



中央存款保險公司
Central Deposit Insurance Corporation

CDIC PROFILE





Public Policy Objectives

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To protect the rights and interests of depositors in financial institutions, to maintain credit order, and to enhance sound development of financial businesses.

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Preface

Through the years 📖 Toward the future

Since its establishment in 1985, the Central Deposit Insurance Corporation (CDIC) has taken on many major challenges. Starting off with a guiding philosophy of "implementing deposit insurance to safeguard depositors," the CDIC has built an effective system for resolving troubled insured institutions, and maintaining financial stability.

Having taken on its duty for over 30 years, the CDIC has never failed to achieve its objectives of "protecting the rights and interests of depositors in financial institutions, maintaining credit order, and enhancing sound development of the financial businesses", and has been following the government policies over the years on completing financial reforms, and successfully enabled those failed financial institutions to smoothly exit from the market.

In the future, the CDIC will make every effort to carry out its mission and study the best practices from other deposit insurers worldwide as it weathers the future challenges in the financial environment, and will continuously enhance the deposit insurance system, implement financial reform in coordination with government policies, maintain an outstanding domestic competitive financial environment, and bring the function of a financial safety net into full play.



1980s

The CDIC was newly established. It worked hard to familiarize the public with the concept of deposit insurance, and broke important new ground in a collaborative effort to build a financial safety net.

1990s

Now up and running, made improvements, won strong recognition throughout the financial industry, switched to mandatory participation in the deposit insurance system, and drew up plans for financial reforms.

2000s

Actively promoted international exchange, learned from the best practices in the world, and set up a resolution mechanism for troubled insured institutions.

2010s

Sped up accumulation of the Deposit Insurance Fund and laid the groundwork for further development of a robust financial system.

2020s

Continues to advance with the times. It is preparing in advance for a wide range of contingencies, and is building new risk control and supervisory systems for the "new normal."





Background of Establishment

Financial globalization Liberalization and internationalization

The trend toward the liberalization and internationalization of financial activity worldwide has brought greater challenges and increasingly intense competition to financial operations. In addition to enhancing the healthy operation of their financial institutions by maintaining an environment of benevolent competition, various countries have responded to these changes by placing the focus on the establishment of deposit insurance systems to serve as a safety net for depositors and using it to bolster confidence in the financial system so as to avoid the occurrence of a chain reaction of bank runs and to maintain financial stability.

In view of the fact that the deposit insurance system is an important tool for dealing with financial change, Taiwan began planning the structures needed for such a system with the holding of a National Financial Conference in 1982, and received the unanimous approval of the financial, governmental, and academic sectors. The Ministry of Finance (MOF), together with the Central Bank of the R.O.C. (Taiwan), then convened representatives of the financial industry to formulate the *Deposit Insurance Act*, which was promulgated by the President and implemented on January 9, 1985. The CDIC was established, pursuant to the Act, on September 27 that same year as the sole institution in Taiwan charged exclusively with the provision of deposit insurance.



Policy Objectives



Protect and Maintain Develop sound financial businesses

The public policy objectives of the CDIC in providing deposit insurance are to protect the rights and interests of depositors in financial institutions, to maintain credit order, and to enhance sound development of financial businesses. The meaning of these objectives is described below :

1. Protection of the rights and interests of depositors in financial institutions

The very difference between a deposit-taking financial institution and a general industrial or commercial enterprise lies primarily in the fact that its operating capital comes from the depositing public, so that should its operations fail not only would its shareholders lose their investment and its employees lose their jobs but, more importantly, depositors would suffer losses as well and a crisis of confidence might even ensue. The CDIC has clearly established the top policy objective of protecting the rights and interests of depositors in financial institutions so that the public may save their money with peace of mind.

2. Maintenance of credit order and enhancement of sound development of financial businesses

Financial institutions play the role of an intermediary in adjusting capital supply and demand, as well as the role of an important driving force in economic development. Once they come to mismanagement, not only will they encounter difficulty in their own ability to make payments but might even bring on systemic risk and cause damage to economic operation. Maintenance of credit order and enhancement of sound development of financial businesses are, therefore, set as policy objectives in order to maintain the normal operation of economic activities and financial transactions, and to guide the safe and healthy operations of financial institutions.





Organizational Structure

Specialization Inter-departmental cooperation

The CDIC was established with joint funding from the MOF and the Central Bank of the R.O.C. (Taiwan) in accordance with the *Deposit Insurance Act*. In 2011, the MOF transferred management of its share rights to the Financial Supervisory Commission (FSC) under the Executive Yuan. The members of the CDIC board of directors and supervisors are separately appointed by the FSC and the Central Bank of the R.O.C. (Taiwan). The chairman is nominated by the FSC and appointed after approval by the Executive Yuan. The CDIC also has one president and three executive vice presidents, under which are 13 departments with duties detailed below :

Department of Business

Handles matters related to the planning and research of deposit insurance, coverage limits, and risk-based premiums, fund investment and management, funding for insured institutions and bridge banks, and public awareness activities of deposit insurance.

Department of Resolution

Handles matters related to strategic planning of conservatorship or resolution of troubled insured institutions, provision of financial assistance, depositor payout, advance payment to uninsured creditors, liquidation of failed institutions, and the establishment, operation, management, and disposition of bridge banks.

Department of Legal Affairs

Handles matters related to contracts, litigation, research of laws and regulations related to deposit insurance, civil litigation against the illegal acts of employees of troubled insured institutions, and inspects evidence needed to pursue civil damages, and handles other legal matters.

Department of Information Technology

Handles matters related to planning, design, implementation, and management of information systems as well as control, protection, and monitoring of information security matters.

Secretariat

Handles matters related to secretarial matters, documentation, procurement, cashier affairs, property management, publication management, public relations, meeting logistics, and other general affairs.

Personnel Office

Handles matters related to personnel management and training.

Civil Service Ethics Office

Handles matters related to ethics of the government official and employees.

Department of Risk Management

Handles matters related to the National Financial Early-warning System, management of insured risk, off-site monitoring of insured institutions, guidance or superintendence of troubled insured institutions, issuance of warnings of termination of the deposit insurance agreement, termination of deposit insurance agreements, and assistance in handling bank runs.

Department of Special Inspection

Handles matters related to inspections of deposit insurance applications by financial institutions, the accuracy of the deposit assessment base, the content of electronic data files of insured institutions, the risk indicators of Risk-based Premium Rating System, and assets and liabilities of insured institutions prior to termination of deposit insurance agreements or fulfillment of insurance responsibilities. Also handles matters related to internal controls and internal audits.

International Relations and Research Office

Handles matters pertaining to international affairs and activities related to the IADI, research on deposit insurance and financial safety net issues, and public awareness activities to other jurisdictions.

Department of Accounting

Handles matters related to annual budgeting, accounting, statistics, and auditing.

Central Taiwan Regional Office

Handles matters related to the collection, processing, analysis and monitoring of operational information, provision of guidance, carrying out inspections of insured institutions, as well as assistance with handling of bank runs, conservatorship and deposit insurance payout of insured institutions in the area from Taichung to Chiayi.

Southern Taiwan Regional Office

Handles matters related to the collection, processing, analysis and monitoring of operational information, provision of guidance, carrying out inspections of insured institutions, as well as assistance with handling of bank runs, conservatorship and deposit insurance payout of insured institutions in the area from Tainan to Taitung.







Principal Operations

Deposit insurance  Financial stability

1. Deposit insurance

(1) Membership

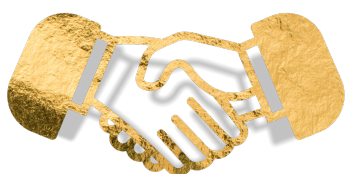
All financial institutions legally approved to accept deposits (including postal savings) shall apply to the CDIC to join the deposit insurance and become insured institutions upon review and approval by the CDIC. However, these provisions do not apply to the Taiwan branches of foreign banks whose deposits are protected by the deposit insurance in their home countries.

Types of insured institutions protected by deposit insurance include:

- Domestic banks
- Taiwan branches of foreign and mainland Chinese banks
- Credit cooperatives
- Credit departments of farmers' associations
- Credit departments of fishermen's associations
- Chunghwa Post Co., Ltd.

(2) Method of participation

In order to control insured risks, financial institutions shall apply for participation in the deposit insurance scheme subject to the CDIC's approval. A newly established deposit-taking institution should submit its application for deposit insurance to the CDIC after obtaining approval of incorporation from the competent authority or the central competent authority of the agricultural finance and no later than two months of commencement of their business operation in accordance with the *Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance*.



(3) Eligible and ineligible deposits

Deposit insurance covers deposits made within the territory of Taiwan, regardless whether denominated in domestic currency or foreign currency, but it does not cover deposits accepted by a bank's offshore banking unit.

Eligible deposits and ineligible deposits are as follows:

Eligible Deposits	Ineligible Deposits
<ul style="list-style-type: none">• Checking deposits• Demand deposits• Time deposits• Deposits required by law to be deposited in certain financial institutions• Other deposits which the competent authority has approved as eligible deposits	<ul style="list-style-type: none">• Negotiable certificates of deposits• Deposits from government agencies• Deposits from the Central Bank of the R.O.C. (Taiwan)• Interbank deposits from financial institutions accepting deposits• Other deposits that the competent authority has approved as ineligible deposits

(4) Coverage limit

The deposit insurance coverage limit including principal and interest was increased to NT\$3 million per depositor for each insured institution, effective from 1 January 2011.

(5) Deposit insurance payout special reserves

The CDIC maintains two separate deposit insurance payout special reserves, one for general financial institutions (including banks, credit cooperatives, and postal institutions handling postal savings and remittances businesses) and the other for agricultural financial institutions (including credit departments of farmers' associations, credit departments of fishermen's associations, and the Agricultural Bank of Taiwan). The accounts for these two reserves are kept separately. For each of the payout special reserves, the target ratio of the deposit insurance payout special reserves to covered deposits is 2%.



Principal Operations

Deposit insurance Financial stability

(6) Deposit insurance premiums

A. General premiums

General premiums are paid by insured institutions biannually, in January and July respectively. The premium assessment base is calculated based on the total deposits after subtracting non-eligible deposits, with 31 December and 30 June treated as the standard dates of record for the purpose of calculating the two premium payments.

B. Special premiums

If the failure of an insured institution is likely to seriously threaten the maintenance of credit order and financial stability, where implementation by the CDIC of the aforementioned matters would cause a shortfall in the "General Deposit Insurance Payout Special Reserves" and / or the "Agricultural Deposit Insurance Payout Special Reserves," then the CDIC may collect a special premium from insured general financial institutions or insured agricultural financial institutions, as appropriate.

(7) Deposit insurance premium rates

Paragraph 3 of Article 16 of the *Deposit Insurance Act* stipulates that deposit insurance premium rates shall be set by the CDIC and submitted to the FSC for its approval.

From January 1, 2011, the premium rates are as follows:

- The five-tiered risk-based premium rates for banks and Taiwan branches of foreign 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.
- 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.
- 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.



(8) Source of funds

A. Capital

NT\$10 billion.

B. Deposit insurance premium revenue

This revenue is the main source of funding for fulfilling insurance responsibilities.

C. Return on payout special reserves

In fund management, the CDIC places top priority on safety, and therefore limits its investment methods to: (a) investments in government bonds, and deposits in the Central Bank of the R.O.C. (Taiwan); or (b) financial instruments that have been approved by the CDIC Board of Directors.

D. Special financial accommodations from the Central Bank of the R.O.C. (Taiwan)

The CDIC may submit requests via the FSC for special financial accommodations from the Central Bank of the R.O.C. (Taiwan). When the amount of a special financial accommodation exceeds the value of the collateral that the CDIC is able to provide, the FSC may join with the MOF and the Central Bank of the R.O.C. (Taiwan) in submitting the matter to the Executive Yuan for its approval for the National Treasury to provide government guarantee.

(9) Promotion of public awareness

To promote public awareness, the CDIC continues working to ensure that depositors are aware of deposit insurance protection. To achieve this goal, the CDIC works through insured institutions and other diverse channels including television, the internet, social media platforms (e.g. Facebook, Youtube), radio, posters and brochures, newspapers, magazines, and public transportation to call attention to the fact that: (a) the limit on deposit insurance coverage is NT\$3 million; and (b) domestic and foreign currency deposits including principal and interest are covered. Furthermore, in order to support the competent authority's policy objective of promoting financial literacy, the CDIC takes active part in charity fairs and other such activities to provide the public with information on financial matters related to deposit insurance.

In addition, the CDIC has established a History Exhibition Hall to exercise centralized preservation and display of important historical records, and to make them available for people viewing from all around the world. The History Exhibition Hall also has personal guides who explain how Taiwan's deposit insurance system was established, and how it has continued to develop since then.



Principal Operations

Deposit insurance  Financial stability

2. Risk management

(1) Financial early-warning system

In order to control the risks of insured institutions' financial and business operations in a timely manner, the CDIC monitors financial institution call reports, operates the National Financial Early-warning System, and has strengthened information sharing and cooperation with other financial supervisory authorities. These measures help the CDIC to track the risks facing insured institutions, and to act in a timely manner in responding to abnormal alerts and providing the competent authorities with information useful in the process of policymaking on financial supervision. In this manner, the CDIC seeks to prompt insured institutions to lower their overall risks.

(2) Management of insured risks

The CDIC has an account officer system, under which account officers use enhanced early-warnings, off-site audits, online monitoring, and other such off-site monitoring operations to analyze the business and financial conditions of insured institutions in a timely manner. In addition, in order to support the supervisory policies of the competent authorities, the CDIC has strengthened the monitoring of specific-risk businesses and, if an insured institution's business operations are found to have deteriorated significantly enough to threaten the interests of depositors, the CDIC exercises guidance or superintendence of the insured institution in accordance with the *Banking Act*. Where necessary, the CDIC will issue a warning notice of possible termination of the deposit insurance agreement, or will advise the insured institution to terminate the deposit insurance agreement.

Besides, in response to changes in the financial environment and fintech developments, the CDIC continues to strengthen its insured risk control measures and actively plays the role of a risk minimizer in order to safeguard depositors' interests and maintain financial stability.



3. Inspections of statutorily specified matters set out in the *Deposit Insurance Act*

- (1) In order to achieve the policy objectives of enhancing the effectiveness of the deposit insurance system, spurring financial institutions to build safe and sound operations, and maintaining a stable financial order, the CDIC is authorized by Article 24 of the *Deposit Insurance Act* to carry out the following inspections:
 - A. The accuracy of premium assessment bases and the risk indicators data for differential premium rates.
 - B. Whether the insured institution has established electronic data files of deposits and related items according to the file format and content stipulated by the CDIC, and whether the file content is accurate.
 - C. Whether any event has occurred that would require termination of the deposit insurance agreement.
 - D. The assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities.

If such an inspection reveals that an insured institution has made any improper funds transfers or property trades with its controlling financial holding company, other subsidiaries thereof, or non-credit departments of farmer's or fishermen's associations, and such activity could potentially jeopardize the deposit insurance payout special reserves, the CDIC may report to the competent authority or the central competent authority of the agricultural finance and undertake inspections, after obtaining their approvals, of the said financial holding companies, the subsidiaries thereof, and the non-credit departments of farmers' and fishermen's associations.

- (2) In order to strengthen its underwriting pre-review mechanism, in addition to carrying out the underwriting desk-review of financial institutions applying to participate in deposit insurance that are required by Article 10 of the *Deposit Insurance Act* and Article 6 of the *Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance*, the CDIC may also, as necessary, perform on-site underwriting inspections.





Principal Operations

Deposit insurance  Financial stability

4. Resolution of troubled insured institutions

(1) Acting as a conservator or receiver

When the competent authority orders suspension of an insured institution's business, or appoints an agency to act as a conservator or to take over the authorities of the company's board of directors and supervisors, the CDIC shall act as a conservator or receiver if so instructed by the competent authority, and shall conduct conservatorship proceedings, promote a purchase and assumption deal, act as receiver, and fulfill insurance responsibilities in accordance with the provisions of the *Banking Act*, the *Deposit Insurance Act*, and other applicable financial laws and regulations.


(2) Fulfillment of insurance responsibilities

The CDIC may fulfill its insurance responsibilities in various ways, including the following:

- A. Make payouts by cash, remittance, deposit transfer, or an alternate payment method, in amounts based on the books and records of the failed insured institution, and on deposit balance certificates provided by depositors. This method shall be referred to hereinafter as "cash payouts."
- B. Consult with other insured institutions to make the same amount of deposits as the amount of payout for the depositors of the failed insured institution and make payment on behalf of the CDIC.
- C. Provide other insured institutions or financial holding companies with funds, loans, deposits, and guarantees, or purchase the subordinated debts issued by the said insured institutions or financial holding companies, in order to facilitate the acquisition or assumption of all or part of businesses, assets, and liabilities of the insured institution that has been ordered to suspend business, placed under conservatorship, or taken over the authorities of its board of directors and supervisors.

(3) Handling of systemic crises

During the process of resolution of a troubled insured institution, if there is a likelihood that the process might threaten financial stability and credit order, once the CDIC has obtained the consent of the competent authority in consultation with the MOF and the Central Bank of the R.O.C. (Taiwan), and with the final approval of the Executive Yuan:

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- A. When the CDIC chooses a method for fulfillment of its insurance responsibilities, it shall not be subject to the provision in the *Deposit Insurance Act* which requires that the estimated cost to the CDIC must be less than the estimated loss arising from the cash payout.
 - B. The CDIC may provide an insured institution with loans, deposits, or other financial assistance when all the following conditions are met: the institution is critically under-capitalized; the competent authority has determined there is a need to either suspend and wind up the institution's business or handle its withdrawal from the market by various resolution methods; and prior to doing so, the competent authority has duly appointed an agency to act as conservator or to take over the authorities of the company's board of directors and supervisors.
 - C. When an insured institution is ordered by the competent authority to suspend and wind up business, if the CDIC is unable to consult with other insured institutions or financial holding companies to acquire or assume the insured institution, it may set up a bridge bank to assume all or part of the business, assets, and liabilities of the insured institution. The duration of a bridge bank shall not last for more than two years.

(4) Advance payment to uninsured creditors

To meet the liquidity needs of the creditors of a failed insured institution, the CDIC may, without increasing the costs incurred by the CDIC in taking any action under Paragraph 1 of Article 28 of the *Deposit Insurance Act*, make advance payments against claims filed by insured depositors in possession of deposits beyond the maximum insurance coverage and by non-deposit creditors based on the anticipated reimbursement ratio derived from an evaluation of the values of assets of the failed insured institution. The aforesaid sums of the advance payments shall be counted item-by-item on the basis of the order of priority on the advance payment claims, and deducted first from the amount finally realized from the liquidation and repaid to the CDIC.

(5) Handling of unresolved issues of failed insured institutions

- A. If a failed insured institution still has remaining assets, pending litigation, or other unresolved issues, the CDIC will continue handling those issues in its capacity as a conservator or receiver.
- B. For an institution under conservatorship, when it is determined that the purpose of the conservatorship has been achieved, the CDIC will draft a plan for termination of conservatorship and draw up a list of matters requiring ongoing attention, and will file these with the competent authority for approval, at which point the conservatorship will be terminated.
- C. For an insured institution that the competent authority has ordered to suspend and wind up its business operations, the CDIC will handle business wind-up procedures in accordance with the wind-up provisions of the *Banking Act*. When it is determined that the business wind-up has been completed, the CDIC will submit a report to the competent authority for revoking the institution's business license and extinguish its legal personality.





Principal Operations

Deposit insurance  Financial stability

5. Research and development

(1) Research on deposit insurance issues and financial supervision

The CDIC has completed a large body of research projects since its founding. In addition to publishing the "Deposit Insurance Quarterly Bulletin" and the "CDIC Monograph Series," the CDIC also researches on domestic and overseas matters related to deposit insurance. Moreover, the CDIC frequently holds conferences, convenes occasional meetings of the Deposit Insurance Consultative Committee, and conducts public opinion polls on issues pertaining to deposit insurance. These activities are intended to reflect financial development needs and international trends.



(2) International Research

Since joining the International Association of Deposit Insurers (IADI) in May 2002 as one of the founding members, the CDIC has actively participated in and promoted a wide variety of international research projects and helped formulate international standards. In the process, it has enhanced Taiwan's international image and tapped into IADI resources to build up communication platforms so as to align more closely with international practices.

6. International exchange

To keep abreast of the latest international trends in the field of deposit insurance, and to spur increased international exchange with deposit insurers from other countries, the CDIC takes active part in IADI activities and international affairs in the field of deposit insurance. The CDIC also holds international conferences and seminars, signs Memorandums of Understanding (MOUs) or Letters of Intent (LOIs) for cooperation with deposit insurers from other countries, engages in reciprocal visits, and arranges workshops for peers organizations. All of these undertakings generate opportunities to establish close cooperative ties with IADI members.



In the future, the CDIC will continue participating in IADI activities to spur information sharing and personnel exchanges with deposit insurers

and supervisory authorities from around the world in order to strengthen Taiwan's deposit insurance system. Furthermore, by familiarizing other deposit insurers with Taiwan's deposit insurance system and experiences, it promotes Taiwan's international image and creates a higher international profile for our country.

7. Cooperation with the competent authority to implement major financial industry policies

(1) Utilization and management of the Financial Industry Special Reserve Fund on behalf of the FSC

The FSC has entrusted the utilization and management of the Financial Industry Special Reserve Fund to the CDIC in accordance with the provisions of the *Regulations on the Utilization and Management of the Financial Industry Special Reserve Fund*. When carrying out funds management, the CDIC diversifies the Reserve Fund's asset allocations to give balanced consideration to the needs for safety, liquidity, and returns.

(2) Strengthening of the monitoring of specific-risk businesses in coordination with the supervisory policies of the competent authority

The FSC entrusted the CDIC to analyze or monitor domestic banks' risk exposures overseas (including in New Southbound countries) and in mainland China, as well as risks arising from banks' handling of over-the-counter financial derivatives and domestic structured financial products. Moreover, in order to assist with financial supervision and strengthen risk controls, the CDIC presents periodic and occasional reports to the FSC and arranges the handling and follow-up tracking of major credit risk cases reported by insured institutions. In addition, in support of the FSC's supervisory policies, the CDIC is promoting a new method for filing of call reports by internet-only banks, so as to strengthen risk monitoring of the liquidity of internet-only banks.

(3) Support of the competent authority's supervision of systemically important banks

To prevent large domestic banks or financial holding companies from experiencing future business crises that would expose the entire financial industry to systemic risks, the FSC has adopted standards for identifying Taiwan's systemically important banks, and requested these banks to submit their "Response Measures for Business Crises" to the FSC and the CDIC every year. In the future, the CDIC will continue to support the competent authority's supervision of the inspections on the above-mentioned Response Measures.



(4) Examination of financial information service institutions entrusted by credit departments of farmers' and fishermen's associations on behalf of the central competent authority of the agricultural finance.

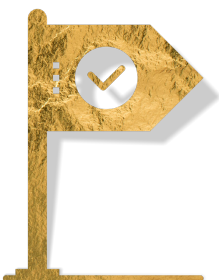


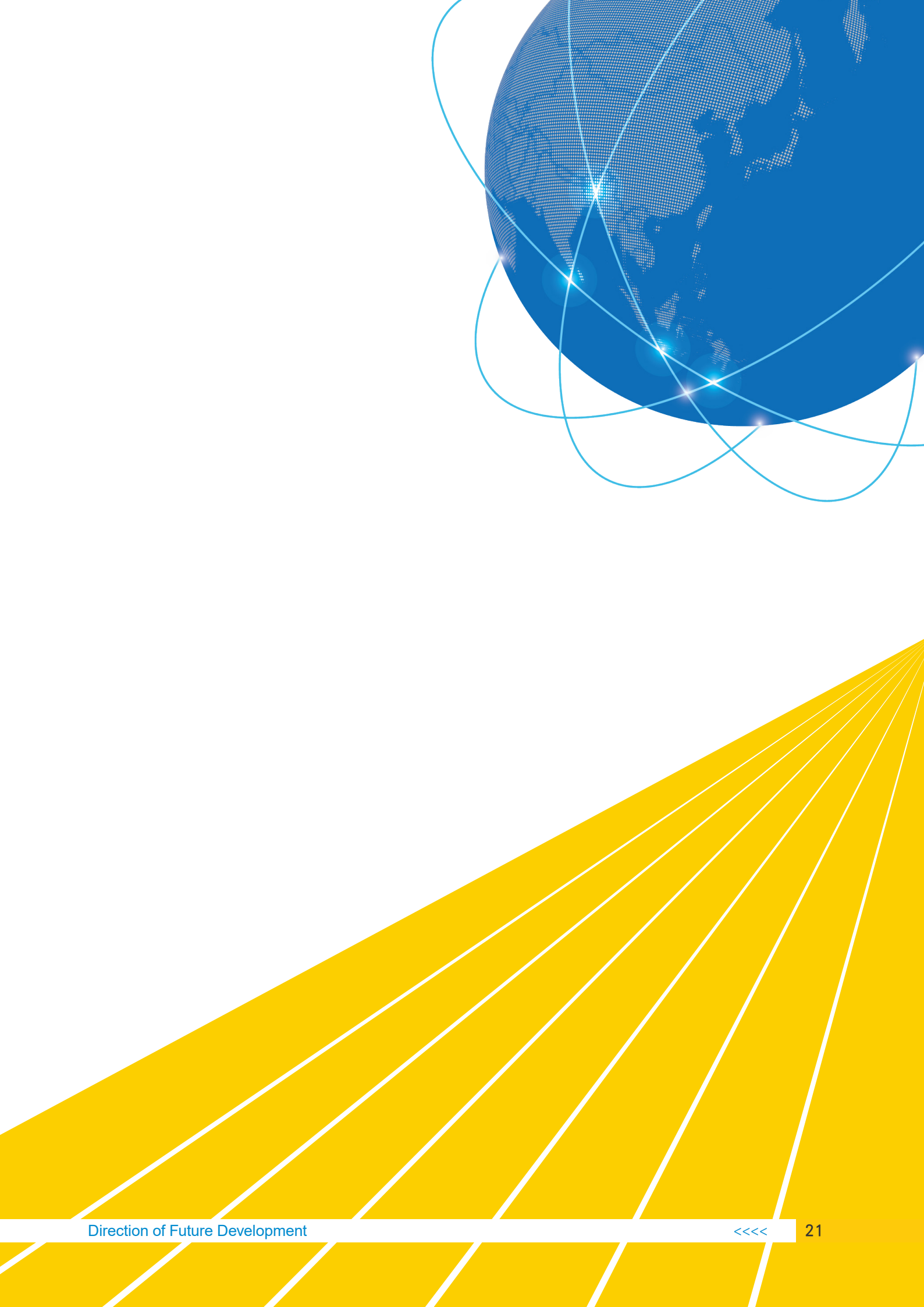
Direction of Future Development

Sustainable development Deposit insurance

In order to respond actively to current conditions and future changes in the financial industry, the CDIC has formulated a future business development plan. The plan is designed to achieve the following objectives:

1. Accelerate accumulation of the deposit insurance payout special reserves in order to reach the statutory target ratios as quickly as possible and bolster the CDIC's risk-bearing capacity.
2. Continue supporting the competent authority's supervisory policies by taking part in the matters of the financial safety net, thus increasing the effectiveness of financial supervision.
3. Handle the tasks entrusted by the competent authority in order to spur safe and sound development of the financial industry, and to help maintain financial stability.
4. Make active use of diverse channels to familiarize ordinary depositors with deposit insurance policies in order to strengthen public awareness and trust in deposit insurance.
5. Enhance management of insured risks and strengthen the resolution mechanism of troubled insured institutions, thus preventing the occurrence of insured incidents.
6. Resolve troubled insured institutions in an effective and timely manner in order to reduce resolution costs, protect the depositors' interests, and maintain financial stability.
7. Continue participating in international cooperation and exchange in order to enhance the functions of Taiwan's deposit insurance system and align more closely with international practices.
8. Support financial supervisory policies and business development needs by acting in a timely manner to adjust organizational structure and staffing, and by enhancing the professional capacity of the CDIC personnel.





Evolution of Taiwan's Deposit Insurance System



	Upon founding in 1985	Subsequent reforms
Organizational structure	Owned by 7 shareholders, including the Central Bank of the R.O.C. (Taiwan), and the five banks.	<ol style="list-style-type: none"> 1. In 2011, the MOF transferred its shares to the FSC. 2. In 2011, the FSC acquired the shareholdings of the five banks. The CDIC becomes a 100% government-owned enterprise.
Authorized capital	<ol style="list-style-type: none"> 1. Legally prescribed capital: NT\$2 billion 2. Paid-in capital: NT\$800,050,000 	<ol style="list-style-type: none"> 1. Legally prescribed capital was increased to NT\$5 billion in July 1992. 2. Legally prescribed capital was increased to NT\$10 billion in November 1995, and paid in full.
Type of membership	Voluntary participation	<ol style="list-style-type: none"> 1. Switched to mandatory participation in January 1999. 2. Amendments adopted in January 2007: <ol style="list-style-type: none"> (1) All financial institutions legally approved to accept deposits must apply to the CDIC to join the deposit insurance system. (2) Such institutions may become insured institutions after review and approval by the CDIC. (3) The two preceding items do not apply to insured institutions that have joined the deposit insurance system prior to the enactment of the amended <i>Deposit Insurance Act</i>.
Insured institutions	<ol style="list-style-type: none"> 1. Domestic banks (excluding Chunghwa Post Co., Ltd.) 2. Small and medium business banks 3. Trust and investment companies 4. Credit cooperatives 5. Credit departments of farmers' and fishermen's associations 6. Taiwan branches of foreign banks (even if their deposits are protected in their home countries) 7. Other financial institutions designated by the competent authority 	<ol style="list-style-type: none"> 1. Amendments adopted in January 1999: <ol style="list-style-type: none"> (1) To include the financial institutions listed in the left column and Chunghwa Post Co., Ltd. (2) Taiwan branches of foreign banks whose deposits are protected in their home countries may not participate in the Taiwan's Deposit Insurance System. 2. Amendments adopted in October 2013: Revised "Taiwan Branches of Foreign Banks" into "Taiwan Branches of Foreign and Mainland Chinese Banks."
Premium assessment base	Covered deposits	Amendments adopted in January 2007: Total eligible deposits (the balance of total deposits after subtracting non-eligible deposits).
Premium rates	Flat rate: 0.05%	<ol style="list-style-type: none"> 1. Flat rate reduced to 0.04% in July 1987. 2. Further reduced to 0.015% in January 1988. 3. Risk-based premium system adopted on July 1, 1999 and three-tier rates instituted: 0.015%, 0.0175%, and 0.02%. 4. Three-tier rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000.



	Upon founding in 1985	Subsequent reforms																					
Premium rates		<p>5. Amendments adopted in July 2007: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for eligible deposits in excess of the coverage limit, as follows:</p> <table> <tr> <th>Financial Institutions</th><th>Risk-based Premium Rates</th><th>Flat Premium Rate</th></tr> <tr> <td>Domestic banks, Taiwan branches of foreign banks, trust and investment companies, and credit cooperatives</td><td>Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%</td><td>0.0025% From January 1, 2010 it was adjusted to 0.005%</td></tr> <tr> <td>Credit departments of farmers' and fishermen's associations</td><td>Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td><td>0.0025%</td></tr> </table> <p>6. Amendments adopted in November 2010: It is effective from January 1, 2011 as follows:</p> <table> <tr> <th>Financial Institutions</th><th>Risk-based Premium Rates</th><th>Flat Premium Rate</th></tr> <tr> <td>Domestic banks, Taiwan branches of foreign and mainland Chinese banks</td><td>Five-tier rates: 0.05%, 0.06%, 0.08%, 0.11%, and 0.15%</td><td>0.005%</td></tr> <tr> <td>Credit cooperatives</td><td>Five-tier rates: 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%</td><td>0.005%</td></tr> <tr> <td>Credit departments of farmers' and fishermen's associations</td><td>Five-tier rates: 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td><td>0.0025%</td></tr> </table> <p>The term "Taiwan Branches of Foreign Banks" was also revised in October 2013 into "Taiwan Branches of Foreign and Mainland Chinese Banks" by applying the same risk-based premium rate.</p>	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	Domestic banks, Taiwan branches of foreign banks, trust and investment companies, and credit cooperatives	Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	0.0025% From January 1, 2010 it 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%	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	Domestic banks, Taiwan branches of foreign 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: 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%	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%
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Coverage limit	NT\$700,000	<p>1. Increased to NT\$1 million on August 15, 1987.</p> <p>2. In July 2001, the government passed the <i>Act for the Establishment and Administration of the Financial Restructuring Fund</i> and established the Financial Restructuring Fund to dispose of troubled financial institutions. During the period of the Fund's operation, there was no coverage limit on the deposits in troubled institutions under disposal or listed for disposal.</p> <p>3. Increased to NT\$1.5 million on July 1, 2007.</p> <p>4. To stabilize the financial system and strengthen the confidence of depositors, the government announced in October 2008 that, until December 31, 2009, the deposits in insured institutions would be provided with temporary full coverage and would not be subject to the coverage limit. In October 2009, the government announced that the period of temporary full coverage would be extended one more year until December 31, 2010.</p> <p>5. On August 12, 2010, the FSC, the MOF and the Central Bank of the R.O.C. (Taiwan) jointly announced that the coverage limit would be increased to NT\$3 million from January 1, 2011.</p>																					



	Upon founding in 1985	Subsequent reforms
Scope of coverage	Deposit principal and interest	<ol style="list-style-type: none"> 1. From January 1999, limited to deposit principal. 2. Beginning in July 2001, the principal and interest of deposits in troubled financial institutions disposed of by the Financial Restructuring Fund were both guaranteed. 3. In October 2008, the government announced that the coverage of deposits under the temporary full coverage would include both principal and interest until December 31, 2009. 4. In October 2009, the government announced that the period of temporary full coverage would be extended a further year until December 31, 2010. 5. 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 include both foreign currency deposits and interest on deposits.
Types of eligible deposits	<ol style="list-style-type: none"> 1. Checking deposits 2. Demand deposits 3. Time deposits 4. Savings deposits 5. Trust funds 6. Other deposits that the competent authority has approved as eligible 	<ol style="list-style-type: none"> 1. 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 <i>Act for the Establishment and Administration of the Financial Restructuring Fund</i>, the non-deposit liabilities of troubled financial institutions were not eligible for protection. However, those non-deposit liabilities that were incurred prior to the implementation of the revised <i>Act</i> remained protected.) 2. Amendments adopted in January 2007: Trust funds and savings deposits were excluded. 3. Amendments adopted in May 2008: Deposits required by law to be deposited in designated financial institutions were listed. 4. In October 2008, the government announced that until December 31, 2009, the deposits in insured institutions would be provided with temporary full coverage. According to the <i>Measures to Support the Full Deposit Insurance Coverage</i> jointly promulgated by the FSC, the MOF and the Central Bank of the R.O.C. (Taiwan) on October 28, 2008, the scope of the temporary full coverage includes the following: <ol style="list-style-type: none"> (1) Principal and interest of deposits pursuant to Paragraphs 1 and 2 of Article 12 of the <i>Deposit Insurance Act</i>. (2) Interbank call loans. (3) Expenses during the period in which the 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 related law. (4) Bank debentures issued on or before June 23, 2005. 5. In October 2009, the government announced that the period of temporary full coverage would be extended a further year until December 31, 2010. 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 deposits within the territory of the Republic of China would be the targets of deposit insurance and do not include the deposits accepted by offshore banking branches.

	Upon founding in 1985	Subsequent reforms
Scope of utilization of deposit insurance payout special reserves	<ol style="list-style-type: none"> 1. Deposits at the Central Bank of the R.O.C. (Taiwan) 2. Investments in government bonds, bonds with principal and interest guaranteed by the government, and financial debentures 	<ol style="list-style-type: none"> 1. Amendments adopted in January 1999: <ol style="list-style-type: none"> (1) Deposits at the Central Bank of the R.O.C. (Taiwan). (2) Deposits in financial institutions approved by the competent authority and which provide government bonds as collateral. (3) Investments in government bonds and financial debentures. 2. Amendments adopted in January 2007: <ol style="list-style-type: none"> (1) Deposits at the Central Bank of the R.O.C. (Taiwan). (2) Investments in government bonds. (3) Financial tools approved by the CDIC Board of Directors.
Methods of fulfilling insurance responsibilities	<ol style="list-style-type: none"> 1. Cash payouts 2. Deposit transfers 3. Temporarily continued operation in the name of the CDIC 	<ol style="list-style-type: none"> 1. Amendments adopted in January 1999: In addition to the methods listed to the left, provision of financial assistance to encourage acquisitions or assumptions by other insured institutions was added. 2. Amendments adopted in January 2007: <ol style="list-style-type: none"> (1) Deletion of temporarily continued operation in the name of the CDIC. (2) In addition to the insured institutions ordered to suspend and wind up business, such financial assistance can also be provided to the insured institutions under conservatorship or taken over by the competent authority according to related law.
Advance payment for deposit in excess of coverage limit and non-deposit liabilities	None	<p>Addition in January 1999:</p> <p>Advance payment is allowed to resolve the needs of creditors' liquidity at failed institutions, under the principle that no additional costs are incurred.</p>
Exemption from open tender, price comparison, price negotiation, and the provisions of Articles 25~27 of the <i>Budget Act</i> when disposing of troubled insured institutions	None	Addition in January 1999.
Recipient and method of financial assistance	Limited to provide loans or purchase assets to enable troubled financial institutions to resume operation, when such resumption is deemed necessary.	<ol style="list-style-type: none"> 1. Amendments adopted in January 1999: <ol style="list-style-type: none"> (1) Insured institutions under guidance, superintendence, or conservatorship, may be assisted by provision of loans or deposits. (2) Other insured institutions that acquire or assume insured institutions that are under guidance, superintendence, or conservatorship, or that have failed, may be assisted by provision of loans, deposits, funds and debt guarantees. 2. Amendments adopted in January 2007:



	Upon founding in 1985	Subsequent reforms
Recipient and method of financial assistance		<p>(1) The CDIC may provide an insured institution with loans, deposits, or other financial assistance when all the following conditions are met: the institution is critically under-capitalized; the central competent authority has determined there is a need to either suspend and wind up the institution's business or handle its withdrawal from the market by various resolution methods; and prior to doing so, the competent authority has duly appointed an agency to act as conservator or to take over the authorities of the company's board of directors and supervisors.</p> <p>(2) When the CDIC provides the aforesaid financial assistance, it should request for the full amount of collateral from the financial holding company of the said institution, or any other insured institution that such financial holding company has dominant shares, or from any farmers' or fishermen's association possessing the said credit department.</p> <p>(3) The CDIC may provide other insured institutions or financial holding companies with funds, loans, deposits, and guarantees, or purchase the subordinated debts issued by the said insured institutions or financial holding companies, in order to facilitate the acquisition or assumption of the insured institution that has been ordered to placed under conservatorship, or taken over the authorities of its board of directors and supervisors.</p>
Borrowing of funds from other financial institutions	None	Addition in January 1999.
Provision of collateral when applying to the Central Bank of the R.O.C. (Taiwan) for accommodation	Full amount of collateral must be provided	<p>1. Amendments adopted in January 1999:</p> <p>(1) That part for which the CDIC is unable to provide collateral is to be guaranteed by the National Treasury.</p> <p>(2) When the secured portion exceeds the CDIC's net worth, the competent authority and the Central Bank of the R.O.C. (Taiwan) must apply to the Executive Yuan for approval.</p> <p>2. Amendments adopted in January 2007:</p> <p>Through a joint request by the competent authority with the MOF and the Central Bank of the R.O.C. (Taiwan) and approval by the Executive Yuan, the part for which collateral cannot be provided may be guaranteed by the National Treasury.</p>
Penalty for refusal to apply to participate in deposit insurance	None	<p>1. Amendments adopted in January 1999:</p> <p>A fine of double the amount of the deposit insurance premium for penalty is to be imposed.</p> <p>2. Amendments adopted in January 2007:</p> <p>Depending on whether the institution is a general financial institution or agricultural financial institution, the CDIC shall report to the competent authority to order the financial institution to replace its persons in charge or to revoke its business license.</p>
Method of allocation of the CDIC's surplus	As stipulated in the <i>Company Act</i>	<p>1. Amendments adopted in July 2001:</p> <p>The entire amount of the surplus remaining after the accounts are closed is placed into the Deposit Insurance Payout Special Reserves.</p> <p>2. Amendments adopted in January 2007:</p> <p>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.</p>

	Upon founding in 1985	Subsequent reforms
Depositor Preference	None	Addition in May 2006: When an insured institution is disposed of by the CDIC with the stipulation of the <i>Deposit Insurance Act</i> by the competent authority or the central competent authority of the 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	Addition in January 2007: 1. The reserves were divided into two separate deposit insurance payout accounts for general financial institutions and agricultural financial institutions. 2. Both reserve funds have a target ratio of 2% of covered deposits.
Inspection of insured institutions	If the CDIC deemed it necessary, and after obtaining the prior approval of the competent authority in consultation with the Central Bank of the R.O.C. (Taiwan), the CDIC may examine the business records and accounts of an insured institution.	1. Amendments adopted in January 2007: The CDIC may in accordance with Article 24 of the <i>Deposit Insurance Act</i> conduct inspections on insured institutions on the following items: (1) Accuracy of deposit assessment base and content of the electronic data files for the calculation of deposit insurance premiums and the amount of the payout. (2) Any event causing the termination of the deposit insurance agreement. (3) Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities. (4) 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. 2. Addition in January 2012: 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 FSC, in order to confirm the accuracy of the data and files related to the risk indicators reported by insured institutions, the CDIC shall conduct review inspections and evaluation inspections.
Elimination of limits on payout cost	None	Addition in January 2007: When there is a concern of a serious threat to credit order and financial stability, after the CDIC obtains the consent of the competent authority in consultation with the MOF and the Central Bank of the R.O.C. (Taiwan) and with the final approval of the Executive Yuan, the limit on payout cost may be eliminated.
Set-off	None	Addition in January 2007: Before handling any payout, the CDIC may offset the debts of a depositor against his/her deposits in the failed insured institution.
Termination of deposit insurance agreement	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 the CDIC, the CDIC shall terminate its status as an insured institution and report such action to the competent authority for disposal.	Amendments adopted in January 2007: The scope of reasons for termination of insured status is amended to also include the following: 1. An insured institution is ordered and required by the competent authority or the central competent authority of the 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 the CDIC deem the said insured institution's condition non-improvable.



	Upon founding in 1985	Subsequent reforms
Termination of deposit insurance agreement		<p>2. There is a major fraud or other illegal activities occurring at an insured institution with the potential to increase the deposit insurance payout cost.</p> <p>In the aforementioned situations, the CDIC shall, after notifying the competent authority or the central competent authority of the agricultural finance, terminate the deposit insurance agreement of the insured institution and make a public announcement.</p>
Disclosure requirement of eligibility of deposit insurance in financial products	None	Addition in January 2007.
Depositor protections upon termination of deposit insurance agreement	The CDIC shall continue to protect the depositors' deposits up to the coverage limit for one year after the date of termination.	<p>Amendments adopted in January 2007:</p> <p>The CDIC shall continue to protect the depositors' deposits up to the coverage limit for six months after the date of termination.</p>



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