

4. Financial Inspection

Pursuant to the Central Bank of the Republic of China (Taiwan) Act, the CBC conducts target examinations to ensure effective enforcement of policies related to monetary, credit, and foreign exchange management. To fulfill its mandate of financial stability, the CBC has established an off-site monitoring system and a financial stability assessment framework to systematically monitor and assess potential sources of risks in order to deploy appropriate policies and measures in a timely manner.

On-Site Target Examinations

Target examinations in 2013 inspected the handling of land collateralized loans and high-value housing loans as well as mortgage lending in legally-stipulated “specific areas,” banks' offered rates, data warehousing of checking accounts, counterfeit money detection and follow-up, foreign exchange transactions, purchases and sales of foreign currency securities entrusted with securities dealers, foreign currency exchanges, the correctness of reporting to the CBC, etc.

Follow-up on Banks' Compliance with Examination Findings

In 2013, in light of the CBC's target examination findings and the Financial Supervisory Commission's examination findings related to the CBC's operations or regulations, the CBC continued monitoring how the examined financial institutions had improved and urged them to rectify related deficiencies, thus ensuring successful implementation of the CBC's policies.

Off-Site Monitoring

Based on financial conditions and the amendments to relevant laws and regulations, the CBC reviews and amends as necessary the format and content of periodical statistical data submitted by financial institutions. In 2013, developments related to off-site monitoring for the above purposes included the following:

1. In line with the IFRS, assessment contents in the CBC's off-site monitoring system for domestic banks, local branches of foreign banks, financial holding companies, bills finance companies, securities dealers, and insurance companies were amended accordingly.
2. The items of “Tier I capital ratio,” “common equity ratio” and “net worth less than capital” related to capital adequacy requirements for domestic banks were added. Also, assessment criteria of provision coverage ratios for special mention loans were adjusted.
3. The outstanding and duration of securities held by bills finance companies and liquidity analysis

related to the weighted duration of bond assets were incorporated in the CBC's off-site monitoring system.

4. "Own assets" and "local debt, equity and other items" were added to the country risk statistics.

Financial Institution Information Transparency

The CBC regularly compiles and publishes various financial institution statistics and up-to-date financial regulations. It also discloses related information on its website. As a result, operational transparency of financial institutions has increased, and market self-discipline has been reinforced.

Financial Stability Assessment

The CBC compiles financial soundness indicators so that the relevant authorities, market participants and the public are kept informed of the status and sources of financial system risks in Taiwan. In 2013, the 7th *Financial Stability Report* was published. The publication also promotes cross-border communication and information sharing with regard to Taiwan's financial stability and surveillance.

International Cooperation in Financial Supervision

In 2013, the CBC continued to actively engage in international cooperation related to financial supervision, as follows:

1. Hosting a 6-day Course on Credit Risk Analysis, held by the SEACEN Centre and the Federal Reserve System.
2. Participating in the 4th SEACEN High-Level Seminar on Financial Stability/4th Meeting of Deputy Governors in Charge of Financial Stability and Banking Supervision, the conference "Asia: Challenges of Stability and Growth" held by the Bank of Korea and IMF, the 18th consulting group meeting for APEC Financial Regulators Training Initiative, Asia/Pacific Group on Money Laundering (APG) Annual Meeting and Forum on Technical Assistance and Training.
3. Completing questionnaires from the SEACEN Centre and the Asian Development Bank, respectively. The former was to be used for SEACEN learning and research needs analyses and their 3-year strategic plans. The latter was regarding the APEC Financial Regulators Training Initiative.
4. Answering the queries related to financial supervision from foreign central banks and financial supervisory agencies.