

## 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 holding 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 352 branches, including 5 overseas branches located in New York, Los Angeles, Seattle, and Paris. There are another 4,530 tax revenue agent banks all over the country, offering convenient services to government agencies and the general public. In 2007, the Bank received a total of NT\$2,455.5 billion worth of treasury deposits, a decrease of NT\$38.9 billion or 1.56 percent over the previous year. Payments made for the Treasury were NT\$2,458.3 billion, a decrease of NT\$68.2 billion or 2.70 percent from 2006. The outstanding balance in the TDA was NT\$38.1 billion at the end of 2007, a decrease of NT\$2.8 billion or 6.85 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 subject to the approval of the MOF. However, the delegated banks are required by law to redeposit a certain percentage of the deposits with the Bank, except those in interest-bearing accounts. At the end of 2007, the balance of central government agencies' deposits with the Bank amounted to NT\$148.0 billion, an increase of NT\$3.7 billion or 2.56 percent over the previous year. Deposits with other delegated banks were NT\$427.3 billion, an increase of NT\$1.4 billion or 0.33 percent. Redeposits registered only NT\$17.7 billion, decreasing by NT\$1.7 billion or 8.76 percent from a year earlier.

### 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 66 domestic dealers qualified to submit tenders to the Bank in the auctions.

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 2007, the Bank managed 13 issues of central government bonds amounting to NT\$393.2 billion. The weighted average yields of successful bids for these issues ranged from 1.905 percent to 3.003 percent per annum. During 2007, the Bank paid a total of NT\$222.5 billion in principal and NT\$117.4 billion in interest payments for central government bonds. At the end of 2007, the outstanding amount of central government bonds was NT\$3,410.0 billion, an increase of NT\$170.7 billion or 5.27 percent from the previous year-end, of which 99.80 percent was in book-entry form.

### **Managing Treasury Bills**

Treasury bills are sold at discounts through auctions. Participants include banks, investment trusts, insurance companies, bills finance companies, and Taiwan Post. In 2007, the Bank arranged 3 issues of book-entry treasury bills with a total amount of NT\$88 billion. The yields of successful bids for these issues ranged from 1.760 percent to 2.320 percent. At year-end 2007, the outstanding amount of treasury bills was NT\$28 billion, an increase of NT\$3 billion or 12 percent from the previous year-end.

### **Improving Operational Efficiency**

The interest paid on central government agencies' time deposits with the Bank was previously calculated according to a rate offered by the Bank of Taiwan. Since April 4, 2007, it has been shifted to one offered by the Bank to reflect the Bank's cost of capital. In addition, the Bank integrated the Electronic Bidding System and Auction System into one single platform, which was launched on May 28, 2007. This system streamlines the bidding process and enhances the security and efficiency of tender operation.