

5. Payment and Settlement Systems

The CBC Interbank Funds-Transfer System (CIFS) is the backbone of Taiwan's payment system, linking the Check Clearing House System (CCHS), the Interbank Remittance System (IRS), the Central Government Securities Settlement System (CGSS), the Bills Clearing and Settlement System (BCSS), the Securities Book-Entry Clearing System (SB ECS), and the Electronic Bond Trading System (EBTS) together to constitute a comprehensive payment system.

Accordingly, the Bank, with its mandate for financial stability, plays a key role in the smooth functioning of Taiwan's payment systems. In addition to operating the CIFS and CGSS, the Bank also monitors major payment systems based on international standards to ensure sound operation of these systems and to promote stability of the financial system.

Funds Transfers via the CIFS

Launched in May 1995, 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 several clearing institutions such as the Taiwan Clearing House (TCH), the Financial Information Service Co. (FISC), the Taiwan Depository and Clearing Corporation (TDCC) and the Taiwan Stock Exchange Corporation (TWSE).

At the end of 2011, participants of the CIFS included 66 banks, 8 bills finance companies, and 5 other institutions including Chunghwa Post Co., the TWSE, and the GreTai Securities Market (GTSM). In the year, the daily average amount of funds transferred via the CIFS was NT\$1,434.4 billion, while the daily average number of transactions reached 3,043.

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 the system and have been issued in book-entry form since then.

The CGSS linked 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 Bank for International Settlements (BIS), is an arrangement linking securities delivery with funds settlement 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 1,688 branches that handle the registration of central government securities transfers at the end of 2011. In 2011, 455 thousand transfers with a total amount of NT\$40.8 trillion were processed by this system.

Monitoring Payment Systems

The Bank monitors the payment systems on a periodic basis to maintain their safety and efficiency. Monitoring activities include the following:

- (1) Required payment system operators and payment instrument issuers to provide detailed information on their operations and activities as a basis for monitoring payment systems; ensured clearing institutions set up backup systems and contingency plans for business continuity in case of emergency.
- (2) Invited clearing institutions, the FISC, the TDCC, and the TCH, to jointly hold a conference in March 2011 to promote the sound operation of the payment systems and fortify the mechanism of emergency procedures.
- (3) Urged the TCH and its branches to adhere to the standard operating procedures of bill delivery in order to avoid accidentally missing batches of bills, thus ensuring the rights of note holders and keeping financial market in order.

Publishing the Payment and Settlement Systems Report

The interconnection between the operation of payment systems and securities settlement systems has become an important issue. The Bank translated the report, "The Interdependencies of Payment and Settlement Systems," which was published by the Committee on Payment and Settlement Systems (CPSS), and released this translation on the CBC website in August 2011.