

7. Fiscal Agency Functions

The Bank acts as a banker to other banks as well as the central government. As the fiscal agent of the government, the Bank offers several services for the Treasury. These services include handling 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 13 financial institutions and their 360 branches, including 5 overseas branches located in New York, Los Angeles, Seattle, and Paris. There are another 4,380 tax revenue agent banks all over the country, offering convenient services to government agents and the general public. In 2010, the Bank received a total of NT\$3,039.6 billion in treasury deposits, a decrease of NT\$151.2 billion or 4.74 percent from 2009. Payments made for the Treasury were NT\$3,048.5 billion, a decrease of NT\$147.7 billion or 4.62 percent over the previous year. At the end of 2010, the TDA balance was NT\$26.6 billion, decreasing by NT\$8.9 billion or 25.07 percent from a year earlier.

Handling Central Government Agency Deposits

Central government agencies are required to make their deposits with the Bank or other delegated banks. 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 2010, the balance of central government agencies' deposits with the Bank amounted to NT\$186.7 billion, a decrease of NT\$11.5 billion or 5.80 percent over 2009. Deposits with other delegated banks were NT\$451.3 billion at the end of 2010, an increase of NT\$73.5 billion or 19.45 percent. Among them, redeposits with the Bank registered NT\$10.3 billion, decreasing by NT\$0.8 billion or 7.21 percent from a year earlier.

Managing Central Government Bonds

As a fiscal agent, the Bank 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 67 domestic dealers qualified to directly participate in the auctions, including 25 banks, 27 securities companies, 9 bills finance companies, 5 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 2010, the Bank managed 16 issues of central government bonds amounting to NT\$610 billion and paid a total of NT\$252 billion in principal and NT\$119.1 billion in interest payments for central government bonds. At the end of 2010, the outstanding amount of central government bonds was NT\$4,187.6 billion, an increase of NT\$ 358 billion or 9.35 percent from the previous year-end, of which 99.94 percent was in book-entry form.

The Bank started the central government bonds buyback operation amounting to NT\$2 billion on November 4, 2010. Debt buybacks have advantages for the government's debt management by promoting overall market liquidity and helping to reduce the government's interest burden.

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 2010, the Bank handled 14 issues of treasury bills with a total amount of NT\$365 billion. At the end of 2010, the outstanding amount of treasury bills was NT\$240 billion, an increase of NT\$25 billion or 11.63 percent from the previous year-end.

Improving Operational Efficiency

To improve the efficiency of government cash management and simplify the process of tax revenue collection, the MOF and the Bank launched a tax revenue collection system from July 1, 2010. Through the new system, tax revenue agent banks process tax revenue documents with bar codes via computers, instead of keying in the transaction by hand, as was done in the past.

In addition, from October onwards, the Bank advanced the time for the auction operation from 1:30 p.m. to 12:00 a.m., with a view to enhance the efficiency of the auction operation, and reduce the uncertainty risk faced by tenders.