

# Early Banking Resolution

## - Taiwan Experience -

Howard N. H. Wang

President

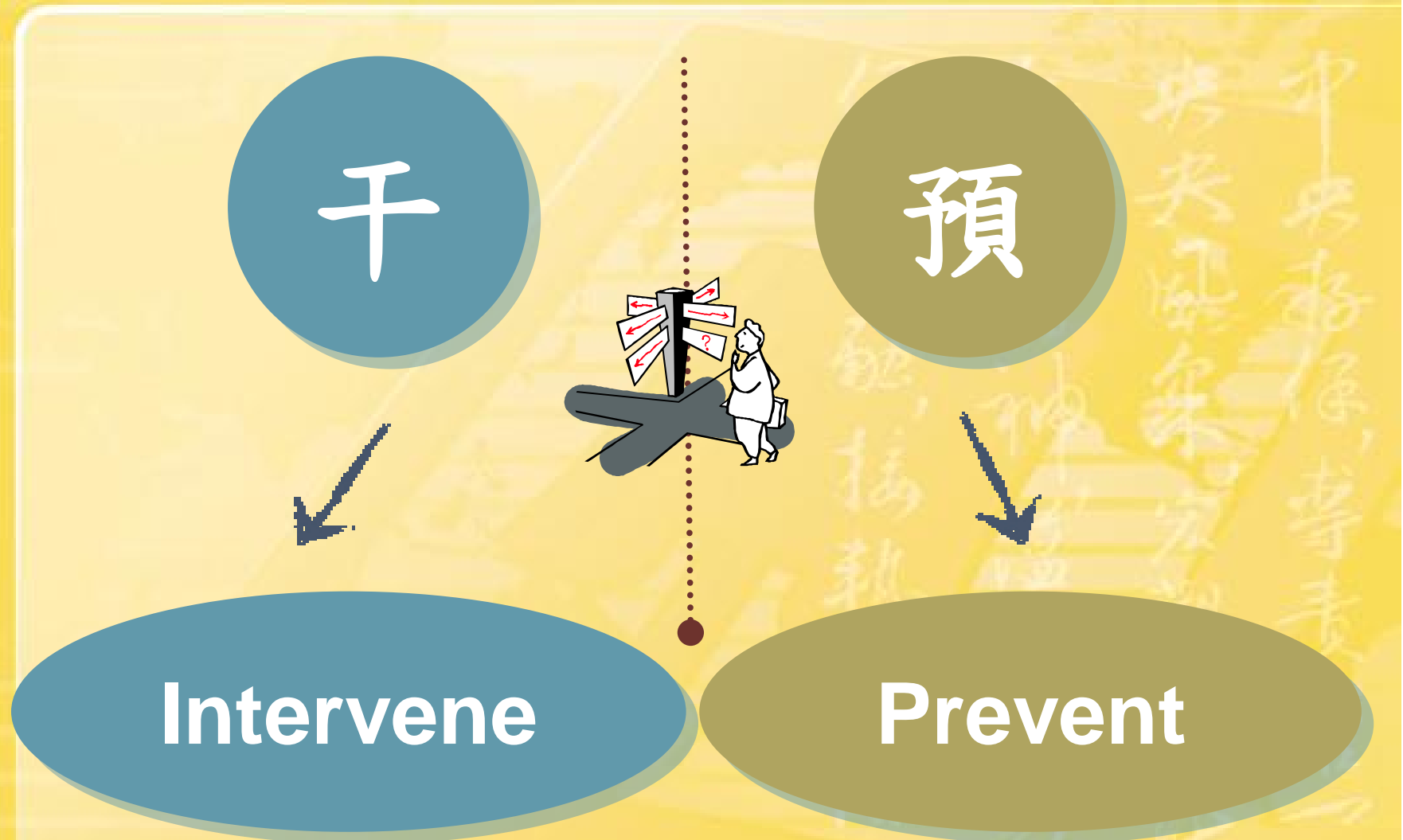
Central Deposit Insurance Corporation, Taiwan, R. O. C.

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中央存款保險公司  
Central Deposit Insurance Corp.

# Intervention



# Outline

- § **Overview of Bank Resolution in Taiwan**
- § **Risk Management Mechanisms**
- § **Early Banking Resolution**
- § **Major Challenges**

# Overview of Bank Resolution in Taiwan

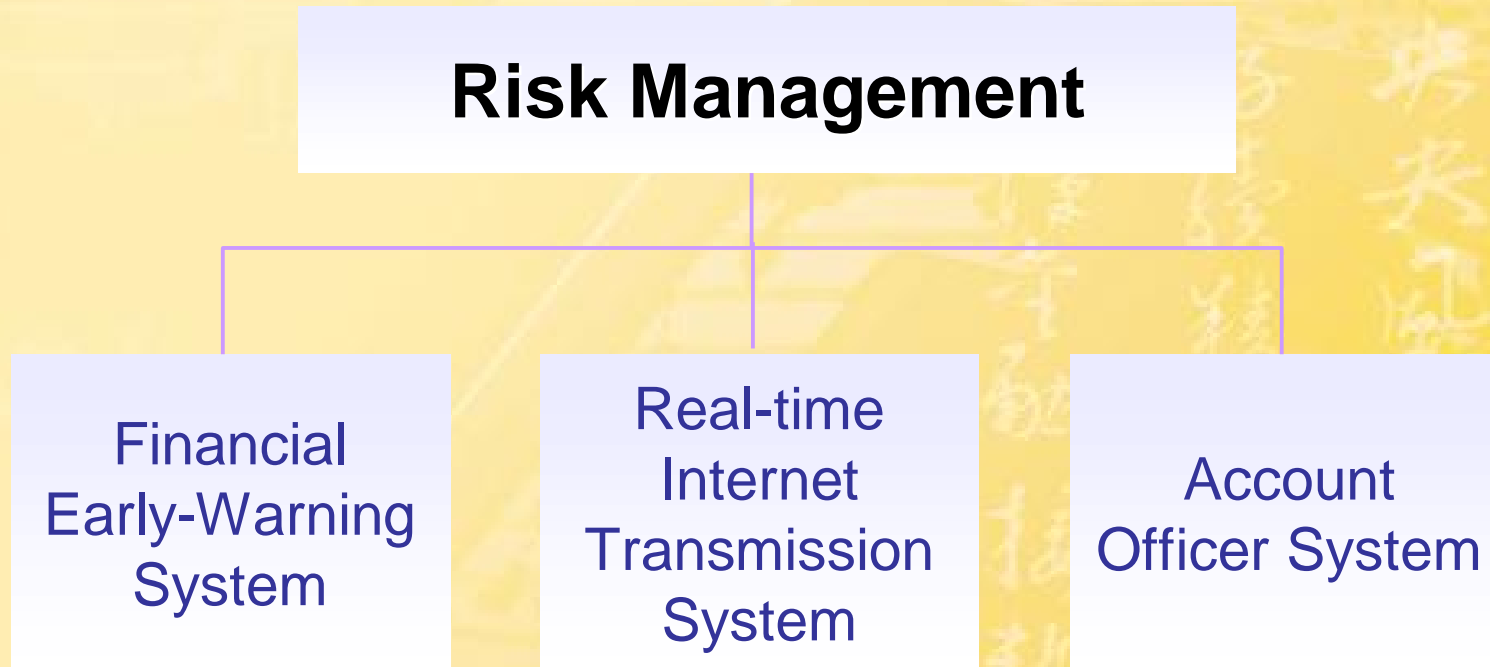
## § Background

- Problems in corporate sector and real estate market emerged after the 1997 Asian financial crisis and a big earthquake in 1999

## § Financial Restructuring Fund in 2001

- Four-year blanket guarantee provided
- 55 problem financial institutions withdrawn from the market through P&A method
- CDIC played a central role in bank resolution

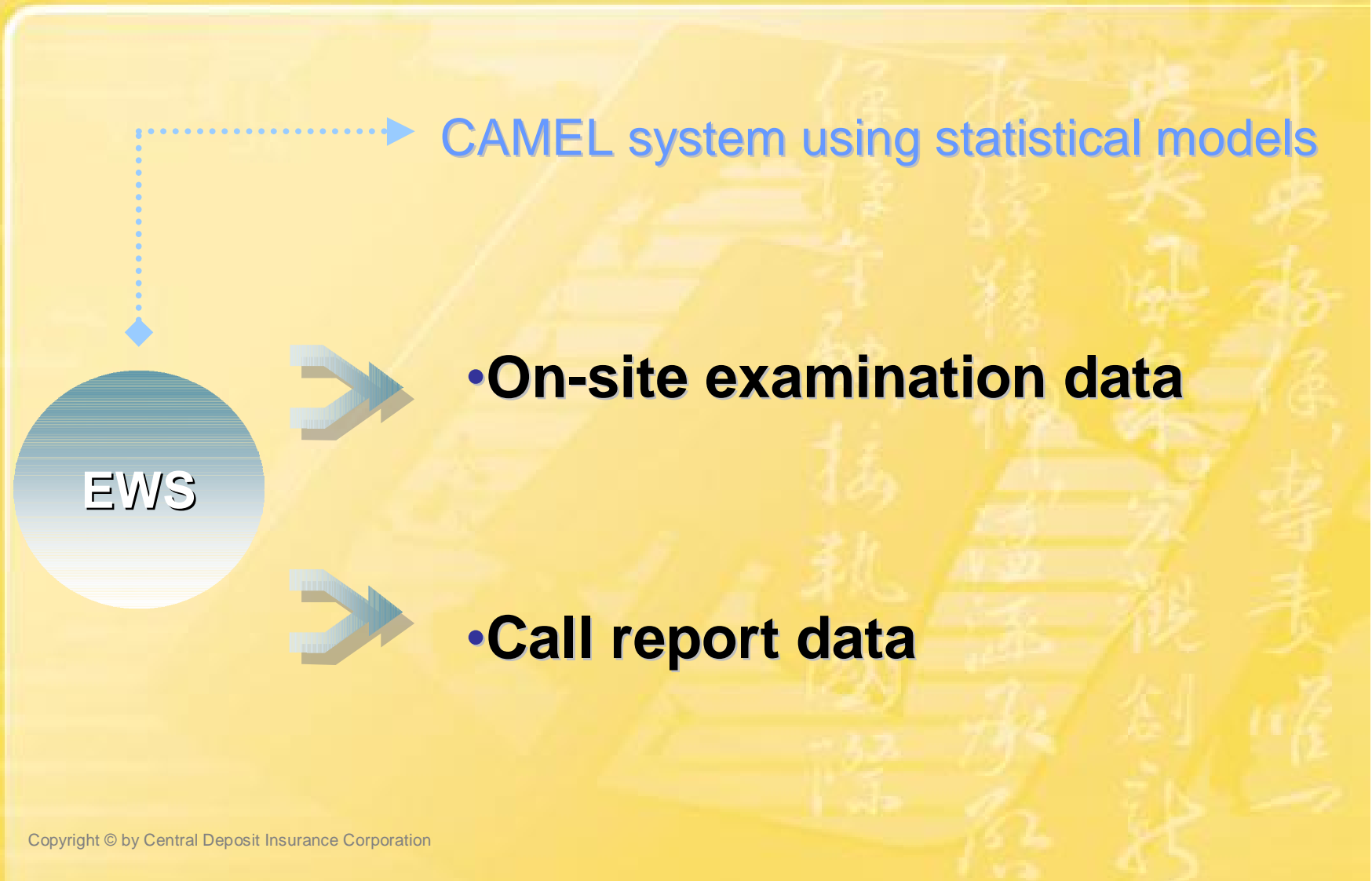
# Risk Management Mechanisms



\* Warning of Deposit Insurance Contract Termination



# Financial Early-warning System (EWS)



# Real-time Internet Transmission System

§ Financial institutions transmit major financial information to CDIC on a daily basis

§ CDIC can promptly discover and respond to warning signals

## § Case:

- Detection of operational abnormalities in deposits at the financial institutions



# Account Officer System

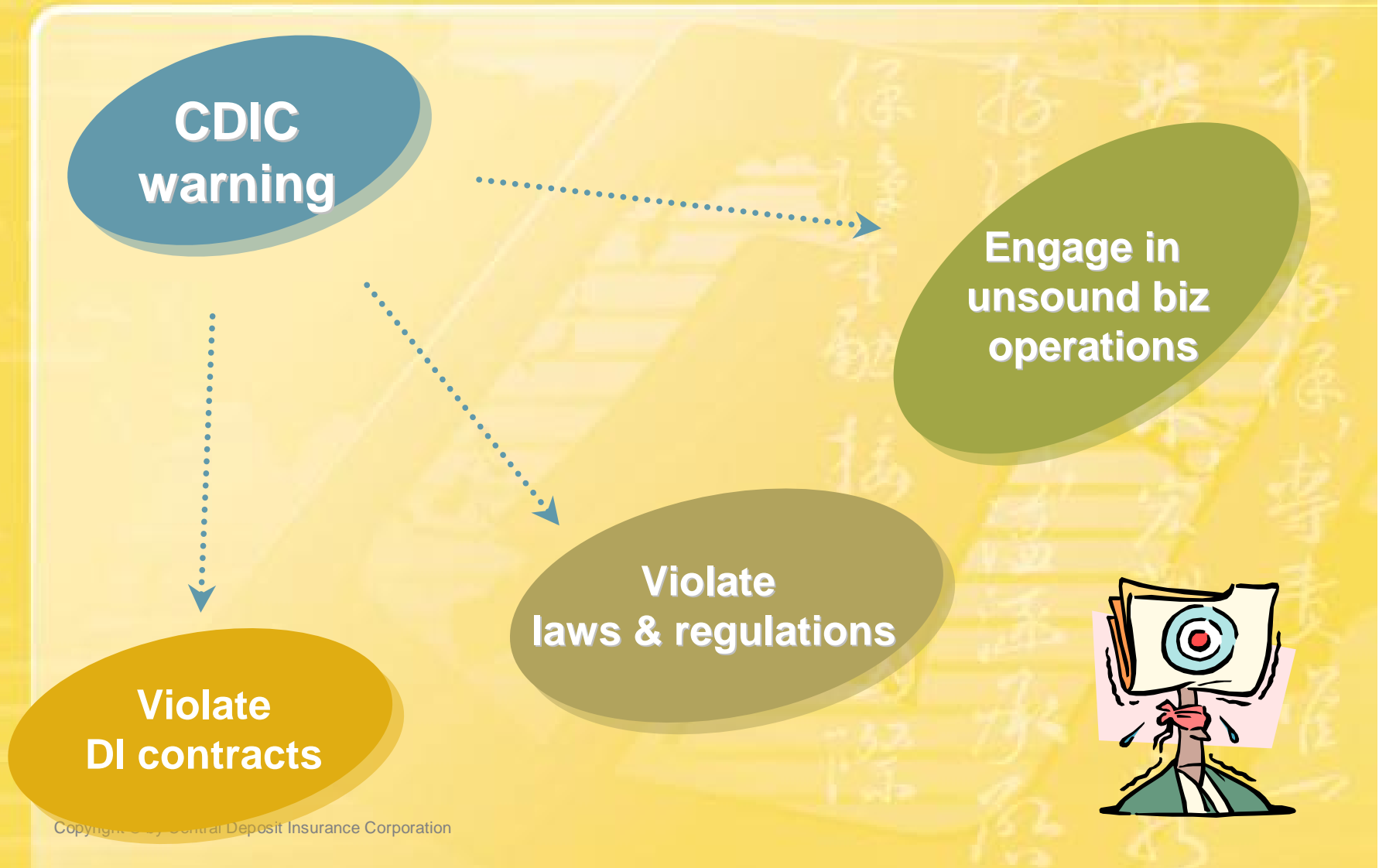
§ CDIC dispatches personnel to further monitor the operational condition of financial institutions

§ Close coordination with competent authority





# Warning of DI Contract Termination

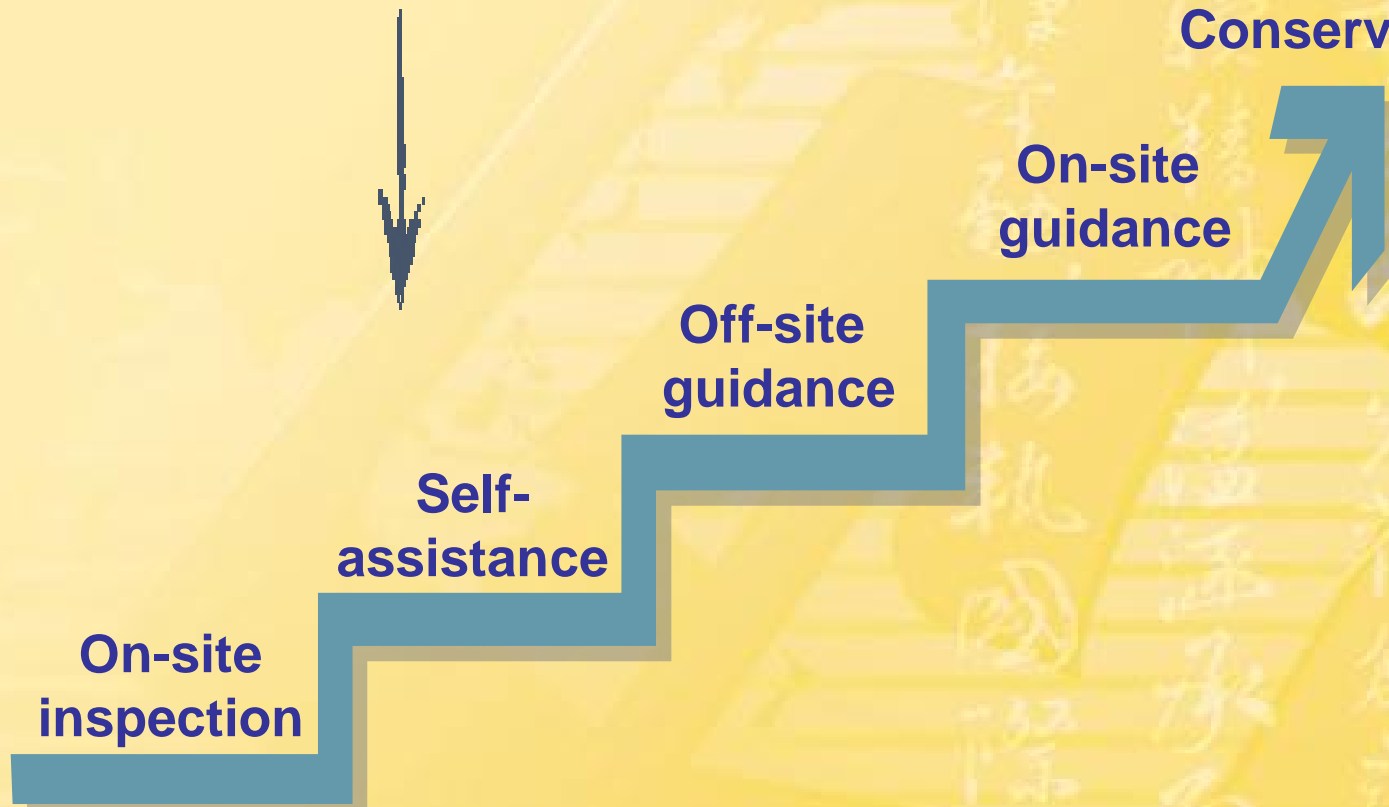


# Early Banking Resolution

*Ongoing Risk Management*



**Conservatorship**



# On-site Inspection of DI Electronic Data Files

Legal basis



- Deposit Insurance Act

Electronic Data Files  
**KEY**

Inspection emphasis



- File format
- Data type
- Data content

# Self-assistance & Off-site Guidance Mechanisms

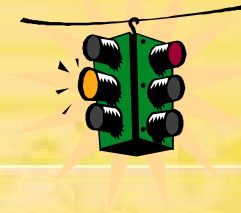
## § Self-assistance by problem financial institutions

- Recapitalization or self-improvement plan

## § Off-site guidance by CDIC

- Ask financial institution to provide related data
- Attend board of director meetings and other important meetings
- Review meeting resolutions and minutes
- Assist in speedy completion of capital reduction, recapitalization or consolidation plans

## On-site Guidance



§ CDIC dispatches officers to provide on-site guidance to closely monitor:

- Business development
- Corporate governance
- Internal controls
- Problem institution's capital restructuring

§ Intervention as early as possible

# Conservatorship

## - Legal basis and time of conservatorship

**Banking Act** amended

in Dec. 2008:

PCA mechanism

Standard for market withdrawal:  
Capital adequacy (BIS) ratio

If BIS ratio < 2%,  
the bank to be put under  
conservatorship within 90 days

**Banking Act**

Bank should also be

taken over

In case a bank:

- Is unable to pay its liabilities and could harm depositors' interests; or
- Has losses exceeding 1/3 of capital and bank does not make improvement within the stipulated timeframe

# Conservatorship

## Period

270 days

Additional  
180 days  
if necessary

## Power

Terminate  
powers of  
shareholders  
& BOD

Prohibit  
transfer of  
rights to  
properties



# Conservatorship

## - Authorities & Duties of CDIC Conservatorship Team

§ Handle operations and property management

§ Inspection of realizable assets

§ Liquidity assistance





# Conservatorship

## - Market Withdrawal Procedures

1

Professional financial consultancy to assist with appraisal and provide advice

2

Appraisal subcommittee to review appraisal result

3

Final auction amount through an open bid



# Major Challenges

## - Employee Rights and Interests

- § Give pension and severance pay according to the *Labor Standards Law*
- § Rehire more than 50% of employees for one year
- § Other compensation from the buyer



# Major Challenges

## - Retained Assets Management

Hillside land

Hotel

Taipei 101

Chinese antiques



**§ Disposal measures per features of asset types**

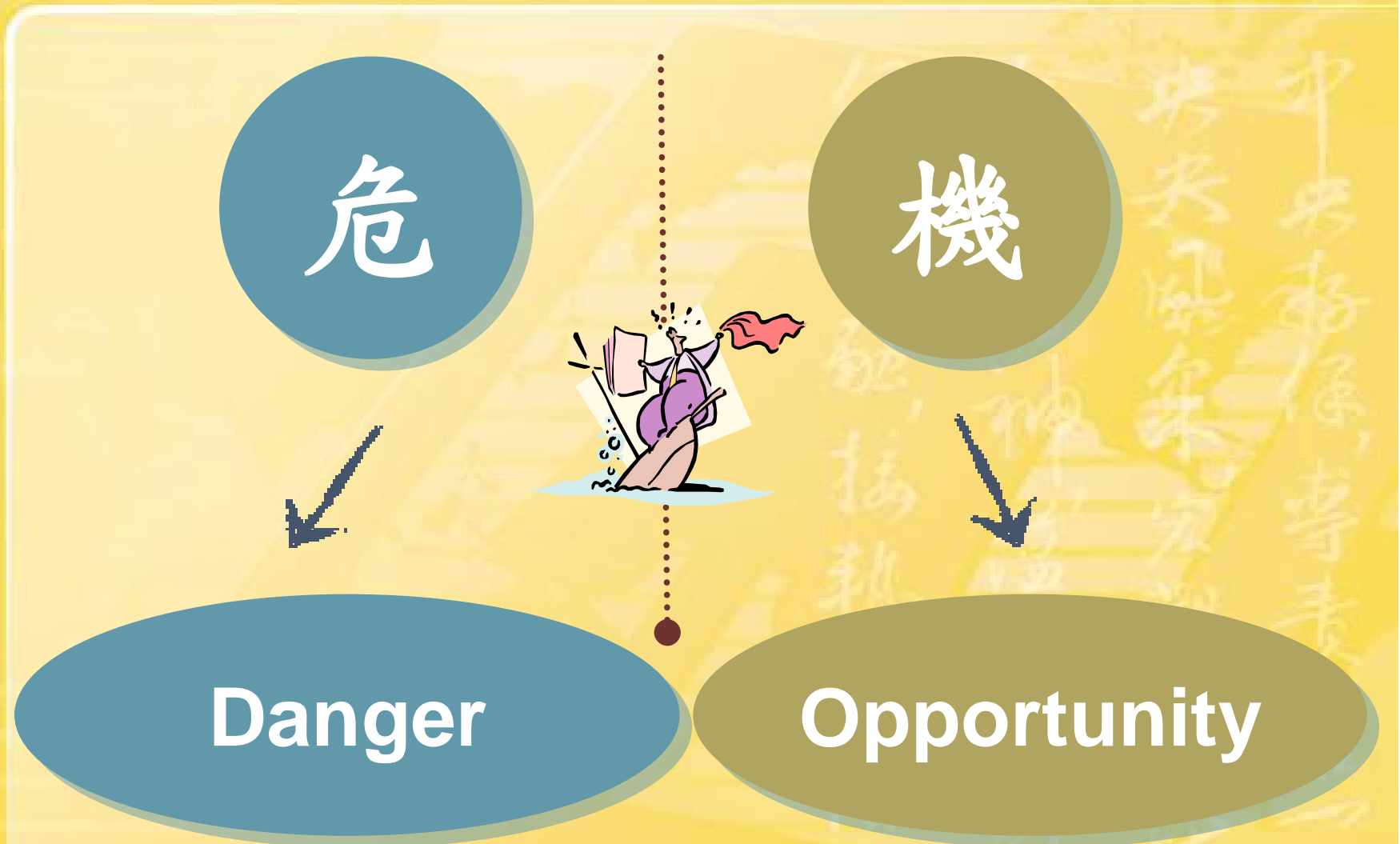
# Major Challenges

## - Cross-Border Issues

§ Close coordination with financial safety net players  
in other countries



# Crisis



# Thank You

[www.cdic.gov.tw](http://www.cdic.gov.tw)



中央存款保險公司  
Central Deposit Insurance Corp.