**Remarks by Dr. Ching-Long Yang,**

**Deputy Governor of the Central Bank of the R.O.C. (Taiwan) at the**

**Commemorative Ceremony for Clearstream’s Participation in the TDCC for Formosa Bonds, April 15, 2014**

**Mr. Tessler,** CEO of Clearstream,

**Ms. Wang, Vice Chairperson** of the Financial Supervisory Commission (FSC),

**Chairman Ding** of the Taiwan Depository & Clearing Corporation (TDCC),

**Chairman Wu** of GreTai Securities Market(GTSM),

**Distinguished Guests, Ladies and Gentlemen,**

Good morning!

It is my pleasure to be invited to the ceremony on behalf of the Central Bank of the R.O.C. (Taiwan) to welcome Clearstream as it opens an account with TDCC, the first among international central securities depositories.

Clearstream has a global network that spans 110 countries, serving many financial institutions and central banks. It connects with 54 markets around the world. Taiwan is one of the 16 markets where Clearstream has directly opened an account with, reflecting how it values Taiwan’s bond market development.

In fact, TDCC has been a Clearstream participant since 1991. Now, beginning this day, a closer connection between TDCC and Clearstream comes to fruition. With such a partnership that bridges the Taiwan market and the globe, Taiwan joins world’s major financial centers to facilitate transactions via the same platform. Cross-border RMB transactions between international investors and domestic brokers can be settled on the platform on a DVP (delivery-versus-payment) basis. Not only will it brings worldwide visibility for Taiwan’s Formosa bonds (Taiwan-issued RMB bonds) market, but it will bolster Taiwan’s offshore RMB business.

The sound development of this thriving financial market is also what we at the Central Bank has been dedicated to. In the past decade, the Central Bank has implemented many reforms to ensure a healthy financial market. Allow me to offer some examples in relation to financial market infrastructure and offshore RMB business.

Let me start with the reforms on financial market infrastructure.

In a bid to increase safety and efficiency of payment and settlement system operations, the Central Bank adopted the RTGS (real-time gross settlement) mechanism in 2002, which, since 2004, began linking up with the clearing systems for bills, stocks, bonds, and book-entry central government bonds. Thus, large-value payments for these securities are incorporated to the Central Bank’s payment system and processed real-time on a DVP basis. This integration effectively reduces systemic risks and conforms to the principles set by the BIS CPSS (i.e., Core Principles for Systemically Important Payment Systems).

In 2013, the Central Bank’s payment system has handled transactions totaling NT$447.24 trillion (approximately US$15 trillion), 31 times the amount of GDP in that year.

Next, let’s look at Taiwan’s offshore RMB business development.

The Central Bank signed an MOU on cross-strait currency clearing cooperation with the People’s Bank of China on August 31, 2012. After designation of Taiwan’s RMB clearing bank and amendments to relevant regulations, authorized foreign exchange banks (a.k.a. domestic banking units or DBUs) in Taiwan began to offer RMB business from February 6, 2013, the day that Taiwan’s development as an offshore RMB market passed another milestone.

Driven by financial industry’s enthusiasm and hard work, Taiwan’s RMB business has taken off. As of the end of February 2014, Taiwan’s DBUs and offshore banking units (OBUs) have already taken RMB deposits in the accumulated amount of nearly RMB250 billion, while their combined RMB assets are twice as much. Meanwhile, the sources and destinations of RMB funds have become increasingly international. Taiwan has also become more connected with other offshore RMB markets in the world.

Besides deposits and assets, other RMB business also grew rapidly. RMB remittances, for example, reached a total of RMB651 billion between February 2013 and February 2014. During the same period, Bank of China’s Taipei Branch, Taiwan’s RMB clearing bank, cleared transactions totaling about RMB2183.8 billion. In terms of FX transactions involving USD-RMB exchange, its growth has more than tripled from US$33.4 billion in February 2013 to US$140.1 billion in February 2014. During the same period, USD-RMB trading also took up a larger share of total FX trading, increasing from 6.8% to 22.4%, a share higher than either USD-JPY or USD-EUR transactions.

Financial products denominated in RMB also flourished, including Formosa bonds, RMB-denominated derivatives, mutual funds, insurance policies, etc. Formosa bonds, in particular, have had 15 issues in a total amount of RMB12.1 billion. Since Taiwan has accumulated a sizable RMB fund pool, a great opportunity has now arisen for growing Formosa bond market and diversifying RMB-denominated financial products.

Certainly, offshore RMB business cannot be further built up on a single pillar, which brings me to the third focus here. In addition to a larger fund pool, it is essential to establish a safe and efficient foreign currency payment and settlement system. With this in mind, the Central Bank began mapping out a foreign currency clearing platform since September 2012, a platform that would also facilitate worldwide services.

At present, the foreign currency clearing platform is available for domestic and cross-strait USD and RMB remittances, as well as PVP (payment-versus-payment) settlements for NTD-USD transactions. Even transactions between USD and RMB are being incorporated into its services. We are also in the process of selecting clearing banks for the Japanese yen and the euro, as this platform is looking to include these two currencies. By then, PVP settlements for USD-euro and USD-yen transactions will also be available.

Through the platform, the flow of foreign currency funds, including RMB, will be processed more efficiently. We also aim at strengthening Taiwan’s settlement services for international bonds and Formosa bonds by implementing a DVP settlement mechanism for foreign currency- denominated bonds through TDCC links. Another plan under consideration is to extend the platform’s operation hours to accommodate service needs from major international financial centers in different time zones.

Besides these progresses and plans, government authorities and regulators have put in a lot of work to deepen and widen the development of Formosa bonds under a more friendly legal and tax framework. It is also our hope that, by linking up our foreign currency clearing platform, the TDCC systems, and Clearstream’s network, multinationals or foreign investors will find it more and more convenient to issue foreign currency bonds or invest in Taiwan’s market. We believe this will further promote the business size of Taiwan’s foreign currency bonds.

Such achievements owe much to your efforts throughout the way. On behalf of the Central Bank Governor, Mr. Perng, I’d like to welcome Clearstream into Taiwan’s securities market and express our gratitude to all contributors present today and behind the scenes. Wish you good health and the ceremony a success. Thank you!