70	Amount	<del></del>		
Liabilities for Bills and Bonds under Repurchase Agreement	2.10	\$ -	-	\$ 350,000	0.48		
Payables	11	75,684	0.09	81,511	0.11		
Sub-total		75,684	0.09	431,511	0.59		
OTHER LIABILITIES							
General Financial Deposit Insurance Payout Special Reserves	2.12	65,665,140	79.52	56,428,375	76.94		
Agricultural Financial Deposit Insurance Payout Special Reserves	2.12	4,338,203	5.25	4,007,204	5.46		
Provision for Employee Benefits	2	197,722	0.24	176,720	0.24		
Deferred Income Tax Liabilities		25,551	0.03	25,551	0.03		
Guarantee Deposits Received		1,127	-	1,479	-		
Temporary Receipts and the Account to be Carried Over	13	1,065,851	1.29	1,061,502	1.45		
Sub-total		71,293,594	86.33	61,700,831	84.12		
TOTAL LIABILITIES		71,369,278	86.42	62,132,342	84.71		
CAPITAL STOCK	14	10,000,000	12.11	10,000,000	13.63		
CAPITAL SURPLUS		, ,		, ,			
Donated Assets Received		265	_	265	-		
RETAINED EARNINGS							
Legal Reserve		235,700	0.29	235,700	0.32		
Special Reserve		1,000,466	1.21	1,000,466	1.36		
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	(2,392)	-	8,050	0.01		
ADJUSTMENTS FOR THE FIRST ADOPTION OF IFRS		(23,535)	(0.03)	(23,535)	(0.03)		
TOTAL EQUITY		11,210,504	13.58	11,220,911	15.29		
TOTAL LIABILITIES AND EQUITY		\$ 82,579,782	100.00	\$ 73,353,253	100.00		

#### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

		(Expressed in N1\$'000)						
DESCRIPTION	NOTES	2016		2015				
2203.111 11011		Amount	%	Amount	%			
OPERATING INCOME								
Interest Revenue		\$ 874,740	8.58	\$ 854,564	8.56			
Premiums Revenue		9,325,719	91.42	9,124,236	91.44			
Realized Gain on Disposal Available- for-Sale Financial Assets	2	2	-	-	-			
Sub-total		10,200,461	100.00	9,978,800	100.00			
OPERATING COSTS								
Interest Expenses		4,971	0.05	716	0.01			
Insurance Expenses		275	_	253	-			
Handling Fees		854	0.01	361	-			
Insurance Payout Reserve Provisions	2	9,305,235	91.22	8,914,097	89.33			
Sub-total		9,311,335	91.28	8,915,427	89.34			
GROSS PORFIT		889,126	8.72	1,063,373	10.66			
OPREATING EXPENSES								
Transaction Expenses		812,020	7.96	811,981	8.14			
General & Administrative Expenses		57,268	0.56	57,954	0.58			
Other Operating Expenses		4,754	0.05	4,973	0.05			
Sub-total		874,042	8.57	874,908	8.77			
OPERATING INCOME		15,084	0.15	188,465	1.89			
NON-OPERATING INCOME								
Indemnity Income		84	_	88	_			
Other Income		572	0.01	4,251	0.04			
Sub-total		656	0.01	4,339	0.04			
NON-OPERATING EXPENSES								
Loss on Disposal of Assets		161	_	3,903	0.04			
Others Expenses		15,579	0.15	188,901	1.89			
Sub-total		15,740	0.15	192,804	1.93			
NON-OPERATING INCOME (LOSS)		(15,084)	(0.15)	(188,465)	(1.89)			
INCOME BEFORE INCOME TAX		-	-	-	-			
INCOME TAX	2	_	_	_	_			
NET INCOME FROM CONTINUING OPERATIONS	_	-	-	-	-			
NET INCOME		\$ -	_	\$ -				
				<del>-</del>				
NOTES:								
OTHER COMPREHENSIVE INCOME								
Unrealized Gain or Loss on Available- for-Sale Financial Assets	2.5	35	-	(35)	-			
Remeasurement for Defined Employee Benefit Plan	2	(10,442)	-	(8,874)	-			
TOTAL COMPREHENSIVE INCOME		\$ (10,407)	_	\$ (8,909)				
TO IT TO COME THE PROPERTY OF		ψ (10,407)	-	ψ (0,909)				
EARNINGS PER COMMON SHARE		\$ -		\$ -				
		Y		<b>T</b>				

#### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

								(Expressed	III IN I & UUU)
			RE	TAINED EAR	NINGS		LATED OTHER ENSIVE INCOME		
DESCRIPTION	CAPITAL STOCK	CAPITAL SURPLUS	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain or Loss on Available- for-Sale Financial Assets	Remeasurement for Defined Employee Benefit Plan	ADJUSTMENTS FOR THE FIRST ADOPTION OF IFRS	TOTAL
Balance, January 1, 2015	\$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
Net Income for The Year Ended December 31, 2016	-	-	-	-	-	-	-	-	-
Other Comprehensive Income (Loss), Net of Tax for The Year Ended December 31, 2016	-	-	-	-	-	35	(10,442)	-	(10,407)
Balance, December 31, 2016	\$10,000,000	\$265	\$235,700	\$1,000,466	\$ -	\$ -	\$(2,392)	\$(23,535)	\$11,210,504

#### FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

DESCRIPTION	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Tax from Continuing Operations (Loss)	\$ -	\$ -
Net Income before Tax (Loss)	-	-
Adjustment for the Interests and Dividends	(869,769)	(853,847)
Net Income (Loss) Excluding Interests and Dividends	(869,769)	(853,847)
Adjustments	9,325,590	2,647,517
Net Cash Inflow (Outflow) Excluding Interests and Dividends	8,455,821	1,793,670
Interests Received	849,230	767,131
Interests Paid	(4,979)	(709)
Net Cash Inflow (Outflow) from Operating Activities	9,300,072	2,560,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Current Financial Assets Decrease (Increase)	(9,205,622)	(3,374,491)
Intangible Assets and Other Assets Decrease (Increase)	(2,214)	-
Property, Plant and Equipments Increase	(6,832)	(5,190)
Property, Plant and Equipments Decrease	1	-
Net Cash Inflow (Outflow) from Investing Activities	(9,214,667)	(3,379,681)
CASH FLOWS FROM FINANCING ACTIVITIES		
Current Financial Liabilities Increase (Decrease)	(350,000)	350,000
Increase (Decrease) in Other Liabilities	265,167	473,120
Net Cash Inflow (Outflow) from Financing Activities	(84,833)	823,120
EQUIVALENTS	\$ 572	\$ 3,531
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	814,965	811,434
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 815,537	\$ 814,965

#### DECEMBER 31, 2016 and 2015

(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-Tsai 0990102146 from the Executive Yuan on August 17, 2010, share management of the CDIC was transferred from the Ministry of Finance to the Financial Supervisory Commission. As of December 31, 2016, 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 2015 were audited by Directorate-General of Budget, Accounting & Statistics, Executive Yuan and the Ministry of Audit, Control Yuan.

#### 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 under repurchase agreements 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. Employee Benefits

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 41-10f 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. The actuarial gains or losses are recorded on "Remeasurement for Defined Employee Benefit Plan" account under the Equity.

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 statuary 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.

#### III.CASH

	Dec	c. 31, 2016	Dec. 31, 2015		
Petty Cash	\$	350	\$	350	
Checking Deposits		8,512		3,552	
Demand Deposits		1		1	
Treasury Deposits		798,453		797,892	
Total	\$	807,316	\$	801,795	

#### IV. DEPOSITS IN THE CENTRAL BANK

	De	ec. 31, 2016	Dec. 31, 2015		
Checking Deposits	\$	8,221	\$	13,170	
Maturity Deposits over Three Months from the Date of Deposit		60,000,000		60,000,000	
Total	\$	60,008,221	\$	60,013,170	

#### V. AVAILABLE-FOR-SALE FINANCIAL ASSETS-CURRENT

	Dec. 31, 2016		De	ec. 31, 2015
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, 2016		Dec. 31, 2015	
Bonds	\$	20,665,293	\$	11,459,027

The interest rates at year ends of 2016 and 2015 ranged from 0.798%~2.2%.

#### VII. RECEIVABLES

	De	ec. 31, 2016	Dec. 31, 2015		
Interest Receivable	\$	425,961	\$	425,678	
Notes Receivable		63		-	
	\$	426,024	\$	425,678	

VIII. PROPERTY, PLANT AND EQUIPMENT

Dec. 31, 2016								
	Cost		Accumulated Depreciation		Bo		ok Value	
Land	\$	228,833	\$	-	\$	228,833		
Revaluation Increment-Land		66,149		-		66,149		
Buildings		265,486		112,010		153,476		
Machinery and Equipment		77,837		55,050		22,787		
Transportation Equipment		14,111		10,480		3,631		
Other Equipment		28,567		20,323		8,244		
Total	\$	680,983	\$	197,863	\$	483,120		

Dec. 31, 2015								
	Cost		Accumulated Depreciation		Book Val			
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		

The fire and burglary insurance coverages on property, plant and equipment as of December 31, 2016 and 2015 were \$200,337 thousand and \$200,420 thousand, respectively.

#### IX. INTANGIBLE ASSETS-COMPUTER SOFTWARE

	2016	2015
Balance as of Beginning of the Year	\$ 6,272	\$ 11,795
Increase	2,439	-
Decrease	(4,076)	(5,523)
Balance as of the End of the Year	\$ 4,635	\$ 6,272

#### X. LIABILITIES FOR BILLS AND BONDS UNDER REPURCHASE AGREEMENT

	Dec. 31, 2016		Dec. 31, 2015	
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, 2016		Dec	. 31, 2015
Interest Payable	\$	-	\$	7
Accrued Expenses		2,934		3,052
Collection Payable		751		4,060
Accrued Pension		-		8
Other Payables		71,999		74,384
Total	\$	75,684	\$	81,511

#### XII. PAYOUT SPECIAL RESERVES

	Dec. 31, 2016		Dec. 31, 2015	
General Financial Deposit Insurance Payout Special Reserves	\$	65,665,140	\$	56,428,375
Agricultural Financial Deposit Insurance Payout Special Reserves		4,338,203		4,007,204
Total	\$	70,003,343	\$	60,435,579

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

	ı	Dec. 31, 2016	Dec. 31, 2015		
Temporary Receipts and the Account to be Carried Over	\$	1,065,851	\$	1,061,502	

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 \$264,446 thousand and \$263,177 thousand at year ends of 2016 and 2015 respectively, were transferred to the CDIC to handle.

#### XIV. CAPITAL STOCK

Dec. 31, 2015 and 2015					
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 \$265,026 thousand under the total assets and liabilities as of Dec. 31, 2016, 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 \$1,958 thousand, deposits in the Central Bank \$262,488 thousand, prepaid expenses \$580 thousand, accrued expenses \$580 thousand and temporary receipts and the account to be carried over \$264,446 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 2016, the Chinatrust Commercial Bank has not yet applied for the compensation.
- 2. The collateral deposits amounted \$200 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.



# SINCERITY

### Protecting the Financial Future

The CDIC is aligning Taiwan with international finance, applying its creative energy to seize opportunities for sustainable economic development and steadily expand Taiwan's presence on the global stage.

#### **STATISTICS**

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

Unit: number of institutions

Type of Institution	2016	2015	2014	2013	2012
Domestic Banks	39	39	40	40	39
Credit Cooperatives	23	23	23	24	24
Credit Departments of Farmers' Association	282	281	278	277	277
Credit Departments of Fishermen's Association	28	25	25	25	25
Local Branches of Foreign Banks and Mainland Chinese Banks in Taiwan	28	29	29	29	26
Total	400	397	395	395	391

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

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

Unit: %

Type of Institution/Voor	Ratio of Covered Deposits to Total Eligible Deposits (%)					
Type of Institution/Year	2016	2015	2014	2013	2012	
Domestic Banks	51.9	51.8	52.8	52.7	53.4	
Credit Cooperatives	66.4	67.1	68.3	69.4	71.3	
Credit Departments of Farmers' Associations	79.2	79.4	79.0	80.0	81.0	
Credit Departments of Fishermen's Associations	82.3	83.4	82.5	83.4	83.3	
Local Branches of Foreign Banks and Mainland Chinese Banks in Taiwan	1.7	2.4	2.4	3.0	10.5	
Total	52.3	52.5	53.5	53.6	54.5	

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.
- 3. 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.
- 4. 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.

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

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

Unit: NT\$ million

		Ins	ured Instituti	ons				Ratio of
Year	Туре	No. of Institutions	Total Eligible Deposits	Covered Deposits	Ratio of Covered Deposits to Total Eligible Deposits (%)	Premium Revenue	Deposit Insurance Payout Special Reserves	Deposit Insurance Payout Special Reserves to Covered Deposits (%)
			(a)	(b)	(b)/(a)		(c)	(c)/(b)
2016	General	89	38,318,605	19,917,155	51.98	8,994	65,665	0.33
2010	Agricultural	311	2,406,935	1,364,142	56.68	332	4,338	0.32
2015	General	90	36,903,038	19,263,169	52.20	8,799	56,428	0.29
2015	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
2014	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	27,133	0.15
2013	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
2012	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
2011	Agricultural	303	2,093,921	1,194,099	57.03	355	2,744	0.23
2010	General	90				4,389	0	0
2010	Agricultural	301				302	2,507	_
2009	General	93	Rla	nket Guarant	99	4,184	0	0
2009	Agricultural	290	ыа	iliket Guarant		291	2,395	
2008	General	94				4,067	0	0
2000	Agricultural	290					2,293	
2007	General	98	21,764,787	10,472,346	48.12	3,965	0	0
2007	Agricultural	278	1,298,495	900,009	69.31	365	2,189	0.24

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

				Oi	п. түт ф ппппоп
Year Item	2016	2015	2014	2013	2012
Operating Revenues	10,200	9,979	20,762	28,053	23,626
Interest Revenue	875	855	704	387	238
Premium Revenue	9,325	9,124	8,968	8,651	8,520
Other Operating Revenue			11,090	19,015	14,868
Operating Costs and Expenses	10,185	9,791	20,760	28,045	23,522
Deposit Insurance Payout Special Reserve Provisions	9,305	8,914	20,034	27,457	22,930
Interest Expenses	5	1	2	1	2
Transaction Expenses	812	812	662	522	523
General & Administrative Expenses	57	58	57	61	63
Other Operating Expenses	5	5	5	4	4
Other Expenses	1	1	-	-	-
Operating Income	15	188	2	8	104
Non-Operating Income (Loss)	(15)	(188)	(2)	(8)	(104)
Net Income before Income Tax	-	-	-	-	-
Income Tax Expenses	-	-	-	-	-
Net Income	-	-	-	-	-

Notes: 1. The figures for 2012, 2013, 2014 and 2015 were reviewed and audited by the National Audit Office; those for 2016 were based on CDIC's final accounts for that year.

<sup>2.</sup> 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: 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	<ol> <li>Revised in January 2007 as follows:</li> <li>All financial institutions legally approved to accept deposits must apply to CDIC to join the deposit insurance system.</li> <li>Such institutions may become insured institutions after inspection and approval by CDIC.</li> <li>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>.</li> </ol>
Capital	Legally prescribed capital NT\$2 billion     Paid-in capital NT\$800,050,000	<ul> <li>Legally prescribed capital raised to NT\$5 billion in July 1992</li> <li>Prescribed capital raised to NT\$10 billion in November 1995</li> </ul>	Same as the left column
Insured Institutions	<ul> <li>Domestic banks (excluding Chunghwa Post Co., Ltd.)</li> <li>Small and medium business banks</li> <li>Trust and investment companies</li> <li>Credit cooperatives</li> <li>Credit departments of farmers' and fishermen's associations</li> <li>Foreign bank branches in Taiwan (even if their deposits are protected in their home countries)</li> <li>Other financial institutions designated by the Ministry of Finance</li> </ul>	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	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)  Revised in October 2013: Revised "Local Branches of Foreign Banks" into "Local Branches of Foreign Banks and Mainland Chinese Banks"
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)	(Jul	4)		
Insurance Premium	Flat rate: 0.05%	<ul> <li>Flat rate, but reduced to 0.04% in July 1987</li> <li>Further reduced to 0.015% in January 1988</li> <li>Risk-based premium</li> </ul>	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:			
		system adopted on July 1, 1999, and three-tier rates instituted: 0.015%,	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	
		to 0.05%, 0.055% and 0.06% on January 1, 2000	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%	
			Revised in Nover Risk-based prem within the coveral amounts beyond 2011;also revised Branches of Fore of Foreign Banks and applying the follows:			
			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 Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund 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> <li>Increased to NT\$1.5 million on July 1, 2007.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
Types of Eligible Deposits	<ul> <li>Checking deposits</li> <li>Demand deposits</li> <li>Time deposits</li> <li>Savings deposits</li> <li>Trust funds</li> <li>Other deposits that the competent authority has approved as eligible</li> </ul>	Same as the left column	<ol> <li>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 Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund, 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.)</li> <li>Revised in January 2007 as follows:         <ul> <li>Checking deposits</li> <li>Demand deposits</li> <li>Time deposits that the competent authority has approved as eligible</li> </ul> </li> <li>Revised in May 2008 as follows:         <ul> <li>Checking deposits</li> <li>Demand deposits</li> </ul> </li> <li>Time deposits that the competent authority has approved as eligible in certain financial institutions</li> <li>Other deposits that the competent authority has approved as eligible</li> </ol>

	Year of Establishment	Subsequent Changes	Changes
	(Sept. 1985)	(Sept. 1985 ~ July 2001)	(July 2001 ~ Dec. 2014)
			<ul> <li>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</li> <li>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</li> <li>Bank debentures issued on or before June 23, 2005</li> <li>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.</li> <li>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:  Checking deposits  Demand deposits  Time deposits  Demand deposits  Time deposits required by law to be deposited in certain financial institutions</li> <li>Other deposits that the competent authority has approved as eligible</li> <li>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.</li> </ul>
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<ul> <li>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.</li> <li>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.</li> <li>In October 2009, the government announced that the period of temporary full coverage would be extended a further year until December 31, 2010.</li> <li>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.</li> </ul>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Scope of Capital Utilization	<ul> <li>deposits at the Central Bank</li> <li>Investments in government bonds, bonds with principal and interest guaranteed by the government, or financial debentures</li> </ul>	The following revisions were effective in January 1999:  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	Revised in January 2007 as follows:  Deposits at the Central Bank Investments in government bonds Utilization by methods approved by CDIC Board of Directors
Means of Fulfilling Insurance Responsibilities	<ul> <li>Cash payouts</li> <li>Deposit transfers</li> <li>Temporarily continued operation in the name of CDIC</li> </ul>	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:  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> .

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
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> <li>Revised in January 1999 as follows:</li> <li>Insured institutions under guidance, superintendence, or conservatorship, may be assisted by provision of loans or deposits.</li> <li>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.</li> </ul>	Revised in January 2007 as follows:  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.
			• 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:  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.

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Method of Allocation of CDIC's Surplus	As stipulated in the <i>Company</i> Act.	Same as the left column	<ul> <li>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.</li> <li>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.     </li> </ul>
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.
Establishment of Two Separate Deposit Insurance Payout Special Reserves	None	Same as the left column	<ul> <li>Addition in January 2007:</li> <li>The reserves were divided into separate deposit insurance payout accounts for general financial institutions and agricultural financial institutions.</li> <li>Both reserve funds have a target ratio of 2% of covered deposits.</li> </ul>
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	<ul> <li>Revised in January 2007 as follows:</li> <li>CDIC may in accordance with Article 24 of the <i>Deposit Insurance Act</i> conduct inspections on insured institutions on the following items:</li> <li>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.</li> <li>Any event causing the termination of the deposit insurance agreement.</li> <li>Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities.</li> <li>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.</li> <li>Addition in January 2012:</li> <li>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.</li> </ul>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2014)
Elimination of Limits on Payout Cost	None	Same as the left column	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.
Set-off	None	Same as the left column	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.
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:  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.

### Central Deposit Insurance Corporation, Taiwan 2016 Annual Report

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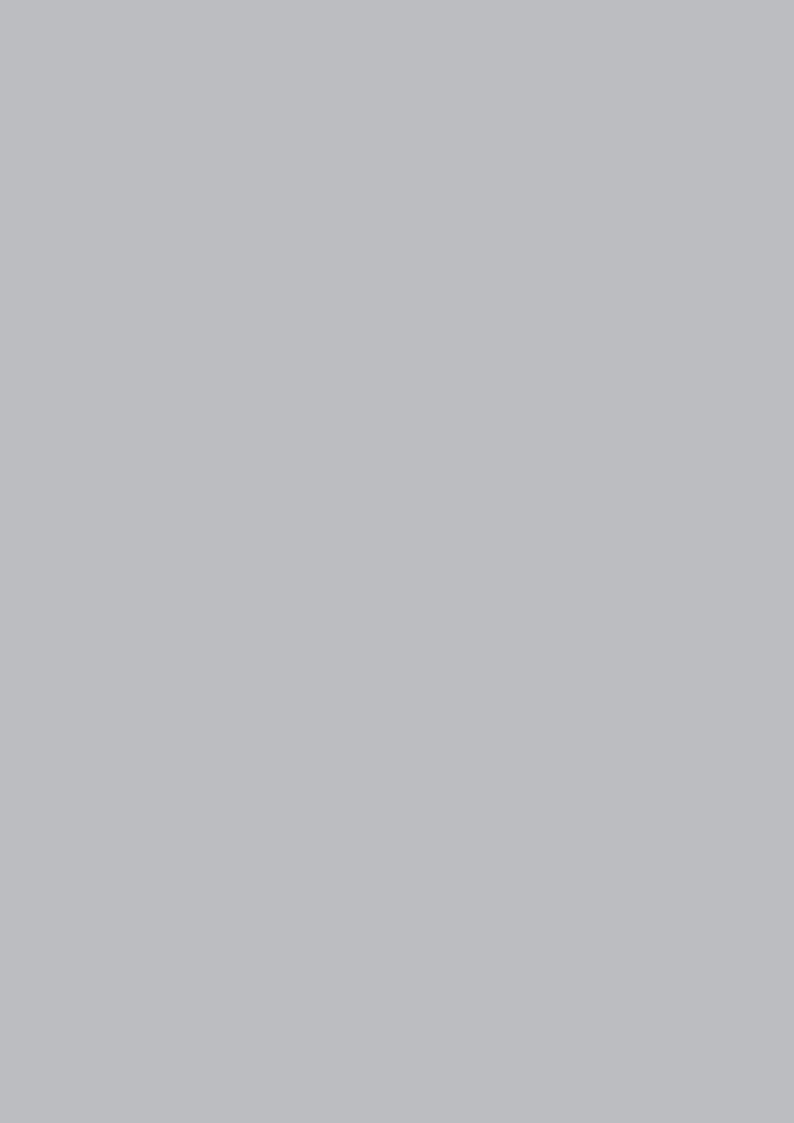
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