

## 5. Payment and Settlement Systems

The CBC Interbank Funds-Transfer System (CIFS) is the backbone of Taiwan's payment system, linking payment and remittance systems operated by the Financial Information Service Co., Ltd. (FISC), the National Credit Card Center of R.O.C. (NCCC), the Taiwan Clearing House (TCH), the Taiwan Depository and Clearing Corporation (TDCC), the Taipei Exchange (TPEX), and the Taiwan Stock Exchange Corporation (TWSE), as well as the Central Government Securities Settlement System (CGSS), together to construct a comprehensive system.

In addition, the CBC monitors major payment systems based on the *Principles for Financial Market Infrastructure* released by the Bank for International Settlements (BIS) to ensure sound operation of these systems and to promote stability of the financial system.

### Operation of Payment and Settlement Systems

#### (1) Funds Transfers via the CIFS

The CIFS is a large-value electronic funds-transfer system. In addition to dealing with interbank funding, reserve requirement adjustments and funds settlements in financial markets, the CIFS also provides interbank final settlement services to each clearing institution.

At the end of 2015, participants of the CIFS included 69 banks, eight bills finance companies, and seven other institutions including Chunghwa Post, the TWSE, the TPEX, and the NCCC. In the year 2015, the number of transactions via the CIFS was 729,222, and the amount of funds transferred totaled NT\$524 trillion. Meanwhile, the daily average number of transactions via the CIFS reached 2,964, and the daily average amount of funds transferred was NT\$2,128.8 billion, growing by 8.02% over the previous year.

#### (2) Transactions via the CGSS

The CGSS was established in September 1997. It is a system for issuance, transfer, redemption, and interest payment of book-entry central government securities. Since its inception, central government bonds have been issued in book-entry form. In October 2001, treasury bills were included in this system and have been issued in book-entry form ever since.

The CGSS linked up with the CIFS in April 2008. Since then, fund settlements, principal redemptions and interest payments have been handled through the CIFS using a delivery-versus-payment (DVP) mode. The DVP mode, promoted by the BIS, is an arrangement in a securities settlement system to ensure that securities delivery occurs almost at the same time as the funds transfer, effectively

mitigating potential risks during the transaction process.

There were 16 clearing banks with 1,691 branches that handled the registration of central government securities transfers at the end of 2015. During 2015, 265,000 transfers with a total amount of NT\$29.9 trillion were processed by this system.

### **Monitoring Payment Systems**

The CBC monitors the payment systems on a periodic basis to maintain their safety and efficiency. In 2015, the CBC's monitoring activities in this regard included the following:

- (1) Requiring payment system operators and payment instrument issuers to provide detailed information on their operations and activities as a basis for monitoring payment systems.
- (2) Supervising clearing institutions to perform regular drills on operating backup systems and implementing contingency plans in case of emergency to ensure business continuity.
- (3) Inviting the Financial Supervisory Commission and clearing institutions such as the FISC, the TDCC, and the TCH to jointly hold conferences on “Promoting Sound Operation of the Payment Systems” with themes of “Business Review and Improvement” and “Results of Self-Assessment against Principles for Financial Market Infrastructure” in April and December 2015, respectively, in order to urge clearing institutions to strengthen system governance and backup mechanisms and implement suggestions for improvement from self-assessment results.

### **Expanding the Foreign Currency Clearing Platform**

The foreign currency clearing platform planned by the CBC and established by the FISC was launched in March 2013, aiming to strengthen financial infrastructure and facilitate the development of the financial services sector. In 2014, domestic and cross-border (including cross-strait) remittances of the US dollar and the renminbi, the payment-versus-payment (PVP) mechanism for transactions between different currencies, and the liquidity saving mechanism for foreign currency remittances were all incorporated into the platform. In 2015, functions of this platform were gradually expanded as follows:

- (1) Domestic and cross-border remittances of the Japanese yen were launched in January and May, respectively.
- (2) Domestic and cross-border remittances of the euro were both available from June.
- (3) Transactions of foreign currency bonds and bills via the DVP mode were incorporated into this platform in July.

### **Assessing Payment and Settlement Systems in Line with BIS Principles**

To ensure that major payment systems meet the requirements of international standards, the CBC assessed the CIFS, the CGSS, the FISC Interbank Payment System, the foreign currency clearing platform, and the clearinghouse system in accordance with the *Principles for Financial Market Infrastructure*. The results showed that the aforesaid systems generally complied with the BIS standards.