



Deposit Insurance: Bringing Smiles of Satisfaction and Security to Taiwan's Financial Sector



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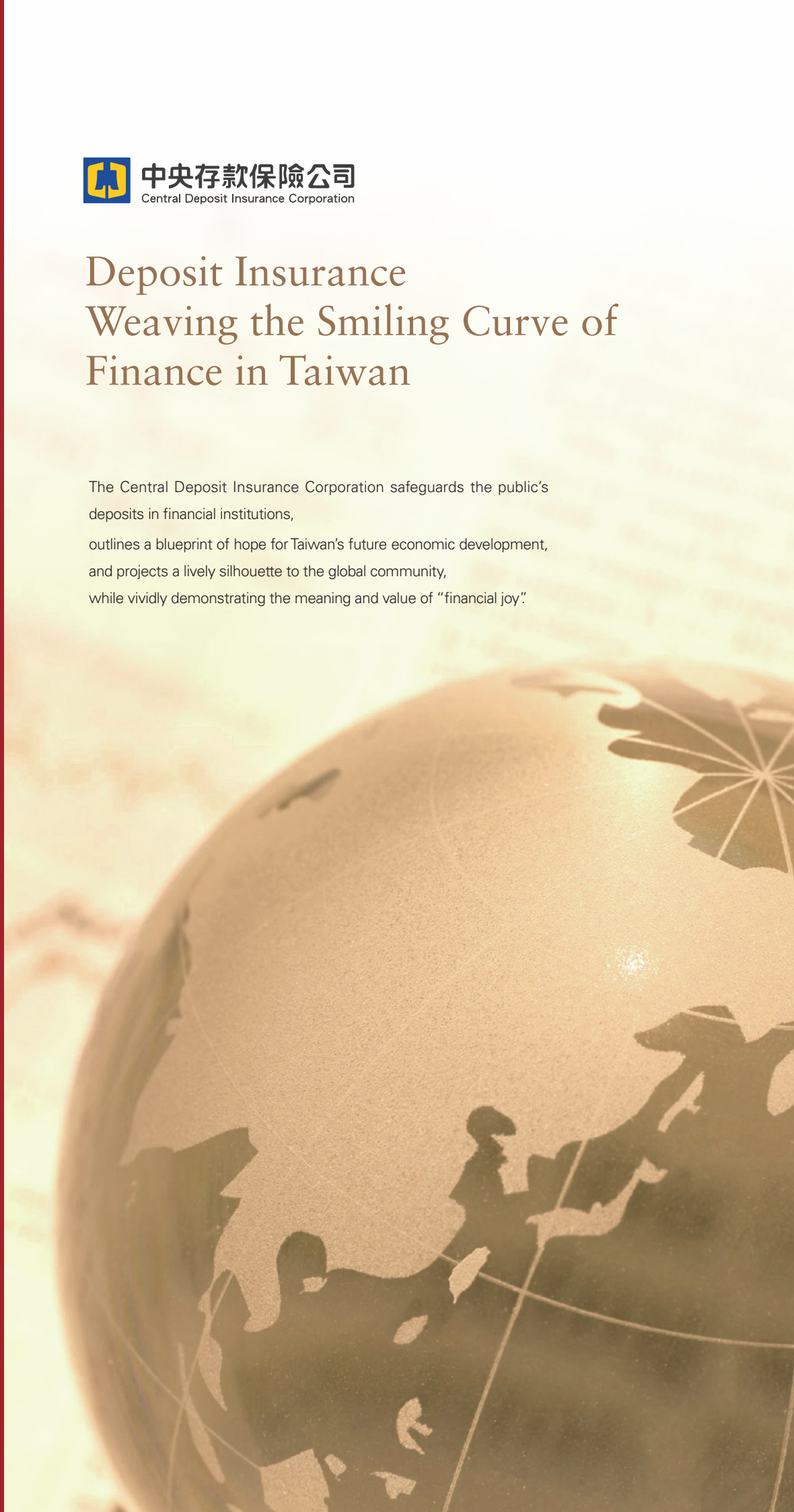
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中央存款保險公司
Central Deposit Insurance Corporation

Deposit Insurance Weaving the Smiling Curve of Finance in Taiwan

The Central Deposit Insurance Corporation safeguards the public's deposits in financial institutions, outlines a blueprint of hope for Taiwan's future economic development, and projects a lively silhouette to the global community, while vividly demonstrating the meaning and value of "financial joy."



Preface

Having taken on its duty for almost 30 years, the Central Deposit Insurance Corporation (CDIC) has never failed to achieve its objectives of “protecting the interests of depositors in financial institutions, maintaining the order of the credit system, and promoting the sound development of the financial industry,” 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. CDIC Taiwan’s contribution to protecting depositors’ rights and interests and maintaining financial order is well recognized by the society.

CDIC Taiwan has strived for fulfilling its policy objectives ever since its establishment in 1985, starting out from its initial mission of “protecting depositors through deposit insurance” to today’s more expansive vision of “developing effective resolution mechanism for dealing with problem financial institutions” and “maintaining a stable financial environment.”

In the future CDIC Taiwan will hold constantly to the attitude of making every effort to carry out its mission and study the best practices from other deposit insurers worldwide as it responds to changes and shocks in the financial environment, and will continuously enhance the deposit insurance system, implement financial reform in coordination with government policies, maintain an outstanding competitive financial environment for Taiwan, and bring the function of a financial safety net into full play.

Stabilizing Finance to Create a Safehaven to Pursue Dreams





2010

Since 2010, CDIC Taiwan has continued to develop, to accumulate deposit insurance fund, and to draft blueprints aimed at laying an important bedrock for sound development of financial sector.

2000

CDIC Taiwan of the first decade of the 21st century built on its accumulated experience, vigorously promoted international exchange, and studied the best practices of other deposit insurers in setting up a mechanism for withdrawing unsound financial institutions from the market.

1990

CDIC Taiwan of the 1990s strived for enhancing deposit insurance scheme and had won the deep approbation of the financial sector and society as a whole. On government mandate, it adopted mandatory deposit insurance scheme and planned for financial reform.

1980

CDIC Taiwan of the 1980s faced up to the difficulties of starting up its operations and devoted its energies to propagating the concept of deposit insurance. Its employees worked hand-in-hand with redoubled efforts to create a financial safety net for Taiwan.

Safeguarding Depositors to Ensure Happiness



Background of Establishment

The global trend toward the financial liberalization and internationalization has brought greater challenges and increasingly intense competition to financial industry. In addition to enhancing the healthy operation of financial institutions by building up an environment of benevolent competition, various countries have responded to these changes by placing the focus of their financial oversight on the establishment of deposit insurance systems to serve as a safety net for depositors and using it to bolster public confidence in the financial system so as to avoid the occurrence of a chain reaction of financial crisis 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 government 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, 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 became effective on January 9, 1985. CDIC Taiwan was established, pursuant to the Act, on September 27 in the same year as the only deposit insurer in Taiwan in charge of managing the deposit insurance system.



Policy Objectives

The policy objectives of CDIC Taiwan in providing deposit insurance to the depositors are to protect the interests of depositors in financial institutions, maintain order in the credit system, and promote the sound development of the financial industry. The details of these objectives are described below:

1. Protection of the 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 depositors, 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. CDIC Taiwan has clearly stated the policy objective of protection of depositors' interests as the top priority so that the public may deposit their money in the financial institutions with peace of mind.

2. Maintenance of order in the credit system and promotion of the sound development of the financial industry

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 fail, not only will they face difficulty in their own ability to make payments but might even bring on systemic risk and cause damage to economic activities. The maintenance of order in the credit system and promotion of the sound development of the financial industry were, 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.



Controlling Risk to Foster Economic Development



Organizational Structure

CDIC Taiwan was established with joint funding from the Ministry of Finance (MOF) and the Central Bank in accordance with the *Deposit Insurance Act*. In 2011, MOF transferred management of its share rights to the Financial Supervisory Commission (FSC). The members of CDIC Taiwan board of directors and supervisors are separately appointed by FSC and the Central Bank. The chairman is nominated by FSC and appointed after approval by the Executive Yuan. CDIC Taiwan also has one president and two 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 limit and risk-based premiums issues, fund investment and management, funding for insured institutions, and public awareness activities of deposit insurance.

Department of Risk Management

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

Department of Resolution

Handles matters related to strategic planning of conservatorship or resolution of problem insured institutions, provision of financial assistance for insured institutions

under conservatorship or acquiring institutions, payout of depositor claims against failed insured institutions, advance payment to uninsured creditors, liquidation of the assets and liabilities of failed institutions, and the establishment, operation, management and disposition actions of bridge banks.

Department of Special Inspection

Handles matters related to inspections of deposit insurance applications by financial institutions, the accuracy in calculations of the deposit assessment base of insured institutions, and the content of electronic data files of insured institutions, evaluation inspections on the indicators of the Risk-based Premium Rating System submitted by insured institutions, any events causing the termination of the deposit insurance agreement, as well as the assets and liabilities of the insured institutions prior to the fulfillment of insurance

responsibilities, and also handles administrative matters related to internal controls and internal audits.

Department of Legal Affairs

Handles matters related to contracts, litigation, financial laws and regulations, research of laws and regulations related to deposit insurance, and pursues of civil liabilities for the illegal acts of employees of problem insured institutions, as well as inspecting evidence needed to pursue civil liabilities pursuant to Subparagraph 4 of Paragraph 1 of Article 24 of the *Deposit Insurance Act* and handles other related laws and regulations.

International Relations and Research Office

Handles matters related to international affairs and activities related to the International Association of Deposit Insurers (IADI), research on deposit insurance and financial safety net issues, and public awareness activities in English language.

The other seven departments and offices of CDIC Taiwan include the Department of Accounting, Secretariat, Information Management Office, Personnel Office, Civil Service Ethics Office, Central Region Office, and Southern Region Office.



TEAMWORK

Safeguarding Depositors to Ensure Happiness



Major Areas of Business

1. Deposit Insurance

(1) Membership

All legally approved financial institutions that accept deposits (including postal savings deposits) should apply to CDIC Taiwan to become insured institutions after review and approval by CDIC Taiwan. This regulation does not apply to the branches of foreign banks whose deposits are guaranteed by deposit insurance in their home countries.

Insured institutions protected by deposit insurance include:

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

(2) Participation

The deposit insurance system is based on an application and approval system aimed at controlling insurance risk. A newly established financial institution that accepts deposits must, within six months of beginning operation, apply to participate in the deposit insurance system. CDIC Taiwan shall decide whether to provide deposit insurance according to stipulations under the *Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance*.



(3) Eligible and Ineligible Deposits

Eligible deposits include local and foreign currency deposits held in the territory of the Republic of China, but exclude deposits received by the offshore banking branches established by banks. 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	<ul style="list-style-type: none">■ Negotiable certificates of deposits■ Deposits from government agencies■ Deposits from the Central Bank■ Interbank deposits by financial institutions accepting deposits■ Other deposits that the competent authority has approved as ineligible

(4) Coverage Limit

The maximum amount of deposits including principal and interest covered by CDIC Taiwan was raised to NT\$3 million per depositor per insured institution, effective from January 1, 2011.

(5) Public Awareness

CDIC Taiwan arranges various public awareness activities through insured institutions, mass media channels (such as television, the Internet, broadcast, newspapers, magazines, public transportation vehicles, outdoor billboards, etc.), and other agencies and groups to continuously inform financial institutions and depositors of the policy functions of the deposit insurance system, promote awareness of knowledge of depositors' rights and interests, and thereby reinforce depositor confidence and stabilize financial order.

(6) Deposit Insurance Payout Special Reserves

On January 20, 2007, CDIC Taiwan divided the Deposit Insurance Payout Special Reserve into two special reserves for general financial institutions (including banks, credit cooperatives, and the postal savings Co.) and agricultural financial institutions (including the credit departments of farmers'

associations, credit departments of fishermen's associations and the Agricultural Bank of Taiwan), with separate account for each. Each payout special reserve set a fund target ratio of 2% of the amount of covered deposits.

(7) Deposit Insurance Premiums

I General insurance premiums

Insured institutions are required to pay a general insurance premium semiannually, including a first payment in January and a second payment in July. The assessment base for this premium is the total deposit liabilities of an insured institution minus ineligible deposits. The standard dates for calculating these amounts are, respectively, December 31 of the preceding year and June 30 of the current year. The standard dates are determined by CDIC Taiwan.



I Special insurance premium

When there is concern that the failure of an insured institution would seriously endanger credit order or financial stability and which may lead to insufficiency of the deposit insurance special reserves for the general financial sector or the agricultural financial sector, CDIC Taiwan may levy a special insurance premium from general financial insured institutions and agricultural financial insured institutions, respectively.

(8) Premium Rates

According to Paragraph 3, Article 16 of the *Deposit Insurance Act*, deposit insurance premium rates shall be drawn up by CDIC Taiwan and submitted to FSC for its approval. As of January 1, 2011, the deposit insurance premium rates paid by insured institutions are as follows:

- I Domestic banks and local branches of foreign and mainland Chinese banks: The rates are 0.05%, 0.06%, 0.08%, 0.11%, and 0.15% of covered deposits. Eligible deposits in excess of the coverage limit are subject to a flat rate of 0.005%.
- I Credit cooperatives: The rates are 0.04%, 0.05%, 0.07%, 0.10%, and 0.14% of covered deposits. Eligible deposits in excess of the coverage limit are subject to a flat rate of 0.005%.
- I Credit departments of farmers' and fishermen's associations: The rates are 0.02%, 0.03%, 0.04%, 0.05%, and 0.06% of covered deposits. Eligible deposits in excess of the coverage limit are subject to a flat rate of 0.0025%.

(9) Fund Sources

- I Capital: NT\$10 billion.
- I Premium income: This is CDIC Taiwan's main funding source for settlement of payout claims.
- I Banking industry business tax funds: From January 2011 to August 2014, banking industry business tax funds should be allocated for the Deposit Insurance Payout Special Reserve for General Financial Institutions.
- I Income from the utilization of funds: The foremost consideration in the utilization of CDIC Taiwan funds is safety. The funds shall be invested in government bonds, deposited in the Central Bank, or utilized in other ways approved by the Board of Directors of CDIC Taiwan.
- I Special financial accommodation from the Central Bank: CDIC Taiwan may apply to FSC to negotiate with the Central Bank for approval of a special financial accommodation. If the amount of this facility exceeds the value of the collateral provided by CDIC Taiwan, FSC may, together with MOF and the Central Bank, apply to the Executive Yuan for approval of a guarantee to be provided by the Ministry of Finance.

2. Risk Management

(1) Financial Early Warning System

In order to timely grasp the financial and operational status of insured institutions, a national financial early-warning system has been established to not only acquire early understanding about the operational problems of insured institutions, but also provide related warning signals to competent authorities through a cooperation and information sharing mechanism for them to make supervisory decisions.



(2) Insurance risk management

Through strengthening off-site monitoring measures, such as establishing a financial early-warning system, auditing the financial reports, and the Internet Surveillance Monitoring System, account officers at CDIC Taiwan are able to conduct regular analyses of the operations and financial status of insured institutions. If the operational status of an insured institution has clearly deteriorated to the point of endangering depositors' rights and interests, CDIC Taiwan may provide guidance or superintendence to the insured institution in conjunction with the supervisory policies of the competent authority according to the *Banking Act*. If necessary, CDIC Taiwan may warn the insured institution of deposit insurance agreement termination or terminate the insured institutions' deposit insurance agreement after informing competent authorities.

3. Inspections on Items Stipulated by the *Deposit Insurance Act*

- (1) In order to improve the substantive efficacy of deposit insurance, promote the sound operations of financial institutions and thereby achieve the policy objective of stabilizing financial order, CDIC Taiwan may, in accordance with Article 24 of the *Deposit Insurance Act*, conduct investigations of insured institutions related to the following items:

- | The accuracy of the deposit assessment base and the risk indicators of the "Risk-based Premium Rating System".
- | The accuracy of the contents of electronic data files so as to help CDIC Taiwan calculate payout payments in a timely manner.
- | Any event causing the termination of the deposit insurance agreement.
- | Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities.

When CDIC Taiwan undertakes inspection of the above 3rd and 4th items, if an insured institution has made any improper funds transfers or property trades with its controlling financial holding companies, other subsidiaries thereof, or non-credit departments of farmers' or fishermen's associations with the potential to jeopardize the deposit insurance payout special reserves, CDIC Taiwan may report to the competent authority or the central competent authority of the agricultural finance and undertake inspections, after obtaining their approval, 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 the verification for deposit insurance application, CDIC Taiwan not only should review the documents required for a financial institution to apply to participate in deposit insurance, but also can conduct on-site inspections on the applicants when necessary in accordance with Article 10 of the *Deposit Insurance Act* and Article 5 of the *Approval Standards for Financial Institutions Applying to Participate in Deposit Insurance*.

4. Disposition of Failed Insured Institutions

When an insured institution is ordered to close or be put under the conservatorship of CDIC Taiwan by the competent authority or the central competent authority for the agricultural finance, CDIC Taiwan shall, in accordance with the *Deposit Insurance Act* and financial-related laws and regulations, handle conservatorship, receivership, fulfillment of insurance responsibilities to depositors and other related affairs so as to smoothly remove the problem financial institution from the market in conjunction with the policies of the competent authority. CDIC Taiwan may adopt the following methods to fulfill its insurance responsibilities:

- (1) Make payout by cash, remittance, transfer or other payment methods according to the books and records of the closed insured institution and the certificate of



outstanding amount of deposits provided by depositors.

- (2) Consult with other insured institutions to make the same amount of deposits as the amount of payout for the depositors of the closed insured institution and make payment on behalf of CDIC Taiwan.
- (3) 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 closed insured institutions.

The estimated cost to CDIC Taiwan of carrying out the measures outlined in Paragraph 2 or 3 above shall be less than the estimated loss arising from the payout subject to Paragraph 1. However, in the event that there is any potential that will significantly endanger credit order and financial stability, the aforementioned requirement shall not apply if CDIC Taiwan obtains consent of the competent authority in consultation with MOF and the Central Bank, and with the final approval of the Executive Yuan.

Upon the issue of an order of the competent authority or the central competent authority of agricultural finance to close an insured institution, CDIC Taiwan shall be appointed as the receiver to commence the winding-up procedure, and the winding-up procedure shall apply to the related winding-up articles stipulated by the *Banking Act*.

To meet the liquidity needs of the creditors of a closed insured institution, CDIC Taiwan may, without increasing the costs incurred by CDIC Taiwan in taking any action under Paragraph 1 of Article 28 of the *Deposit Insurance Act*, make advance payment against claims filed by the depositors beyond the deposit insurance coverage limit and by non-deposit creditors based on the anticipated recovery ratio derived from an evaluation of the value of assets of the closed insured institution. The aforesaid sums of the advance payment shall be counted item-by-item on the



basis of the order of priority of the advance payment claims, and deducted first from the amount finally realized from the liquidation and repaid to CDIC Taiwan.

5. Financial Assistance Provided to Insured Institutions under Conservatorship or Delegated Authority

- (1) CDIC Taiwan may provide an insured institution with loans, deposits or other financial assistance when the said institution is critically under-capitalized and the competent authority or the central competent authority of the agricultural finance deems it non-viable and should be closed; when CDIC Taiwan has dispatched officers to assume conservatorship or delegated authority of the insured institution prior to its liquidation or market removal; or when there is concern that there is a serious risk to credit order and financial stability.
- (2) When CDIC Taiwan provides the aforesaid loans, deposits or other financial assistance to the insured institution under conservatorship or the credit department of farmers' or fishermen's association under delegated authority, 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.

6. Establishment, Operation, Management and Disposition of a Bridge Bank

- (1) When an insured institution is closed by the competent authority or the central competent authority of the agricultural finance, there is the potential for significant endangerment to credit order and financial stability, and CDIC Taiwan is unable to consult with other insured institutions or financial holding companies to acquire or assume the closed insured institution, CDIC Taiwan may set up a bridge bank to assume all or part of the business, assets and liabilities of the closed insured

institution. However, if the value of the assets of the closed insured institution is greater than that of its liabilities, the receiver shall distribute the remaining assets to its original shareholders or members according to liquidation procedures.

- (2) A bridge bank is a legal entity and shall be set up upon approval by the competent authority and proceed with business registration. If the process of registration could not be done in a timely manner, it may be completed within fifteen days after the establishment.
- (3) The duration of a bridge bank shall not last for more than two years. However, the duration can be extended for one more year upon approval by the competent authority.
- (4) A bridge bank is an insured institution with no founding capital required. If necessary, CDIC Taiwan may provide working capital.
- (5) In the event of any loss results from the categorical assumption of the business, major assets and liabilities to other insured institutions or liquidation of a bridge bank, it shall be set off from the general financial deposit insurance payout special reserve of CDIC Taiwan. If there is any insufficiency, it shall be recorded in the deferred account and shall be set off with the same reserve set aside in subsequent years on an annual basis. Earnings, if any, shall be recorded in the said reserve account.

7. Continuously Dealing with Unresolved Issues as a Conservator or Receiver for Problem Insured Institutions

The retained assets of problem insured institutions to be handled by CDIC Taiwan as a conservator or receiver include real estate, stocks, loans and credits, antiques and works of art. In addition, for those problem insured institutions whose conservatorship is considered to have been accomplished, CDIC Taiwan continues to work on the follow-up mechanisms regarding market withdrawal and the revocation of the qualification as a legal entity and in due course draft and submit a proposal to the competent authority regarding



the termination of the conservatorship. CDIC Taiwan also handles the liquidation matters of those insured institutions ordered by the competent authority for liquidation.

8. Research and Development

(1) Research on Deposit Insurance Issues and Financial Supervision

CDIC Taiwan has made considerable research achievements since its establishment. In addition to publishing the Deposit Insurance Quarterly Journal and Deposit Insurance Monograph Series for research reference, CDIC Taiwan also conducts research on the most recent information at domestic and international areas related to its operations. In addition, it frequently holds seminars, periodically convenes meetings of the Deposit Insurance Consultative Committee, and conducts public opinion surveys on topics related to deposit insurance to meet the needs of future financial development and accord with international trends.

(2) International Research

Since joining the International Association of Deposit Insurers (IADI) as a founding member in May 2002, CDIC Taiwan has actively participated in and promoted various international research projects, assisted with the formulation of international guidance, and effectively enhanced Taiwan's professional image. Moreover, it has formed international linkages through the communication platform established by IADI. CDIC Taiwan also has established a special area in its library to display deposit insurance publications from around the world, categorized by regions, to enhance information exchange and sharing.

Adopting International Norms to Promote Future Advancement



International Exchange

Since joining the IADI, CDIC Taiwan has actively participated in IADI business and international deposit insurance affairs to keep abreast of the latest trends in international deposit insurance systems, as well as promote exchanges with deposit insurance organizations in other countries. CDIC Taiwan also attends international meetings and seminars and signs memorandums of understanding or letters of exchanges with deposit insurance institutions in other countries, exchanges visits with peer industries, arranges study courses, and applies other methods to establish close cooperative relations with other IADI member organizations.

In future, CDIC Taiwan will continue to actively participate in IADI activities and promote information sharing and personnel exchanges with the deposit insurance organizations and supervisory bodies of other countries. These activities aim to strengthen the domestic deposit insurance mechanism, as well as to promote Taiwan's deposit insurance system and experience so as to heighten its international image and visibility.



Development of Deposit Insurance System in Taiwan

		Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)																						
	Type of Membership	Voluntary	Changed to mandatory system in January 1999	Revised in January 2007 as follows: 1. All financial institutions legally approved to accept deposits must apply to CDIC Taiwan to join the deposit insurance system. 2. Such institutions may become insured institutions after inspection and approval by CDIC Taiwan. 3. The two preceding items do not apply to insured institutions that have joined the deposit insurance system prior to the enactment of the revised <i>Deposit Insurance Act</i> .																						
	Capital	<ul style="list-style-type: none">Legally prescribed capital NT\$2 billionPaid-in capital NT\$800,050,000	<ul style="list-style-type: none">Legally prescribed capital raised to NT\$5 billion in July 1992Prescribed capital raised to NT\$10 billion in November 1995	Same as the left column																						
	Insured Institutions	<ul style="list-style-type: none">Domestic banks (excluding Chunghwa Post Co., Ltd.)Small and medium business banksTrust and investment companiesCredit cooperativesCredit departments of farmers’ and fishermen’s associationsForeign bank branches in Taiwan (even if their deposits are protected in their home countries)Other financial institutions designated by the Ministry of Finance	<ul style="list-style-type: none">Revised in January 1999, to include the financial institutions listed on the left and Chunghwa Post Co., Ltd.Beginning in January 1999, foreign bank branches whose deposits are protected in their home countries may not participate	Same as the left column (Note: Chunghwa Post Co., Ltd. was renamed Taiwan Post on February 9, 2007, but the name reverted back to Chunghwa Post Co., Ltd. on August 1, 2008) Revised in October 2013: Revised “Local Branches of Foreign Banks” into “Local Branches of Foreign Banks and Mainland Chinese Banks”																						
	Premium Assessment Base	<ul style="list-style-type: none">Covered deposits	Same as the left column	Revised in January 2007 to total eligible deposits																						
	Insurance Premium	Flat rate: 0.05%	<ul style="list-style-type: none">Flat rate, but reduced to 0.04% in July 1987Further reduced to 0.015% in January 1988Risk-based premium system adopted on July 1, 1999, and three-tier rates instituted: 0.015%, 0.0175%, and 0.02%Three-tier rates adjusted to 0.05%, 0.055% and 0.06% on January 1, 2000	<div>Revised in July 2007 to: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for any amounts beyond this, as follows:</div> <table><tr><th>Financial Institutions</th><th>Risk-based Premium Rates</th><th>Flat Premium Rate</th></tr><tr><td>Domestic banks, foreign bank branches in Taiwan, 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>Formerly 0.0025%, but from January 1, 2010 the flat premium rate 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> <div>Revised in November 2010 to: Risk-based premium rates for covered deposits within the coverage limit and a flat rate for any amounts beyond this, effective from January 1, 2011;also revised in October 2013 the term “Local Branches of Foreign Banks” into “Local Branches of Foreign Banks and Mainland Chinese Banks” and applying the same risk-based premium rate as follows:</div> <table><tr><th>Financial Institutions</th><th>Risk-based Premium Rates</th><th>Flat Premium Rate</th></tr><tr><td>Domestic banks, local branches of foreign banks 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 of 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 of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%</td><td>0.0025%</td></tr></table>	Financial Institutions	Risk-based Premium Rates	Flat Premium Rate	Domestic banks, foreign bank branches in Taiwan, trust and investment companies, and credit cooperatives	Five-tier rates: 0.03%, 0.04%, 0.05%, 0.06%, and 0.07%	Formerly 0.0025%, but from January 1, 2010 the flat premium rate 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, local branches of foreign banks 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 of 0.04%, 0.05%, 0.07%, 0.1%, and 0.14%	0.005%	Credit departments of farmers’ and fishermen’s associations	Five-tier rates of 0.02%, 0.03%, 0.04%, 0.05%, and 0.06%	0.0025%	
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	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Coverage Limit	NT\$700,000	Increased to NT\$1 million on August 15, 1987. (In July 2001, the government passed the <i>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i> and established the Financial Restructuring Fund to dispose of unsound financial institutions. During the period of the Fund's operation, there was no coverage limit on the deposits in unsound institutions under disposal or listed for disposal.)	<ul style="list-style-type: none"> Increased to NT\$1.5 million on July 1, 2007 To stabilize the financial system and strengthen the confidence of depositors, the government announced in October 2008 that, until December 31, 2009, the deposits of depositors 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 deposit insurance coverage would be extended one more year until December 31, 2010. On August 12, 2010, the Financial Supervisory Commission, the Ministry of Finance and the Central Bank jointly announced that the coverage limit would be increased to NT\$3 million from January 1, 2011.
Types of Eligible Deposits	<ul style="list-style-type: none"> Checking deposits Demand deposits Time deposits Savings deposits Trust funds Other deposits that the competent authority has approved as eligible 	Same as the left column	<ol style="list-style-type: none"> 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>Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund</i>, the non-deposit liabilities of unsound financial institutions were not eligible for protection. However, those non-deposit liabilities that were incurred prior to the implementation of the revised Statute remained protected.) Revised in January 2007 as follows: <ul style="list-style-type: none"> Checking deposits Demand deposits Time deposits Other deposits that the competent authority has approved as eligible Revised in May 2008 as follows: <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 that the competent authority has approved as eligible In October 2008, the government announced that until December 31, 2009, the deposits of depositors in insured institutions would be provided with temporary full coverage. According to the Measures to Support the Full Deposit Insurance Coverage jointly promulgated by the Financial Supervisory Commission, the Ministry of Finance and the Central Bank on October 28, 2008, the scope of the temporary full deposit insurance coverage includes the following: <ul style="list-style-type: none"> The principal and interest of deposits pursuant to Paragraphs 1 and 2 of Article 12 of the <i>Deposit Insurance Act</i> Interbank call loans The payments during the period in which CDIC Taiwan 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 law Bank debentures issued on or before June 23, 2005 In October 2009, the government announced that the period of temporary full deposit insurance coverage would be extended a further year until December 31, 2010. On December 29, 2010, amendments to Articles 12 and 13 of the <i>Deposit Insurance Act</i> were promulgated by Presidential decree, whereby the following deposits within the territory of the Republic of China would be the targets of deposit insurance: <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 that the competent authority has approved as eligible The above deposits referred to as being within the territory of the Republic of China do not include the deposits accepted by offshore banking branches.
Scope of Coverage	Deposit principal and interest	From January 1999, limited to deposit principal	<ul style="list-style-type: none"> Limited to principal as in the left column. However, beginning in July 2001, the principal and interest of deposits in unsound financial institutions disposed of by the Financial Restructuring Fund were both guaranteed. In October 2008, the government announced that the coverage of deposits under the temporary full deposit insurance coverage would encompass both principal and interest until December 31, 2009. In October 2009, the government announced that the period of temporary full coverage would be extended a further year until December 31, 2010. 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 encompass both foreign currency deposits and interest on deposits.

Development of Deposit Insurance System in Taiwan

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Scope of Capital Utilization	<ul style="list-style-type: none"> deposits at the Central Bank Investments in government bonds, bonds guaranteed by the government, or financial debentures 	<p>The following revisions were effective in January 1999:</p> <ul style="list-style-type: none"> Deposits at the Central Bank Deposits in financial institutions approved by the competent authority and which provide government bonds as collateral Investments in government bonds and financial debentures 	<p>Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> Deposits at the Central Bank Investments in government bonds Utilization by methods approved by CDIC Taiwan Board of Directors
Means of Fulfilling Insurance Responsibilities	<ul style="list-style-type: none"> Cash payouts Deposit transfers Temporarily continued operation in the name of CDIC Taiwan 	<p>According to revisions enacted in January 1999, the provision of financial assistance to encourage acquisitions or assumptions by other insured institutions was added to the three means listed to the left.</p>	<p>Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> Deletion of temporarily continued operation in the name of CDIC Taiwan. In addition to providing financial assistance to encourage acquisitions or assumptions of insured institutions that have been ordered to close, such financial assistance can also be provided to insured institutions being put under conservatorship or taken over by the authorities according to law.
Advance Payment for Deposit and Non-deposit Liabilities in Excess of Coverage Limit	None	<p>According to revisions made in January 1999, advance payment is allowed to resolve the needs of creditors' liquidity at failed institutions, under the principle that no additional costs are incurred.</p>	Same as the left column
Exemption from Open Tender, Price Comparison, Price Negotiation, and the Provisions of Articles 25~27 of the Budget Act When Disposing of Problem Insured Institutions	None	Added in January 1999	<p>Stipulations of the <i>Government Procurement Act</i> and Articles 25 to 27 of the <i>Budget Act</i> do not apply to CDIC Taiwan in the fulfilment of its insurance responsibility, provision of financial assistance, establishment of bridge banks and handling of advance payments in accordance with the <i>Deposit Insurance Act</i>.</p>
Recipient of Financial Assistance and Method of Assistance	Limited to loans or the purchases of assets to enable problem financial institutions to resume operation, when such resumption is deemed necessary.	<p>Revised in January 1999 as follows:</p> <ul style="list-style-type: none"> Insured institutions under guidance, superintendence, or conservatorship, may be assisted by provision of loans or deposits. Other insured institutions that acquire or assume insured institutions that are under guidance, superintendence, or conservatorship, or that have failed, may be assisted with loans, deposits, or the provision of funds and guarantees. 	<p>Revised in January 2007 as follows:</p> <ul style="list-style-type: none"> If an insured institution has a seriously deficient net worth, or there is concern that it seriously threatens the credit order and financial stability, and the competent authority has determined a need for the institution's liquidation or market withdrawal, personnel may be dispatched to assume conservatorship or take over the powers of the board of directors and supervisors of the institution prior to liquidation or market withdrawal. In such cases, CDIC Taiwan may provide loans, deposits or other financial assistance to the insured institution. Before providing financial assistance, CDIC Taiwan shall request the full amount of collateral from the financial holding company of the insured institution or from any other insured institution that it has a dominant shareholding. In cases where the competent authority has dispatched personnel to assume conservatorship or take over the powers of the board of directors and supervisors of an insured institution, CDIC Taiwan may encourage the acquisition or assumption of the institution by the other insured institutions or financial holding companies, by providing funds, arranging loans, deposits or guarantees, or purchasing the subordinated securities issued by the acquiring or assuming insured institutions or financial holding companies.
Borrowing of Funds from Other Financial Institutions	None	Added in January 1999	Same as the left column
Provision of Collateral when Applying to the Central Bank for Accommodation	Full collateral must be provided.	<p>Provisions added in January 1999 as follows:</p> <ul style="list-style-type: none"> That part for which CDIC Taiwan is unable to provide collateral is to be guaranteed by the National Treasury. When the secured portion exceeds CDIC Taiwan's net worth, the competent authority and the Central Bank must apply to the Executive Yuan for approval. 	<p>Revised in January 2007 to:</p> <p>Through a joint request by the competent authority with the Ministry of Finance and the Central Bank 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>Provision added in January 1999:</p> <p>A fine of double the amount of the deposit insurance premium for penalty is to be imposed.</p>	<p>Revised in January 2007 to:</p> <p>Depending on whether the institution is a general financial institution or agricultural financial institution, CDIC Taiwan shall report to the competent authority to order the financial institution to replace its persons in charge or to revoke its business license.</p>

	Year of Establishment (Sept. 1985)	Subsequent Changes (Sept. 1985 ~ July 2001)	Changes (July 2001 ~ Dec. 2013)
Method of Allocation of CDIC Taiwan's Surplus	As stipulated in the <i>Company Act</i> .	Same as the left column	<ul style="list-style-type: none"> Beginning in July 2001, the entire amount of the surplus remaining after the accounts are closed is placed into the Deposit Insurance Payout Special Reserves. Revised in January 2007 to: 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.
Depositor Preference	None	Same as the left column	<p>Addition in May 2006: When an insured institution is disposed of by CDIC Taiwan with the stipulation of the <i>Deposit Insurance Act</i> by the competent authority or the central competent authority for agricultural finance for resolution or liquidation upon clearing the debt, its deposit liabilities shall take precedence over non-deposit liabilities.</p>
Establishment of Two Separate Deposit Insurance Payout Special Reserves	None	Same as the left column	<p>Addition in January 2007:</p> <ul style="list-style-type: none"> The reserves were divided into separate deposit insurance payout accounts for general financial institutions and agricultural financial institutions. Both reserve funds have a target ratio of 2% of covered deposits.
Inspection of Insured Institutions	If CDIC Taiwan deemed it necessary, and after obtaining the prior approval of the competent authority in consultation with the Central Bank, CDIC Taiwan could examine the business records and accounts of an insured institution.	Same as the left column	<p>Revised in January 2007 as follows: CDIC Taiwan may in accordance with Article 24 of the <i>Deposit Insurance Act</i> conduct inspections on insured institutions on the following items:</p> <ul style="list-style-type: none"> Accuracy of deposit assessment base and the content of the electronic data files for the calculation of deposit insurance premiums and the amount of the payout. Any event causing the termination of the deposit insurance contract. Assets and liabilities of insured institutions prior to the fulfillment of insurance responsibilities. 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. <p>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 Financial Supervisory Commission, in order to confirm the accuracy of the data and files related to the risk indicators reported by insured institutions, CDIC Taiwan shall conduct review inspections and evaluation inspections.</p>
Elimination of Limits on Payout Cost	None	Same as the left column	<p>Addition in January 2007: When there is concern of a serious threat to credit order and financial stability, after CDIC Taiwan obtains the consent of the competent authority in consultation with the Ministry of Finance and the Central Bank and with the final approval of the Executive Yuan, the limit on payout cost may be eliminated.</p>
Set-off	None	Same as the left column	<p>Addition in January 2007: Before handling any payout, CDIC Taiwan may offset the claims of a depositor against his/her liabilities in the failed insured institution.</p>
Termination of Membership	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 CDIC Taiwan, CDIC Taiwan shall terminate its status as an insured institution and report such action to the competent authority for disposal.	Same as the left column.	<p>Revised in January 2007 to: The scope of reasons for termination of insured status is revised to also include the following:</p> <ul style="list-style-type: none"> An insured institution is ordered and required by the competent authority or the central competent authority for 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 CDIC Taiwan deem the said insured institution's condition non-improvable. 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>In the aforementioned situations, CDIC Taiwan shall, after notifying the competent authority or the central competent authority for agricultural finance, terminate the deposit insurance membership of the insured institution and make a public announcement.</p>
Disclosure Requirement of Eligibility of Deposit Insurance in Financial Products	None	Same as the left column	Added in January 2007
Depositor Protections upon Termination of Membership	CDIC Taiwan shall continue to protect the depositors' deposits up to the coverage limit for one year after the date of termination of membership.	Same as the left column	<p>Revised in January 2007 to: CDIC Taiwan shall continue to protect the depositors' deposits up to the coverage limit for six months after the date of termination of membership.</p>

Maintaining Credit Order to Achieve Greater Success





Future Development

The financial market is an indispensable part of the economic system, and the two are highly correlated. As it faces the challenges posed by a rapidly changing environment and continues as part of the financial safety net, CDIC Taiwan will strengthen insurance risk management. It also will, in conjunction with the supervisory policies of the competent authority, implement an early detection and timely intervention mechanism for problem insured institutions so as to safeguard against insurance incidents and thereby effectively protect the rights and interests of depositors and maintain credit order.

To actively respond to current financial trends and future developments, CDIC Taiwan has formulated up a medium and long-term plan, with the following main objectives:

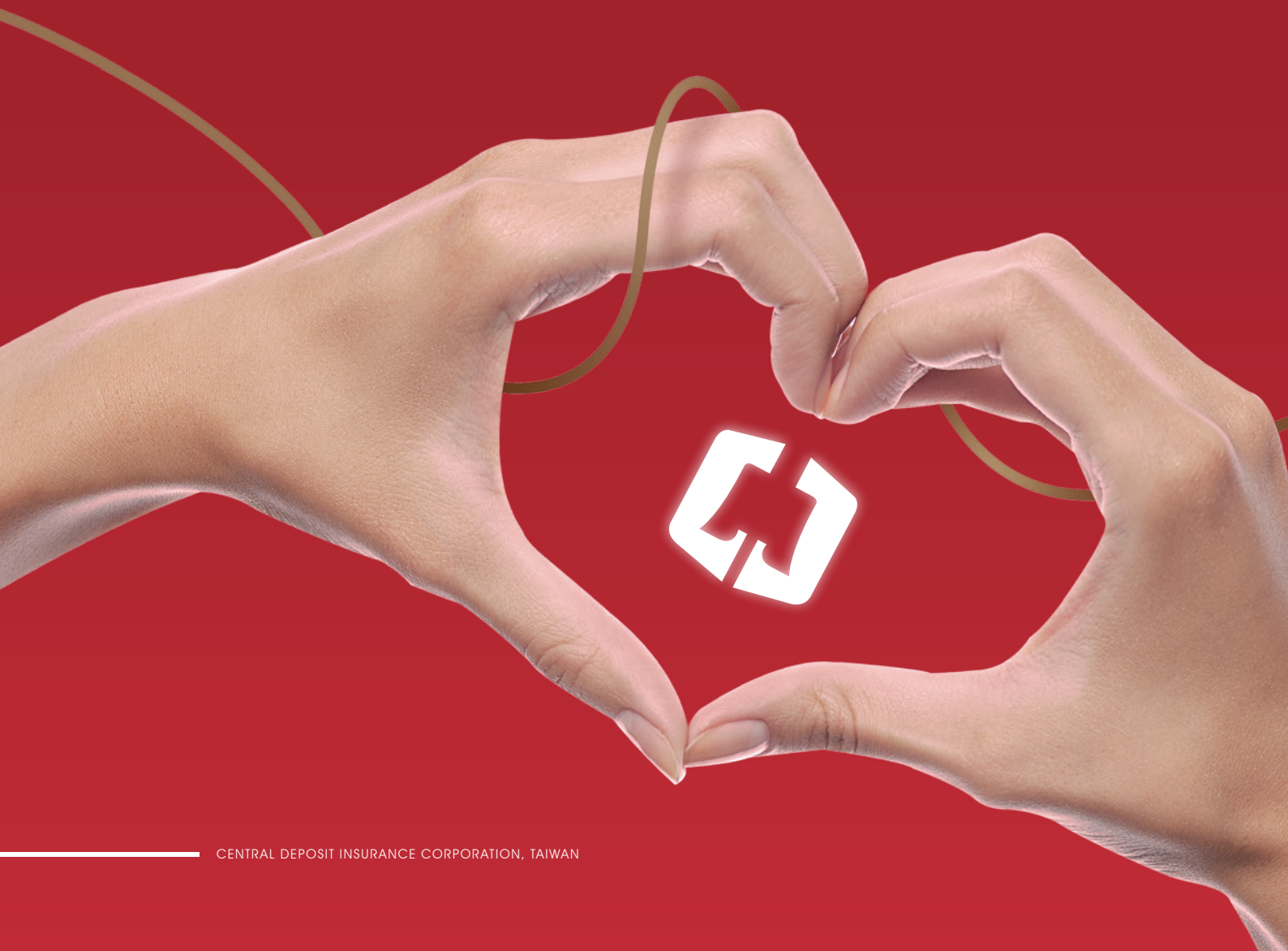
1. To speed up the accumulation of the Deposit Insurance Payout Special Reserves in order to meet the legal target ratio as soon as possible and to strengthen the protection of depositors' rights and interests.
2. To strengthen risk management and the mechanism of resolution of problem insured institutions to minimize the occurrence of insurance incidents.
3. To effectively and timely deal with problem insured institutions to reduce resolution costs, protect the rights and interests of depositors, and maintain financial stability.
4. To review and update the *Deposit Insurance Act* and the *Enforcement Regulations* to accomplish a sound deposit insurance mechanism.
5. To strengthen international cooperation to improve Taiwan's deposit insurance function and to keep Taiwan on track with international development.
6. To review the organizational manpower and advance the improvement of the staff's professional qualification in accordance with financial supervisory policies and the needs for business development.
7. To cope with the Sound Internal Controls Implementation Program promulgated by the Executive Yuan on putting into effect the implementation of internal controls.

Services to the Public



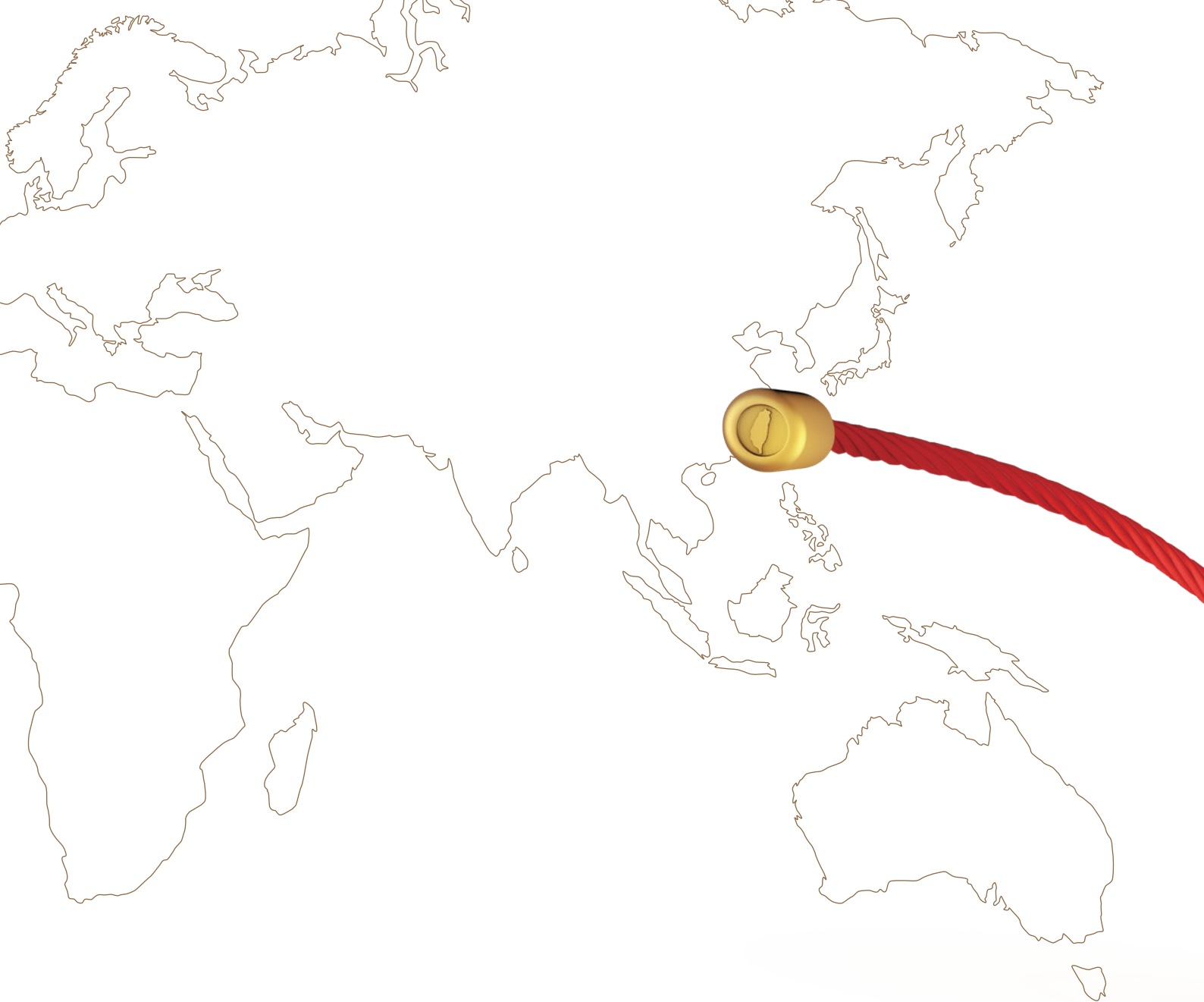
CDIC Taiwan has set up the following facilities with the aim of enhancing public knowledge about the concept of deposit insurance, and of providing a diverse range of rapid and comprehensive services:

1. A toll-free service line: 0800-000-148, with a Mandarin Chinese, Taiwanese and English voice inquiry system that enables the public to obtain the information it needs within the shortest possible time.
2. A CDIC Taiwan's website: www.cdic.gov.tw, with a section of "Contact Us," enabling the public to obtain needed information over the Internet and establishing a two-way channel of communication.
3. CDIC Taiwan established the History Exhibition Hall for the collection, preservation and display of important historical materials on CDIC Taiwan since its establishment, as well as designated staff to provide introduction. The Exhibition Hall is open for visiting and reference use by the general public to further understanding on the establishment and evolution of the Taiwan's deposit insurance system. The Exhibition Hall is also open to international peer organizations for visiting and research to strengthen the benefits of international exchange and advancement of Taiwan's deposit insurance system.





Deposit Insurance: Bringing Smiles of Satisfaction and Security to Taiwan's Financial Sector



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Central Deposit Insurance Corporation

Central Deposit Insurance Corporation

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