

Establishment, Policy Goals and Organizational Structure

1. Background of Establishment

The government took elaborate measures of regulation and protection of local financial institutions before the 1980's to maintain stable growth of the financial industry. Therefore, the operations of financial institutions had been steady and smooth at that period of time. When local and international financial environments started to experience rapid changes brought about partly by the trend of liberalization and globalization, the government responded by sequential liberalization of the financial businesses and relaxation of relevant financial laws. As a result, the industry itself was empowered with higher operations freedom, though accompanied by increasing competition and higher business risk. In consideration of the far-reaching impact of business failure of financial institutions on wide facets of the economy, the government undertook to devise a deposit insurance system to safeguard the benefits of small amount depositors on the basis of Article 46 of the former *Banking Law*. The intention was widely supported by the financial industry, academia and experts. In 1983 Ministry of Finance joined by the Central Bank invited representatives from the financial industry and drafted the *Deposit Insurance Act*. After the approval by the Parliament, the *law* was promulgated and implemented by Presidential decree on January 9, 1985, which has become the origin of Taiwan's deposit insurance law.

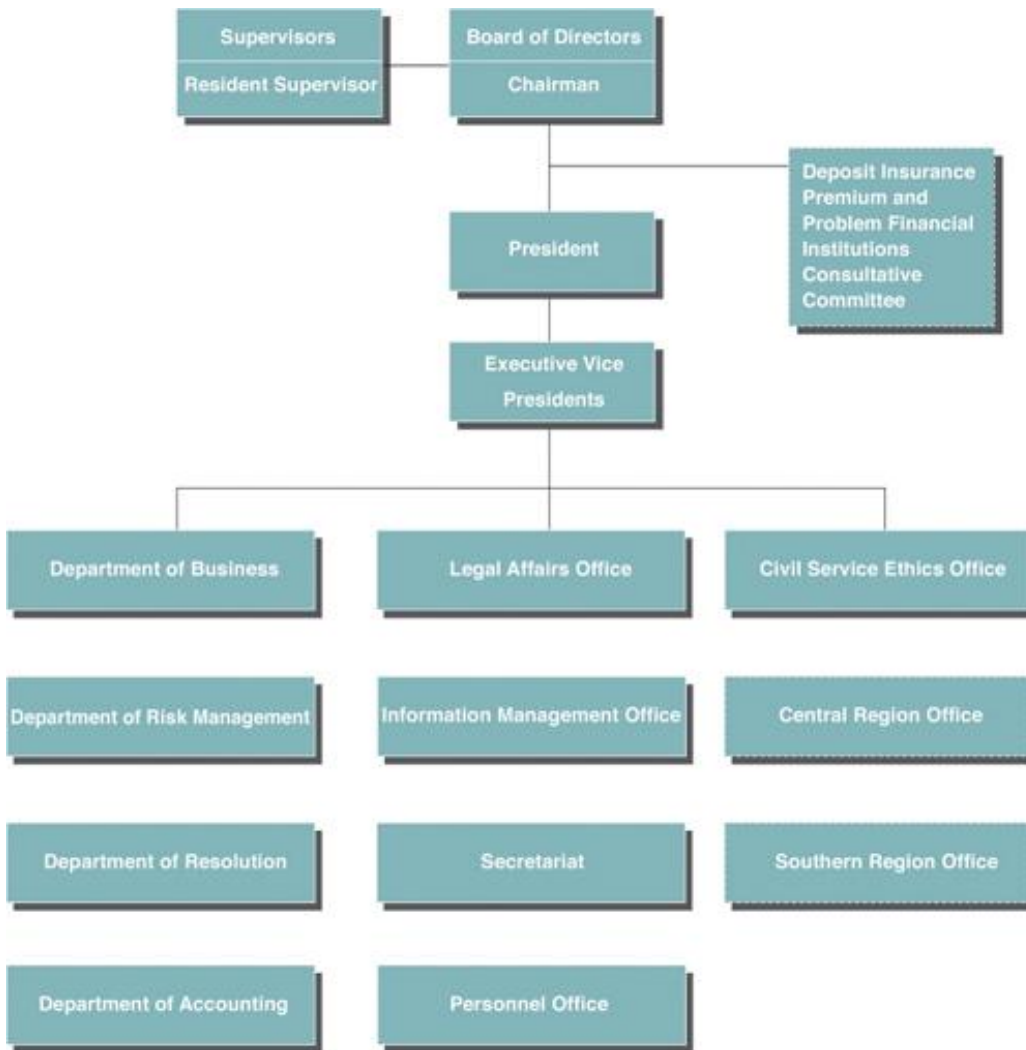
In the beginning of 1985, several panic run incidents broke out, including Tenth Credit Cooperative Association of Taipei City, Cathay Trust and Investment Corporation, Asia Trust and Investment Corporation and Overseas Chinese Trust & Investment Corporation. These crises highlighted the urgency of putting a deposit insurance system in place. As a result, Ministry of Finance in conjunction with the Central Bank organized and funded the establishment of Central Deposit Insurance Corporation (CDIC) based on the promulgation of the *Deposit Insurance Act*. CDIC officially opened business on September 27, 1985, and became specialized institution of deposit insurance.

2. Policy Goals and Main Responsibilities

As clearly spelt out in Article 1 of the *Deposit Insurance Act*, the deposit insurance system has been set up to safeguard the benefits of depositors in financial institutions, to maintain an orderly credit system and to enhance the sound development of financial operations; these are also its policy goals. Four important responsibilities were assigned to CDIC by the *Deposit Insurance Act* to fulfill the purpose of legislation, including handling deposit insurance, examining insured institutions, assisting problem insured institutions, and dealing with failed insured institutions.

3. Organization and Duties

The framework and regulation of CDIC organization has been amended and adjusted several times in accordance with the need of business development since its establishment before reaching current scale. Current organizational framework is exhibited as follows:



Duties of the individual departments are described as follows:

1. Department of Business:
Handles deposit insurance international affairs, the utilization and management of funds, research and development, cash pay-offs, deposit transfer pay-offs, the temporary operation of failed financial institutions in the name of CDIC.
2. Department of Risk Management:
Handles matters related to the National Financial Early-Warning System, management of insurance risk, off-site monitoring of insured institutions, disposition of panic run, and assistance for problem financial institutions.
3. Department of Resolution:
Handles the placing of the insured institutions under supervision or conservatorship, provision of financial assistance to assist mergers and acquisitions among insured institutions, advance payment to uninsured creditors, and liquidation of the assets and liabilities of failed institutions.
4. Department of Accounting:
Handles all budgets, financial accounting, statistics and internal auditing.

5. Legal Affairs Office:
Handles contracts, litigation, financial laws and regulations, and research of laws and systems related to deposit insurance.
6. Information Management Office:
Handles the planning, design, implementation and management of all electronic data operations, and other related matters.
7. Secretariat:
Handles confidential matters, documentation, procurement, cashier affairs, assets management, and other general affairs.
8. Personnel Office:
Handles personnel management and training matters.
9. Civil Service Ethics Office:
Handles matters related to civil service ethics.