

CHALLENGES AND FUTURE ENHANCEMENTS OF THE DEPOSIT INSURANCE SYSTEM

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APRC
CEO
Dialogue



Agenda

A

OVERVIEW OF TAIWAN'S DEPOSIT INSURANCE SYSTEM

B

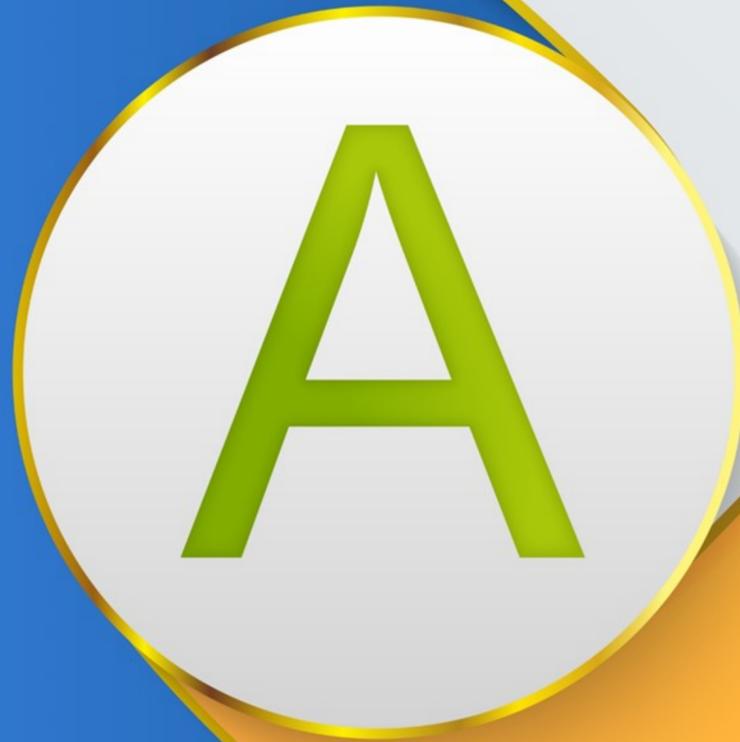
**TAIWAN'S ECONOMIC AND FINANCIAL CONDITIONS
& RISKS TO FINANCIAL INSTITUTIONS**

C

CHALLENGES TO THE DEPOSIT INSURANCE SYSTEM

D

CONCLUSION



Overview of TAIWAN'S DEPOSIT INSURANCE SYSTEM

OVERVIEW OF TAIWAN'S DEPOSIT INSURANCE SYSTEM

- CDIC – government agency established in 1985
- Shareholders
 - Financial Supervisory Commission (FSC)
 - Central Bank
- Membership and coverage level
 - Mandatory application but subject to CDIC's approval
 - Number of Insured Institutions: 400
 - Coverage limit: NT\$ 3 million (US\$100,000)
 - Percentage of deposit accounts covered: 98.30%
- Risk minimizer
 - Insured risk control: conduct off-site monitoring & on-site inspections, etc.
- Resolution authority
 - Handling of problem banks (conservator, receiver, liquidator)
 - Pursuit of civil liabilities for illegal acts or omissions by failed banks' staff



B

Taiwan's

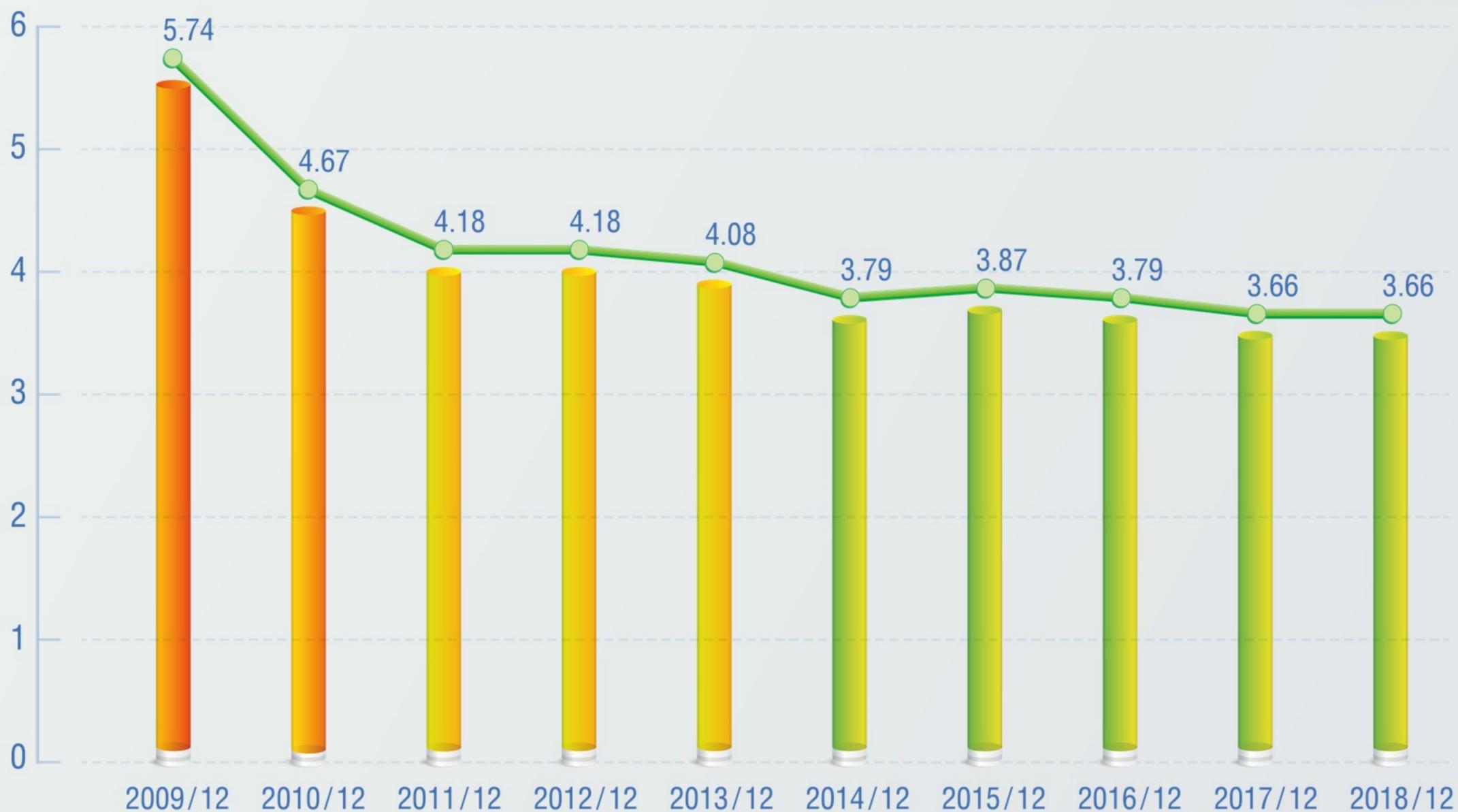
ECONOMIC AND
FINANCIAL CONDITIONS
& RISKS TO FINANCIAL
INSTITUTIONS

GENERAL OVERVIEW OF ECONOMIC CONDITIONS

- No. 10 on Index of Economic Freedom (Heritage Foundation)
- No. 13 on Global Competitiveness 2018-2019 (World Economic Forum)
- No. 13 on Ease of Doing Business (World Bank)

1. STEADILY FALLING UNEMPLOYMENT RATE

Unit: %



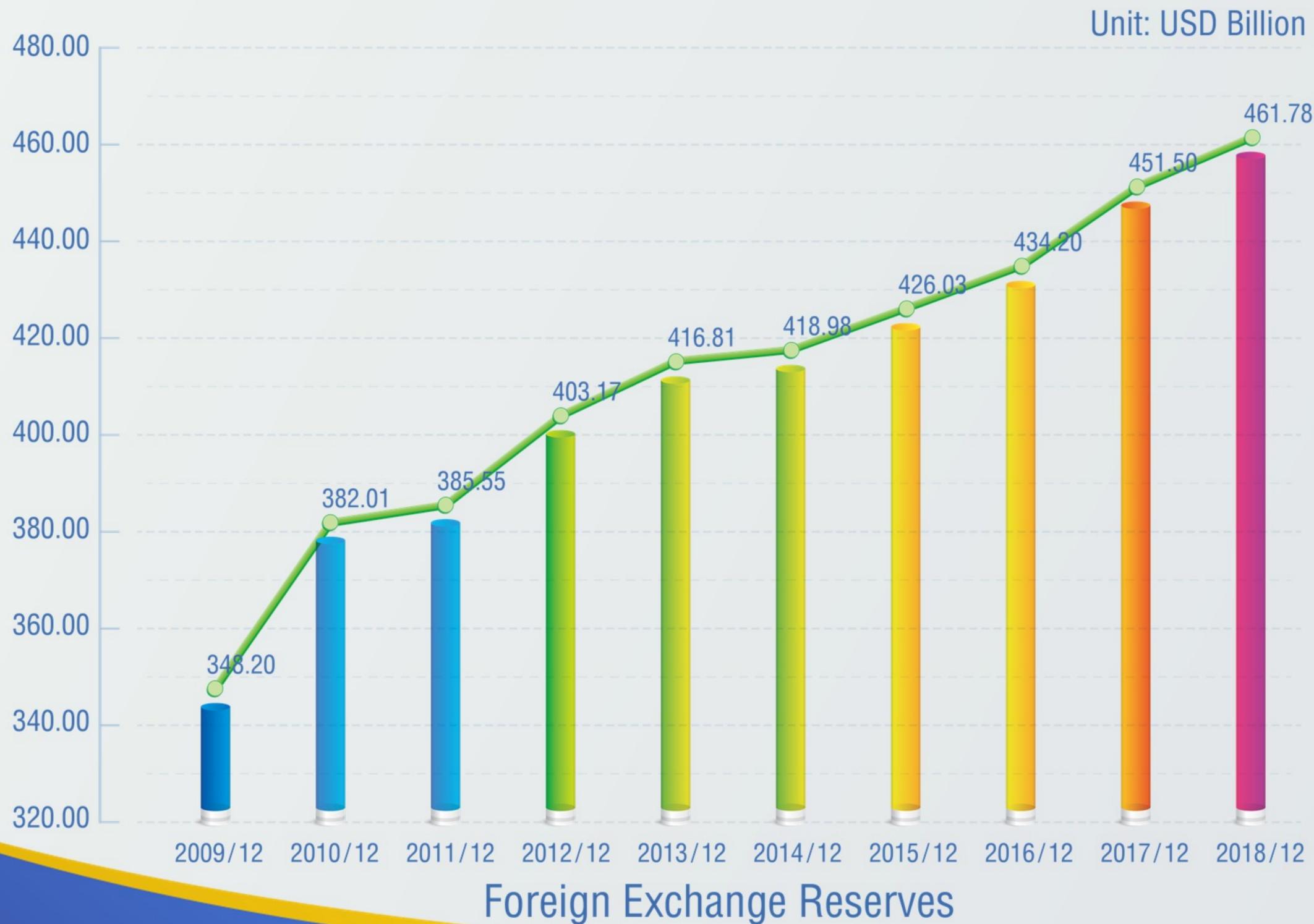
Unemployment Rate

2. STEADY ECONOMIC GROWTH

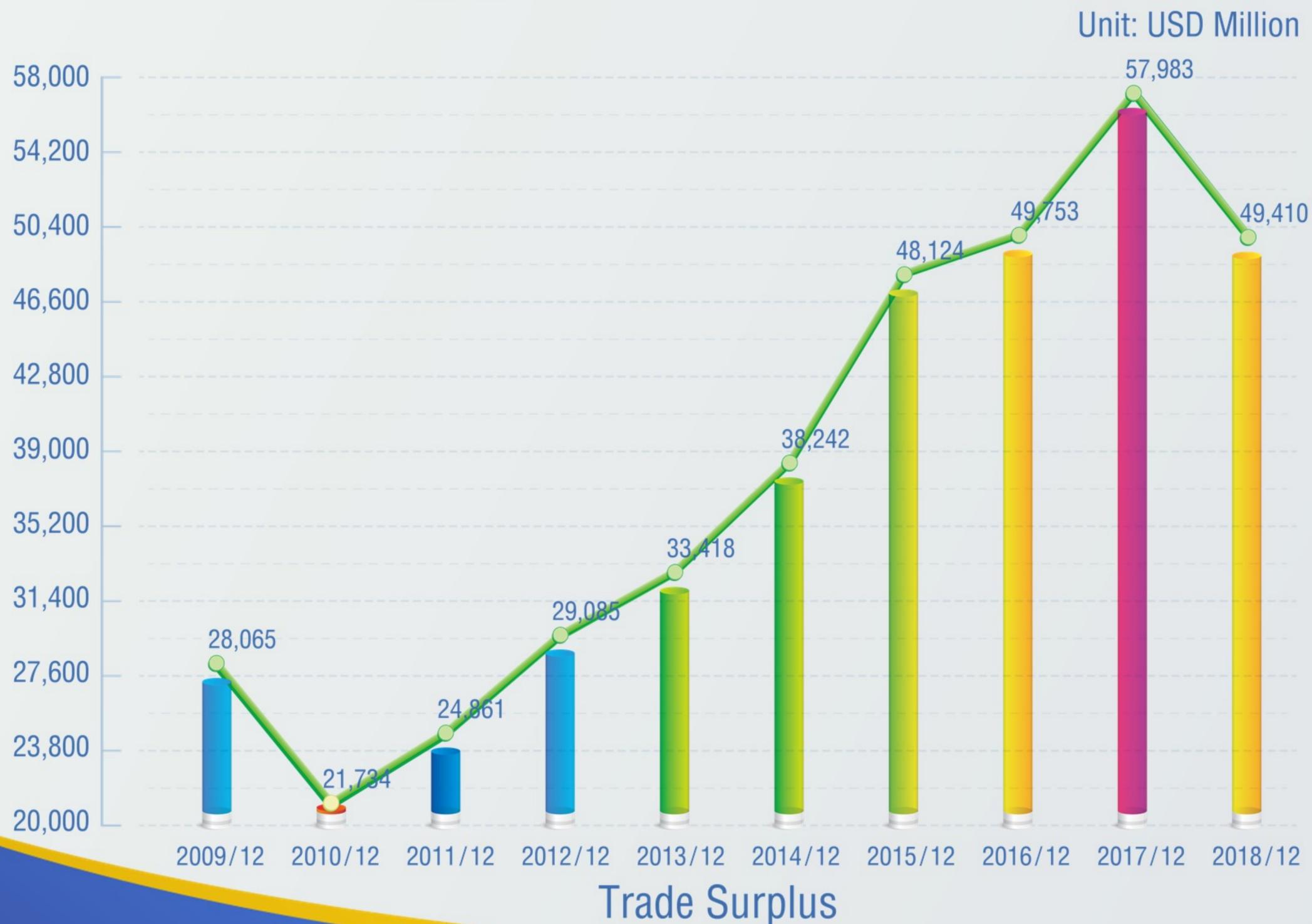


Economic Growth Rate

3. CONTINUED INCREASE IN FOREIGN EXCHANGE RESERVES



4. CONTINUED TRADE SURPLUSES



5. STEADY MANUFACTURING PURCHASING MANAGERS' INDEX, BUT SLIGHTLY DOWN IN RECENT YEARS



6. CONTINUED IMPROVEMENT IN STATE OF THE FINANCIAL INDUSTRY

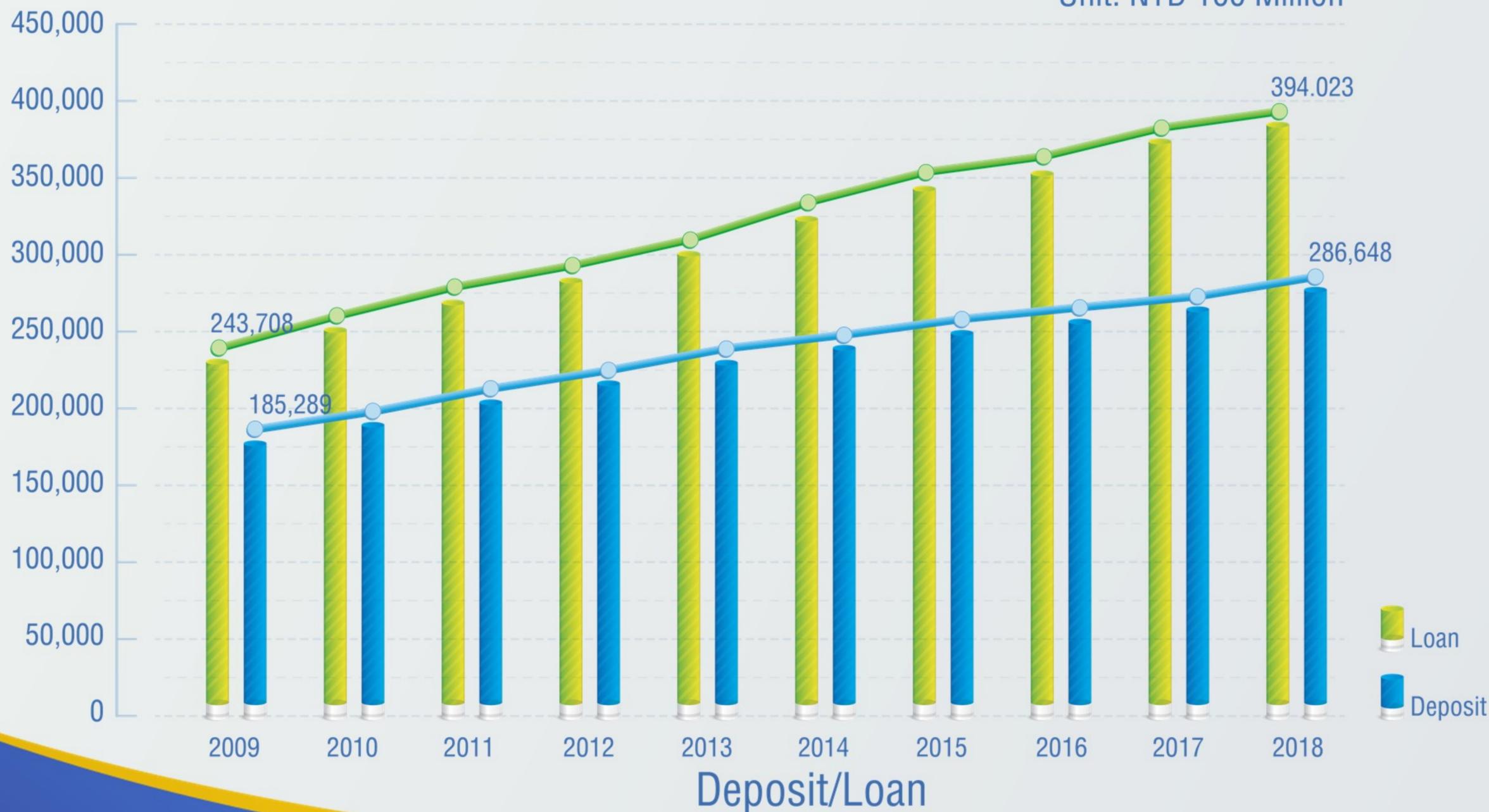
- (1) Conditions in Taiwan's financial industry have trended upward over the past 10 years (2009 to 2018). The total assets and earnings of insured institutions continue on an upward trend.



6. CONTINUED IMPROVEMENT IN STATE OF THE FINANCIAL INDUSTRY

(2) Continued Increase in Loans and Deposits (Domestic Banks)

Unit: NTD 100 Million



6. CONTINUED IMPROVEMENT IN STATE OF THE FINANCIAL INDUSTRY

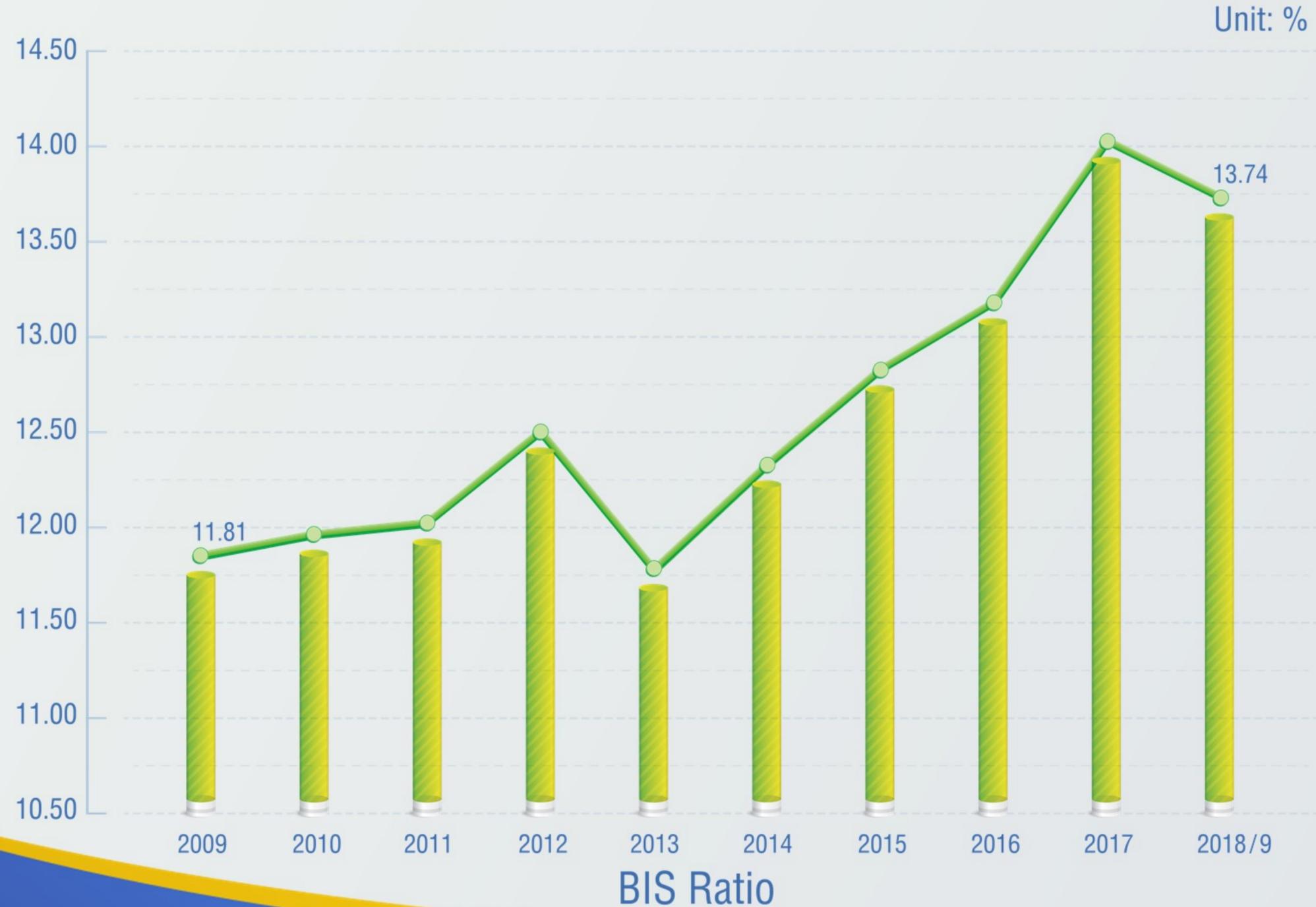
(3) Continued Increase in Pre-tax Earnings (Domestic Banks)

Unit: NTD 100 Million



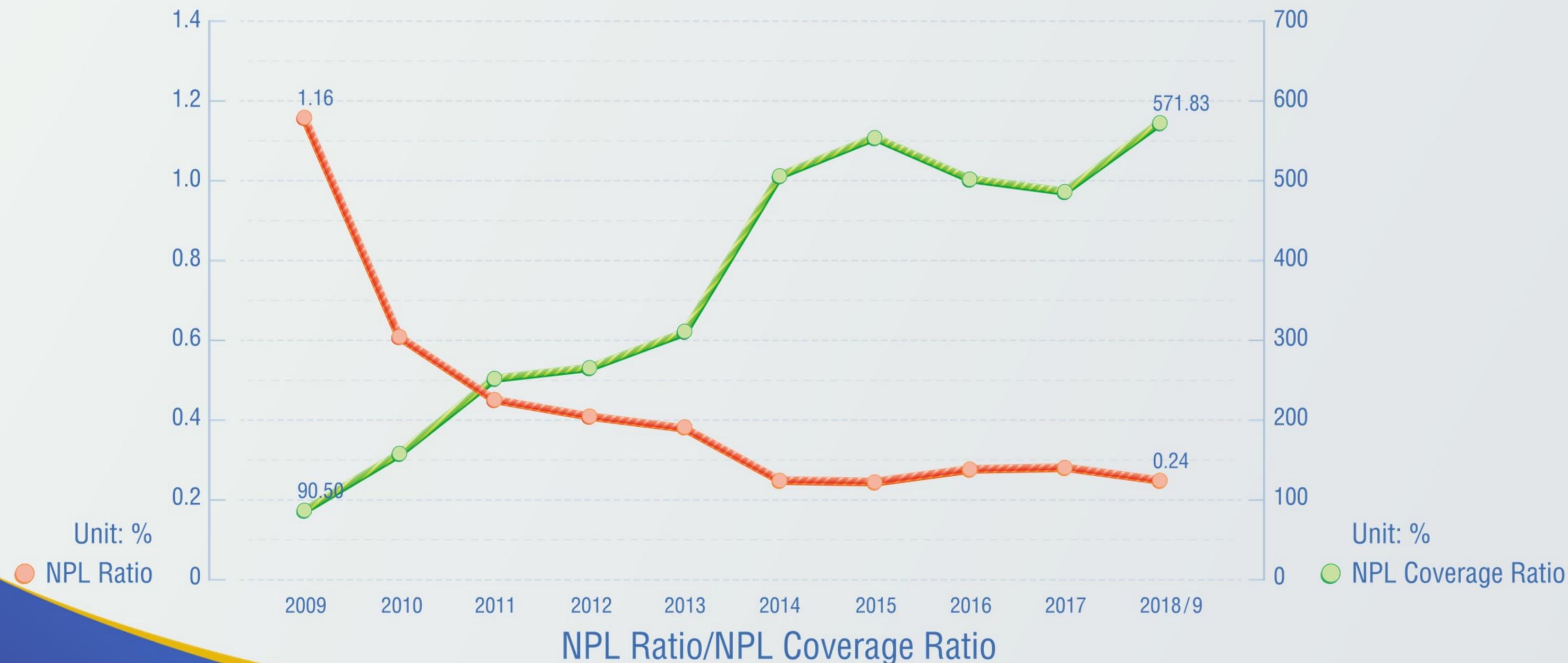
6. CONTINUED IMPROVEMENT IN STATE OF THE FINANCIAL INDUSTRY

(4) Continued Growth in Average BIS Ratio (Domestic Banks)



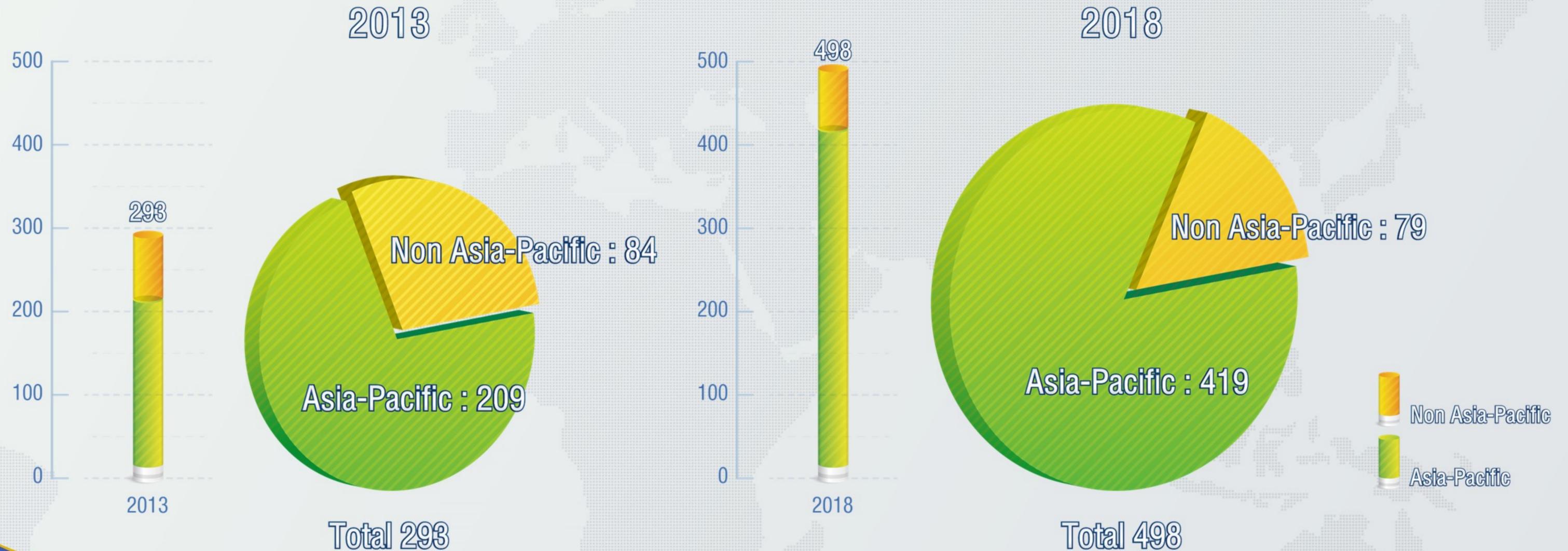
6. CONTINUED IMPROVEMENT IN STATE OF THE FINANCIAL INDUSTRY

(5) Steep Drop in Average NPL Ratio / Sharp Rise in NPL Coverage Ratio (Domestic Banks)



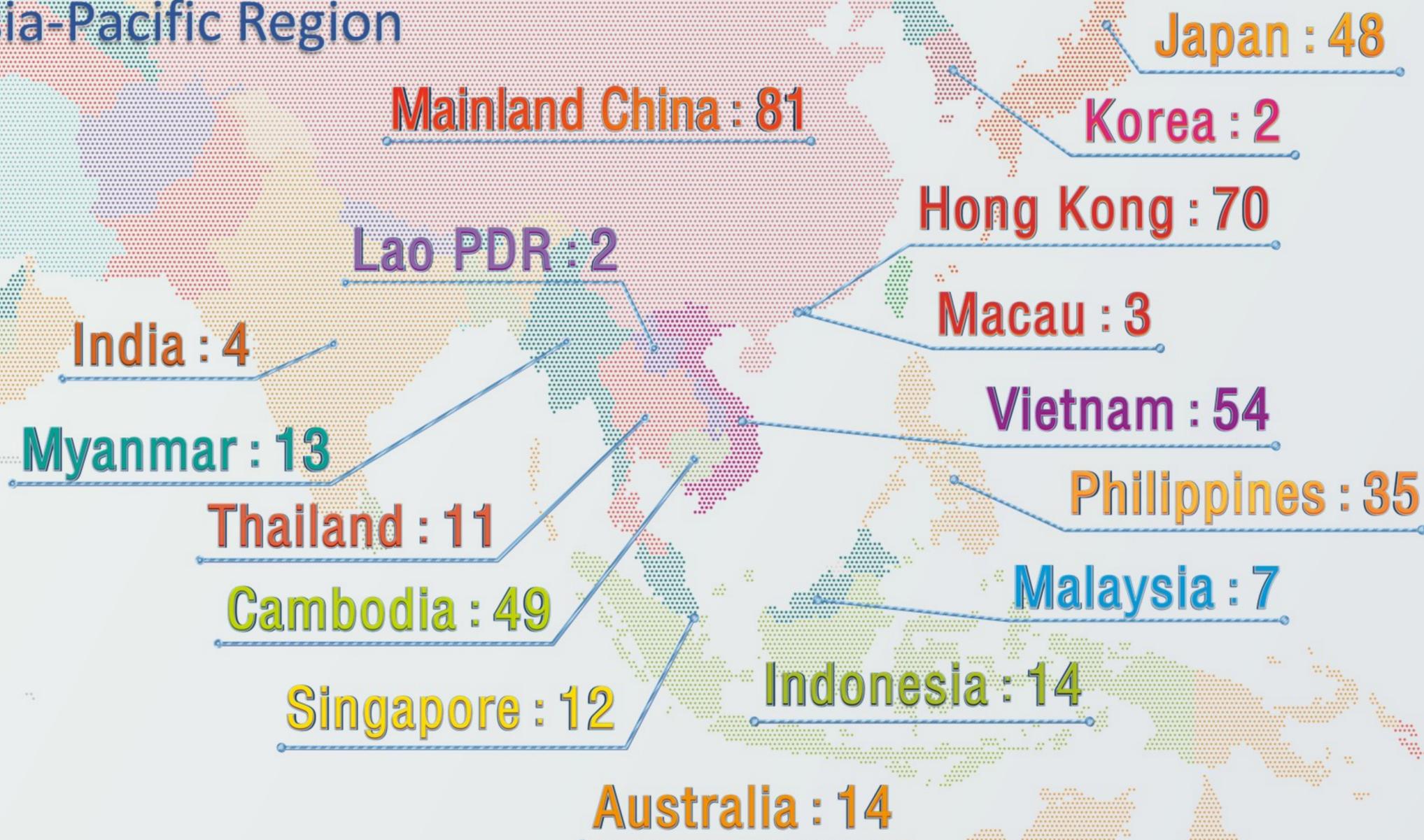
6. CONTINUED IMPROVEMENT IN STATE OF THE FINANCIAL INDUSTRY

(6) Sharp Growth in No. of Overseas Branches and Subsidiaries



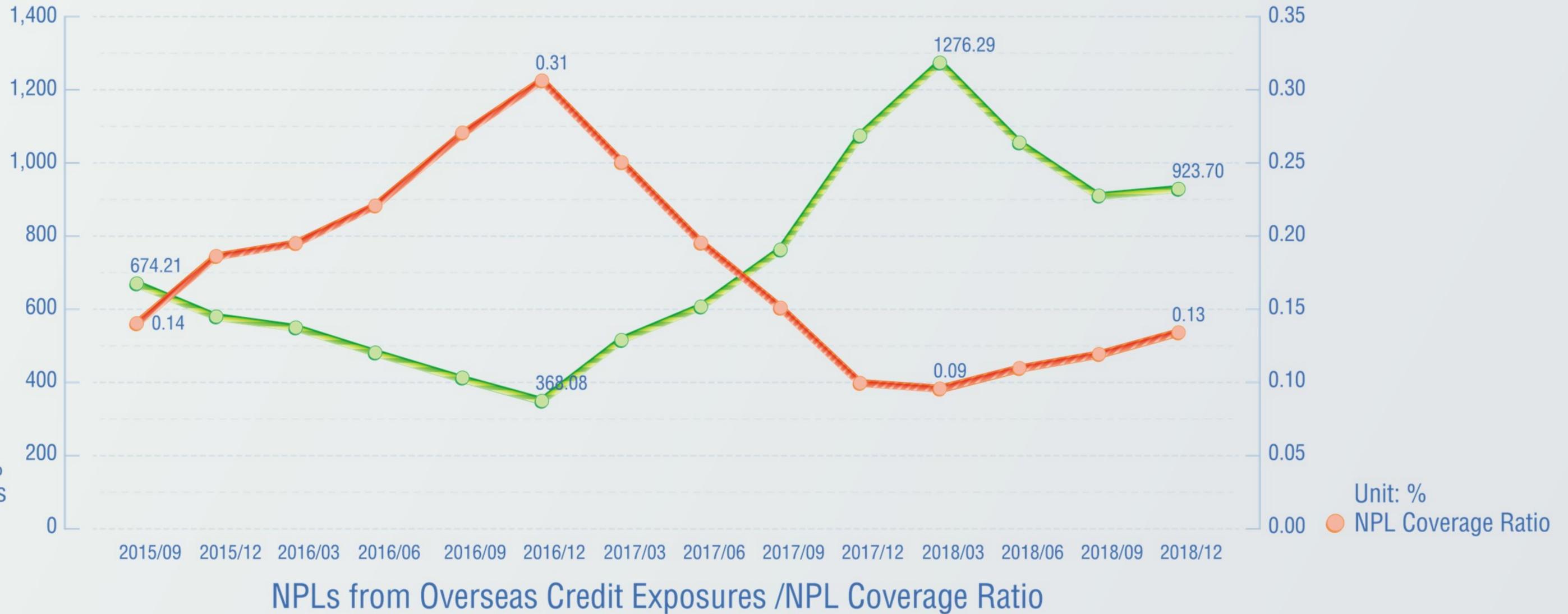
6. CONTINUED IMPROVEMENT IN STATE OF THE FINANCIAL INDUSTRY

(7) Distribution of Foreign Branches and Subsidiaries in Asia-Pacific Region



6. CONTINUED IMPROVEMENT IN STATE OF THE FINANCIAL INDUSTRY

(8) Overseas NPLs Under Control



6. CONTINUED IMPROVEMENT IN STATE OF THE FINANCIAL INDUSTRY

(9) Challenges to the Financial Institutions

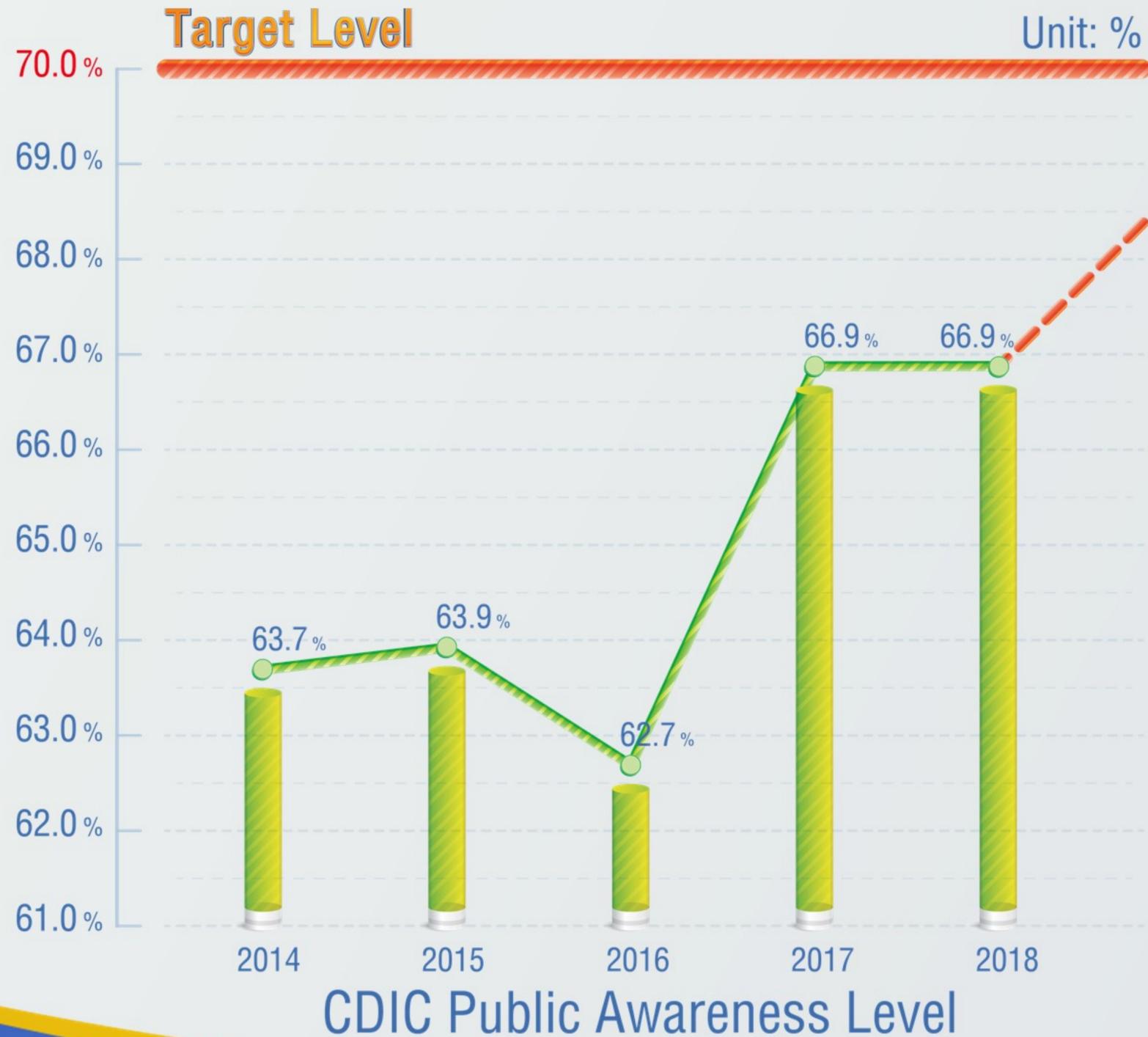
- Due to slowing global economic growth and trade wars :
 - Increased uncertainty and higher risks faced both at home and abroad
 - A slightly upward trend in NPL ratios, and slightly higher overseas exposures
- Response measures :
 - FSC and CDIC have called on insured institutions to exercise better control of country risks, and to act in a timely manner to review their country risk limits and degree of risk concentration.



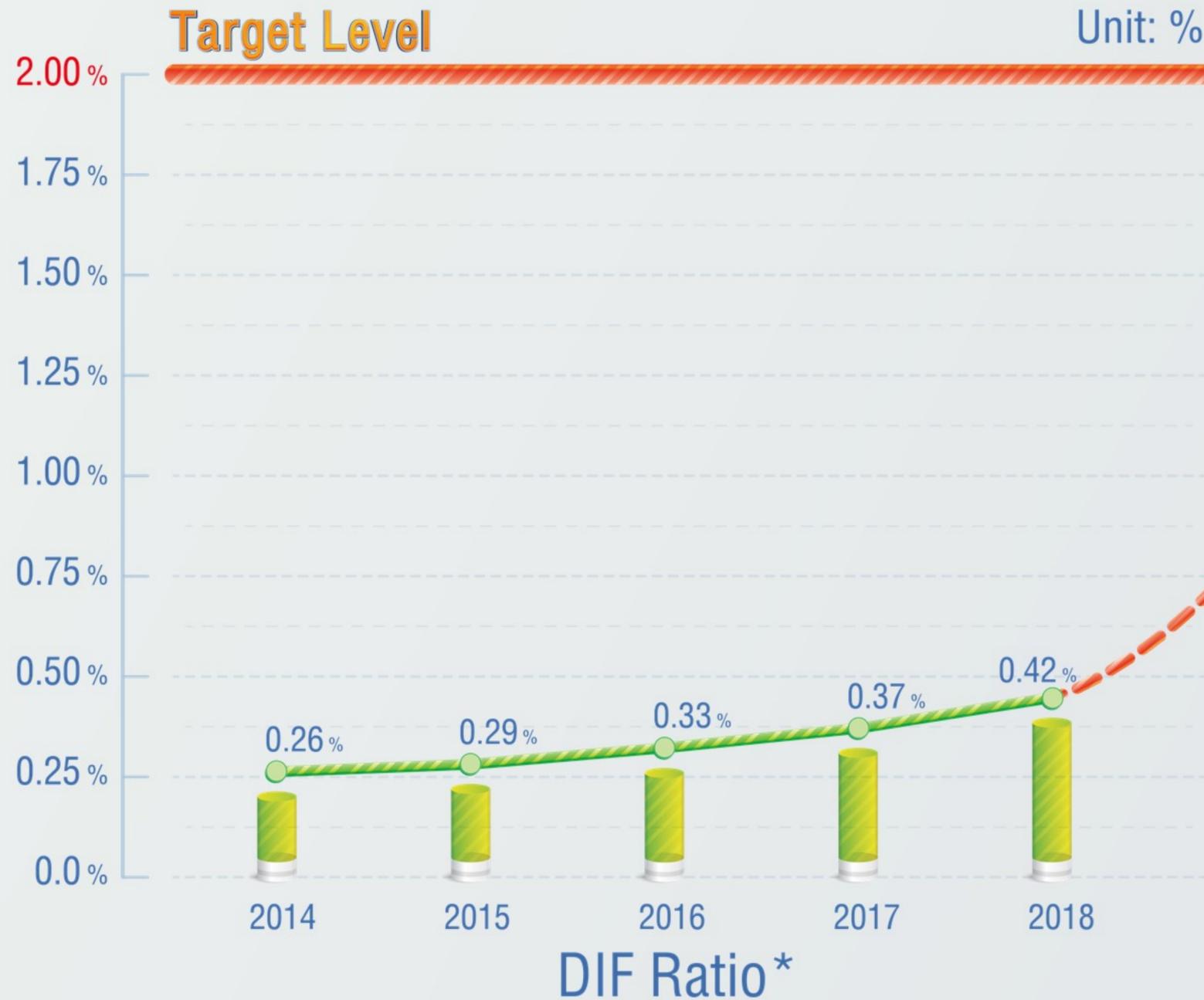
Challenges

TO THE DEPOSIT INSURANCE SYSTEM

CHALLENGE # 1 : Need for Greater Public Awareness



CHALLENGE # 2 : Need for Meeting DIF Target Ratio



* DIF Ratio (Deposit Insurance Fund Ratio): Actual fund size as a percentage of covered deposits

CHALLENGE # 3 : Need for Better Cross-border Cooperation and Information Sharing

- Problems affecting cross-border resolution of troubled institutions:
 - CDIC as a legal receiver, while overseas deposits are not covered, cross-border issues require greater attention.
 - Transparency and integrity of financial information of troubled institutions overseas need to be strengthened.
 - Cross-border resolution of troubled institutions involves differing legislation and systems.
- Cross-border cooperation and information are currently insufficient.
- When an institution is placed under conservatorship, CDIC's capacity for cross-border cooperation is put to the test.



D

Conclusion



FUTURE INITIATIVES WITHIN CDIC

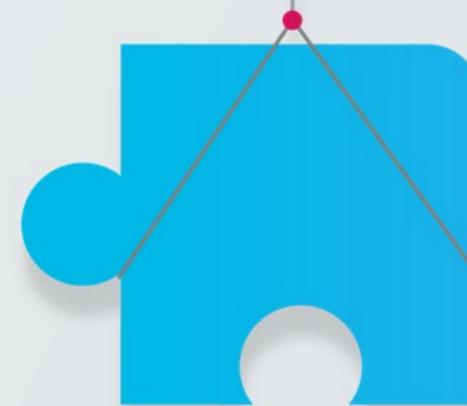
- Policy on strengthening DI fund target
- Policy on strengthening insured risk control
- Policy on strengthening public awareness level



FUTURE INITIATIVES ACROSS THE BORDER

- Actively work with APRC members to establish mechanisms for cross-border resolution and information sharing
- Set out a cross-border cooperation template
- Strengthen cross-border cooperation with regional or global FSN members

To save for the rainy days, more heads are better than one.



Thank you

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