

## 7. Fiscal Agency Functions

The Central Bank acts as a banker to other banks as well as the government. It also functions as the fiscal agent for the government by maintaining the Treasury Deposit Account (TDA) and central governmental agency deposit accounts, and undertaking the issuance, registration, redemption, and interest payment of central government bonds and treasury bills.

### Managing the Treasury Deposit Account

The Bank manages the TDA on behalf of the Ministry of Finance (MOF), processing receipts and disbursements of the central government. The Bank delegates the handling of treasury transactions to 14 financial institutions and their 362 branches, including 5 overseas branches located in New York, Los Angeles, Seattle, and Paris. In 2009, the Bank received a total of NT\$3,190.8 billion worth of treasury deposits, an increase of NT\$545.8 billion or 20.64 percent from 2008. Payments made for the Treasury were NT\$3,196.2 billion, an increase of NT\$554 billion or 20.97 percent over the previous year. At the end of 2009, the outstanding balance in the TDA was NT\$35.5 billion, decreasing by NT\$5.5 billion or 13.41 percent from a year earlier. This was attributable to a substantial tax revenue decrease and an increase in government spending to boost the domestic economy in the wake of the global financial turmoil.

### Handling Central Government Agency Deposits

Central government agencies are required to make their deposits with the Bank or other delegated banks subject to the approval of the MOF. However, the delegated banks are required by law to redeposit 60 percent of the deposits with the Bank, except those in interest-bearing accounts. At the end of 2009, the balance of central government agencies' deposits with the Bank amounted to NT\$198.2 billion, a substantial increase of NT\$85.8 billion or 76.33 percent over 2008, as the Ministry of the Interior transferred deposits of the new labor pension system and the national pension insurance scheme from other delegated banks to the Bank. Deposits with other delegated banks were NT\$377.8 billion at the end of 2009, a decrease of NT\$51.5 billion or 12 percent. Among them, redeposits with the Bank registered NT\$11.1 billion at the end of 2009, decreasing by NT\$6.7 billion or 37.64 percent from a year earlier, as the Ministry of Finance introduced a policy that non interest-bearing accounts were to be subsumed into the TDA.

### Managing Central Government Bonds

As a fiscal agent, the Bank, on behalf of the MOF, performs services related to the issuance,

registration, transfer, redemption, and interest payment of central government bonds. The Bank also conducts the auctions of central government bonds. There are 64 domestic dealers qualified to directly participate in the auctions, including 23 banks, 26 securities companies, 10 bills finance companies, 4 insurance companies, and Chunghwa Post Co.

All central government bonds issued since 1997 have been in book-entry form. The paperless system expedites trading and saves the cost of printing, safekeeping, and bond delivery. In 2009, the Bank managed 13 issues of central government bonds amounting to NT\$470.0 billion and paid a total of NT\$250.2 billion in principal and NT\$122.4 billion in interest payments for central government bonds. At the end of 2009, the outstanding amount of central government bonds was NT\$3,829.6 billion, an increase of NT\$219.9 billion or 6.09 percent from the previous year-end, of which 99.90 percent was in book-entry form.

### **Managing Treasury Bills**

Treasury bills are issued at a discount through auctions. Direct participants include banks, insurance companies, bills finance companies, and Chunghwa Post Co. In 2009, the Bank handled 18 issues of treasury bills with a total amount of NT\$435 billion. At year-end 2009, the outstanding amount of treasury bills was NT\$215.0 billion, an increase of NT\$108.2 billion or 101.31 percent from the previous year-end.

### **Establishment of Government Bonds Buy-Back System**

To enhance the efficiency of government debt management and increase the domestic bond market liquidity, the Bank established the government bonds buy-back system in March, 2009. Through buying-back less-liquid government bonds and issuing new ones, the government was able to manage treasury deposit accounts more flexibly and reduce the interest burden.