

4. Banking Supervision

To ensure sound operation of financial institutions and maintain the stability of the financial system, the Bank conducts banking supervision in accordance with the mandate endowed by the Central Bank of the Republic of China (Taiwan) Act. The Bank also actively engages in the establishment of financial soundness indicators and other financial stability indicators to systematically monitor, analyze, and evaluate the possible sources of financial system risks in order to adopt appropriate policies and measures in a timely manner.

Implementing On-site Examinations

According to the Central Bank of the Republic of China (Taiwan) Act, the Bank only conducts target examinations related to monetary, credit, and foreign exchange policies and payment systems when necessary.

Following up Banks' Compliance with the Examination Opinions

In light of the Bank's examination opinions and the Financial Supervisory Commission's examination opinions related to the Bank's business or regulations, the Bank monitors how the examined financial institutions have done for improvement, penalizes the institutions according to the law when necessary, urges the financial institutions to rectify related deficiencies, and thus ensures the successful implementation of the Bank's policy.

Enhancing Off-site Monitoring

Based on the periodical reports submitted by financial institutions, the Bank assesses the operation, financial conditions and regulatory compliance of individual financial institutions by utilizing the report auditing system. The Bank then compiles analyses on various business practices and other information to provide a reference for relevant supervisory agencies.

Establishing a Framework to Evaluate Financial Stability

The Bank refers to the IMF guidelines for compiling financial soundness indicators to draw up the Financial Soundness Indicators Reporting Items and Explanations for domestic banks and to establish a related databank, thus forming the basis of financial stability evaluation.

With the databank, the Bank can regularly draw up financial soundness indicators for domestic banks and non-bank financial institutions, study and present depository institution management status and exposure analysis reports, thus gradually establishing the evaluation framework of Taiwan's financial stability.

Monitoring Mismanaged Financial Institutions

The Bank closely monitors mismanaged financial institutions and collects information for the Bank's policy decisions. Moreover, the information is forwarded to the Financial Supervisory Commission and/or the Bureau of Agricultural Finance in order to adopt prompt corrective actions.

Other Important Measures

Other important measures implemented in 2007 included: (i) The Bank supported the Financial Supervisory Commission to establish a single window for the reporting of financial supervision-related information by domestic banks, foreign banks, and bills finance companies, and completed the design of data exchange format and file conversion. (ii) The Bank published financial institution statistics and new financial regulations, and disclosed public information on the Bank's website, in order to strengthen the transparency of the operation of financial institutions. (iii) The Bank established the Financial Stability Evaluation Committee and the Financial Stability Working Group to bolster financial stability analysis and evaluation. (iv) According to the revised Regulations Governing the Establishment and Administration of Foreign Currency Exchange Bureaus, the Bank incorporated currency exchange bureaus in the scope of financial examination and performed on-site examinations on these bureaus.