

# Overcoming Crisis and the Role of Deposit Insurance\*

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Distinguished Guests, Ladies and Gentlemen:

I consider it a great honor to have this opportunity to speak on the role played by the Central Deposit Insurance Corporation (CDIC) in handling financial crises in Taiwan. My report today is divided into four parts. I shall first introduce Taiwan's economic and financial situation. Next, I will discuss the financial problems that Taiwan is currently facing. Then I will speak on how Taiwan is handling systemic financial crises. Finally, I shall share with you what the CDIC has learned from its experiences of handling financial crises.

## **I. Taiwan's Economic and Financial Conditions**

Before I introduce Taiwan's economic and financial conditions, I shall first use a slide to help you gain a basic understanding of Taiwan. Taiwan is an island located in the East Asian region in the Western Pacific. Its neighbors include the Philippines (to the south),

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China (to the west), and Okinawa, Japan, and Korea (to the north). It has strong economic ties with all of them. Taiwan's population is currently around 23 million and it covers a land area of some 36,000 square kilometers.

During the past few decades, the Taiwan government has placed a strong emphasis on the development of international trade. Because of its hard-working people, Taiwan has become famous for its achievements in creating an "economic miracle." It not only sustained a very high economic growth rate over a long period of time, but also consistently registered surpluses on its external trade and current accounts. For a time, it also had the highest foreign exchange reserves in the world. At present, its foreign exchange reserves amount to 190 billion US dollars, the third highest in the world. Taiwan's average GDP growth rate over the last ten years has been 6.3 percent, and its unemployment rate 2.8 percent. Prices have remained stable, and the consumer price index has on average increased by about 1.8 percent each year. Taiwan's overall economic fundamentals have remained remarkably stable.

As for Taiwan's financial situation, before 1990, the banking system consisted mostly of government-owned banks. There were only a few private-sector banks that had been set up a long time previously. Because the government maintained very strict financial supervision, financial institutions adopted very conservative lending policies. As a result, there were very few instances of bad debts. When financial institutions failed, the government usually encouraged the large government-owned banks to take them over or else manage them until they got back on track.

Because of Taiwan's persistent trade surpluses, the Central Bank's foreign exchange reserves rapidly accumulated. Over the five-year period from 1984 to 1989, for instance, Taiwan's foreign exchange reserves drastically increased from a little over US\$10 billion to US\$80 billion. This resulted in the financial system being awash with funds. In

order to upgrade quality of financial services and encourage financial innovations, calls for financial liberalization and internationalization as well as increase of market opening became louder every day. For this reason, in 1990, the government allowed 16 new private banks to commence operations at a time, even before it could ensure the soundness of financial supervision, strengthen financial discipline and privatize its government-owned banks. However, because the size of the market did not increase, and there was little financial innovation and relatively few new financial products, competition within the banking sector became increasingly fierce. It was in these circumstances that the seeds of financial instability were sown. The financial institutions most seriously affected were the community financial institutions, and so now I would like to turn my attention toward these.

## **II. The Financial Problems Facing Taiwan**

### **1. The Operating Crises of Community Financial Institutions**

Taiwan's community financial institutions, namely, the credit cooperative associations and credit departments of farmers' and fishermen's associations, have small scales of operations, their financial structures are fragile, and they lack sufficient specialized personnel. Confronted with fierce competition from the new private banks, they started to face operating crises in 1995. In addition, following the devastating September 21, 1999 earthquake in Taiwan and tumbling real estate prices, community financial institutions later suffered even greater losses from their operations. Furthermore, there was no suitable mechanism to help problem community financial institutions to be absorbed by healthy banks and withdraw from the market. The government's failure to resolve such a problem could well have led to a major financial crisis.

### **2. As Non-performing Loans have Increased, Profits have Declined**

As Taiwan promoted financial liberalization and internationalization, too many financial institutions entered the market. Competition among them thus became increasingly fierce. In 1997, both enterprises and banks were affected by the spreading Asian financial crisis, and losses from both overseas investments and lending increased. Then, dropping of real estate prices caused by the September 21, 1999 earthquake as well as the recent global economic recession have made many enterprises in the construction and related industries experienced financial difficulties. Consequently, the non-performing loans of financial institutions have significantly increased. How to deal with financial crises has become an important issue facing the Taiwan government

### **III. Steps Taken to Resolve Taiwan's Systemic Financial Crisis**

1. Establishing a Mechanism to Enable Problem Financial Institutions to Withdraw from the Market
  - (1)By revising the Deposit Insurance Act, participation in deposit insurance that was previously voluntary has since 1999 been converted into the mandatory system. Therefore, all financial institutions in Taiwan participate in the deposit insurance now. It is hoped that, by means of the deposit insurance mechanism, problem financial institutions will be able to withdraw from the market.
  - (2)Relevant laws and regulations have been revised to strengthen financial supervision as well as the powers and functions related to the handling of problem financial institutions. This is providing the banking industry with a legal basis for facilitating mergers involving the credit departments of farmers' and fishermen's associations and other such community financial institutions.

(3)The National Assembly passed a budget of 4 billion US dollars (NT \$140 billion) to set up the Financial Restructuring Fund on July 9, 2001. A temporary blanket guarantee has been provided for a period of three years, and the CDIC has been given responsibility for dealing with problem financial institutions.

## 2. Handling the Financial Crisis

(1)In order to safeguard the rights and interests of depositors and maintain an unbroken flow of financial services, a total of 36 credit departments of farmers' and fishermen's associations and 8 credit cooperative associations have by means of purchase and assumption (P&A) transactions withdrawn from the market without incident since July 2001. The total cost is about 3 billion US dollars (NT\$100 billion).

(2)By providing a blanket guarantee, a regional financial crisis has been avoided, and the government has in stabilizing financial order promoted comprehensive financial reform.

(3)The government is currently waiting for the National Assembly to approve more funds for resolving the NPL and over-banking problems.

## IV. Experiences and Lessons

I have just explained the main points regarding how the CDIC has assisted the government in handling financial crisis situations. As I bring my remarks to a close, I would like to take this opportunity to share with all of you Taiwan's experiences in dealing with problem financial institutions and the lessons it has learned. The main findings are as follows:

1. The credit departments of farmers' and fishermen's associations are weak financial institutions that are in need of special assistance from the government. If they form an independent

financial subsystem, the spreading of the financial crisis to the rest of the financial system can be avoided.

2. Before opening up the market to new financial institutions, the function of financial supervision should be strengthened and the current operational efficiency of financial institutions should be enhanced. Only then could the financial market be developed soundly.
3. The deposit insurance system is one part of the financial supervisory system that allows problem financial institutions to withdraw from the market without incident. Making participation in deposit insurance mandatory can help resolve the problems these financial institutions face.
4. At times when it is not possible for an economy to recover from a financial crisis based on the normal market mechanism, the government needs to step in. The earlier it deals with the situation, the lower will be the costs incurred.
5. A financial crisis arises because of an unsound operating environment. When implementing structural reforms, it is necessary to simultaneously promote corporate restructuring if the financial reforms are to be successful.

Ladies and Gentlemen, I would like to bring my remarks to a close here. Thank you very much for your attention.

# 存款保險之功能與系統性金融危機之處理

蔡進財

各位女士、各位先生：

本人非常榮幸有機會向各位介紹中央存款保險公司（CDIC）在我國金融危機時所發揮之功能與處理經驗。今天的報告分為四個部分，包括：台灣經濟金融概況介紹、目前面臨的金融問題、我國如何處理系統性金融危機，最後並將與各位分享 CDIC 在處理金融危機經驗中之心得與學習到的教訓。

## 壹、台灣經濟金融概況

在介紹台灣的經濟金融情勢前，為使在座各位對台灣有一基本的瞭解，我想以這張投影片向各位介紹台灣。台灣係位居亞東地區、西太平洋南邊之島國。鄰近菲律賓、大陸、琉球，與日、韓等鄰國亦有密切關係。人口約二千三百萬，面積約三萬六千平方公里。

過去數十年，台灣政府長期發展國際貿易，在人民勤奮努力下，創造了舉世注目的「經濟奇蹟」，經濟長期維持相當高的成長率，貿易及經常帳長期呈現順差，外匯存底一度為全球第一，目前外匯存底約逾 1,900 億美元，為全球第三，僅次於日本及中國大陸。最近十年平均 GDP 經濟成長率約為 6.3 %、失業率為 2.8 %，且物價穩定，消費者物價指數成長率約 1.8 %。整體經濟基本面相當穩健。

至於金融方面，台灣在 1990 年以前，金融體系以公營銀行為主，僅有少數幾家早期成立的民營銀行，金融機構在政府的嚴格管理下，授信保守，產生呆帳的情形不多，如因經營失敗，大多由政府協調大型公營金融機構予以概括承受或監管導正。

台灣由於長期國際貿易順差，央行外匯存底快速累積，尤其在 1984 至 1989 年五年間，央行外匯存底從一百餘億美元驟增至八百億美元，金融體系資金充沛，追求金

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本文為本公司董事長蔡進財先生應韓國存款保險公司邀請於民國九十二年十月二十四日在漢城舉辦之國際存款保險機構協會（International Association of Deposit Insurers, IADI）第二屆會員大會暨國際研討會演講之中譯。

融自由化、國際化，開放金融機構設立，提高金融服務品質的呼聲日趨激烈，1990 年政府未先健全金融監理，強化金融紀律，並將公營銀行民營化的情況下，驟然開放 16 家新銀行加入營運，在市場規模未擴充，金融創新不足，新金融商品未能隨之增加的情況下，競爭激烈可以想見，也埋下金融不安的種子。其中台灣基層金融機構特殊，所以我將從這裏談起。

## 貳、台灣面臨的金融問題

### 一、基層金融機構的經營危機

台灣的農漁會信用部與信用合作社等基層金融機構，由於規模小，財務結構脆弱，專業人力不足，在面對新銀行的強烈競爭下，自 1995 年起即呈現經營危機，其後 1999 年又遭逢 921 大地震，房地產價格崩跌，基層金融機構經營虧損更加嚴重，又缺乏由銀行予以合併的退出市場機制，此一問題不解決，有引發地區性金融危機之虞。

### 二、銀行體系不良債權大幅增加獲利減退

由於我國推動自由化與國際化，金融機構家數過多，競爭激烈，1997 年企業與銀行受東南亞金融風暴波及，投資與放款遭受損失，其後受國內 921 大地震影響，房地產價格崩跌，最近幾年又適逢嚴重的國際經濟不景氣，營建等相關企業財務危機陸續發生，金融機構不良債權大幅增加，金融危機處理乃成為我國政府所應面對的重要課題。

## 參、台灣如何解決系統性金融危機

### 一、構建問題金融機構退出市場機制

1. 修改存款保險條例，將自由投保改為強制性存款保險，將所有金融機構均納入存款保險體系，期望透過存保機制，讓問題金融機構退出市場。
2. 修改相關法律，強化金融監理及處理問題金融機構之權能，並提供銀行業可以合併農漁會信用部等基層金融機構之法律基礎。
3. 由國會於 2001 年 7 月 9 日通過 1,400 億元金融重建基金，並設立金融重建基金管理委員會負責政策之制定，並由存保公司負責問題金融機構之處理。

## 二、金融危機之處理情形

1. 自 2001 年 7 月至今，在確保存款人權益、維持金融服務不中斷的情況下，透過購買與承受（P&A）方式，共讓 36 家農漁會信用部及 8 家信用合作社平順退出市場，共計動用資金 1,000 億元。
2. 在存款保險全額保障的情況下，避免發生地區性金融危機，並使政府在安定的金融秩序下推動全面性金融改革。
3. 目前政府正尋求國會通過提高金融重建基金額度，協助解決銀行體系的不良債權與銀行家數過多的問題。

## 肆、經驗與教訓

以上為中央存款保險公司協助政府處理金融危機的過程與重點說明，最後，本人想藉此機會與各位分享我國處理問題金融機構的經驗與教訓：

- 一、農漁會信用部屬弱勢金融機構，需要政府的特別協助輔導，自成一金融體系可避免其危機波及一般金融體系。
- 二、金融機構的開放，應先強化金融監理功能，提昇現有金融機構之經營效率，再開放新銀行的設立。
- 三、存保制度係金融監理制度上讓問題金融機構退出市場的一環，強制性存保制度可協助解決問題金融機構。
- 四、金融危機無法依一般市場機制回復導正時，政府應適時介入，愈早介入處理，成本愈低。
- 五、總體性金融危機係源於經營環境的不良，推動結構性金融改革並應同時推動企業改革，始能克竟全功。