



中央存款保險公司

Central Deposit Insurance Corporation

# Maintaining Deposit Insurance System in Taiwan

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CDIC



- **Establishment of CDIC**
- **Deposit Insurance System in Taiwan**
- **Setting up Financial Restructuring Fund**
- **Major Policy Concerns & Future Plan**





- **Background**
  - Failure of Continental Illinois Bank in U.S.A.
  - Problem of Local Financial Institutions
- **Organization**
  - Established in 1985
  - A Government Agency





- **Objectives**
  - To Safeguard the Benefits of Depositors in Financial Institutions
  - To Promote Savings
  - To Maintain an Orderly Credit System
  - To Enhance the Sound Development of Financial Operations



## Major Responsibilities

- To Protect Small Depositors by Handling Deposit Insurance
- To Manage Insured Risk by On-Site Examinations and Early Warning System
- To Assist Problem Insured Institutions by Provision of Fund
- To Deal With Failed Insured Institutions



- **Membership System**
  - Voluntary Basis (Sep. 1985 ~ Jan. 1999)
    - Most Government-Owned Banks Dominated the Market
    - Strict Regulations on Banking Business



– Compulsory Basis (Since Feb. 1999)

- Financial Liberalization & Globalization

➔ Market Share of Private-Owned Banks Was Increasing

- Avoidance of Adverse Selection
- Help to Build-up Exit Mechanism

• Beginning Feb. 1999, All Depository Institutions Are Obligatory to Participate in DIS (392 Member Institutions)

- Exclusion

## Coverage

- NT\$ 1 Million (US\$ 31,250)
- 2.3 Times GDP Per Capita

Principal  
Only

## • Assessment

- Risk-based Premium System
- Assessment Base: Covered Deposits

## • Funding

- Capital
- Assessment Income
- Special Financial Accommodation from the Central Bank





- **Resolution Methods**
  - Straight Pay-out
  - Insured Deposit Transfers
  - Purchase & Assumption
  - Open Bank Assistance
- **Legal Receiver**





- **Risk Management**
  - Risk-based Premium System
  - Financial Early Warning System
  - Internet Transmission Surveillance System
  - Account Officer System
- **Public Awareness**
  - Purpose
    - Better Exert the Functions and Fulfill the Objectives of DIS
    - Enhance Market Discipline and Reduce Moral Hazard
  - Various Tools Adopted



- **Purpose**
- **Public Fund Financed by Government and Executed by CDIC**
- **Provision of Blanket Guarantee**  
(July 2001 ~ July 2005)





- Achievements**

	Dec. 2001	Feb. 2005
NPL Ratio	7.48%	2.79%

	Dec. 2001	Dec. 2004
ROE	3.60%	10.30%
ROA	0.27%	0.63%
GDP (%)	-1.91%	5.71%



- **Strengthen Transparency**
- **Transition from Blanket Guarantee to Limited Coverage**
- **Enhancing Risk Management**
  - Authority to Approve the Membership
  - Authority to Conduct Special Investigation on Specific Items



- **Setting Up Minimum Fund Level & Appropriate Funding Source**
- **Early Intervention & Prompt Corrective Action**
- **Enhancing Resolution Functions**





- **Promoting Interrelationships & Clear Division of Responsibilities of Each Financial Safety net Player**
- **Mechanism of Handling Systemic Crisis**





# Conclusion

Thank You

