

4. Banking Supervision

To ensure the sound operations of financial institutions and maintain the stability of the financial system, the Bank conducted banking supervision in accordance with the mandate endowed by the Central Bank of China Act and consigned by the Ministry of Finance. Since the Financial Supervisory Commission commenced operations in July 2004, the Bank has ceased conducting regular banking supervision and has only conducted target examinations related to its policy in line with Central Bank of China Act.

Implementing On-site Examinations

During the first half of 2004, the Ministry of Finance, the Central Deposit Insurance Corporation and the Bank shared the responsibility to conduct on-site banking examinations. In addition, target examinations were conducted to accommodate the implementation of monetary policy, with information from off-site monitoring, major incidences and contingencies, and appeal and accusation cases serving as reference. In the second half of the year, the Bank only conducted target examinations related to its regulatory scope and monetary, credit and foreign exchange policy when necessary.

Supervising the Internal Auditing of Banks

During the first half of the year, the Bank strengthened the internal auditing of the banks under its supervision by reviewing their auditing reports and assessing their auditing performance in accordance with the guidelines evaluating the internal auditing of banks and bills finance companies.

Enhancing Off-site Monitoring

The Bank, when necessary, revised the reporting forms of financial institutions and adjusted the methods of auditing and reviewing these reports. The Bank also planned to establish additional report auditing systems for insurance companies, securities firms, futures commission merchants and bond funds.

Based on the reports submitted by financial institutions, the Bank assessed the operations, financial conditions and regulatory compliance of individual financial institutions by utilizing the report auditing system. The Bank then compiled analysis on various business practices and other information to serve as a reference for relevant supervisory agencies.

Adjusting Bank Examination Responsibilities

With the establishment of the Financial Supervisory Commission, existing banking supervisory responsibilities were integrated. The Bank accordingly adjusted the legal framework, organizational structure and duties of the Bank Examination Department. The Bank also invalidated 36 provisions it previously issued related to bank examination.

Other Important Measures

- (1) The Bank collaborated with the Financial Supervisory Commission and the Central Deposit Insurance Corporation to set up a single window for domestic banks, local branches of foreign banks and bills finance companies to submit banking supervision data. The Bank also streamlined the process for financial institutions to report to different departments of the Bank, eliminating duplicated procedures.
- (2) As some Internet banking customers found their savings illegally transferred, the Bank drew up measures for financial institutions to counter hacker attacks on Internet bank accounts.
- (3) To prevent currency forgery, the Bank regularly monitored the purchase and lease conditions of currency sorting machines by financial institutions.
- (4) The Bank seconded staff to the Financial Crime Investigation and Supervision Team under the Taiwan High Court to help investigate cases of financial crime.