

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 354 branches, including 5 overseas branches located in New York, Los Angeles, Seattle, and Paris. In 2008, the Bank received a total of NT\$2,645 billion worth of treasury deposits, a mild advance of NT\$189.5 billion or 7.72 percent over the previous year. Payments made for the Treasury were NT\$2,642.2 billion, an increase of NT\$183.9 billion or 7.48 percent from 2007. At the end of 2008, the outstanding balance in the TDA was NT\$41 billion, increasing by NT\$2.9 billion or 7.61 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 60 percent of the deposits with the Bank, except those in interest-bearing accounts. At the end of 2008, the balance of central government agencies' deposits with the Bank amounted to NT\$112.4 billion, a decrease of NT\$35.6 billion or 24.05 percent over the previous year, as the Ministry of the Interior transferred deposits to other delegated banks to fund the national pension insurance scheme, which became effective in October 2008. Deposits with other delegated banks were NT\$429.3 billion at the end of 2008, an increase of NT\$17.1 billion or 4.15 percent. Redeposits registered NT\$17.8 billion at the end of 2008, increasing by a mere NT\$0.1 billion or 0.56 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 65 domestic dealers qualified to directly participate in the auctions, including 22 banks, 28 securities companies, 10 bills finance companies, 4 insurance companies, and Chunghwa Post Co.

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 2008, the Bank managed 12 issues of central government bonds amounting to NT\$410.0 billion. The weighted average yields of successful bids for these issues ranged from 1.404 percent to 2.748 percent per annum. During 2008, the Bank paid a total of NT\$210.3 billion in principal and NT\$117.5 billion in interest payments for central government bonds. At the end of 2008, the outstanding amount of central government bonds was NT\$3,609.7 billion, an increase of NT\$199.7 billion or 5.86 percent from the previous year-end, of which 99.90 percent was in book-entry form.

Managing Treasury Bills

Treasury bills are sold at discounts through auctions. Direct participants include banks, investment trusts, insurance companies, bills finance companies, and Chunghwa Post Co. In 2008, the Bank handled 10 issues of book-entry treasury bills with a total amount of NT\$240 billion. The highest accepted rates for these issues ranged from 0.700 percent to 2.243 percent. Besides, the Bank conducted 3 buy-backs of book-entry treasury bills with a total amount of NT\$15 billion in 2008. At year-end 2008, the outstanding amount of treasury bills was NT\$106.8 billion, an increase of NT\$78.8 billion or 2.8 times from the previous year-end.

Improving Operational Efficiency

To reduce the settlement risk in interbank transactions and improve the settlement efficiency, the Bank linked the Central Government Securities Settlement (CGSS) system to the CBC Interbank Funds Transfer System (CIFS) on a delivery-versus-payment (DVP) basis on April 14, 2008. Hereafter, all book-entry central government securities interbank transactions excluding netting transactions in the over-the-counter (OTC) market are all processed on a DVP basis.