

5. Payment and Settlement Systems

The CBC Interbank Funds-Transfer System (CIFS) is the backbone of Taiwan's payment systems, linking the Check Clearing House System (CCHS), the Interbank Remittance System (IRS), the Central Government Securities Settlement System (CGSS), the Bills Clearing and Settlement System (BCSS), the Securities Book-Entry Clearing System (SBECS), and the Electronic Bond Trading System (EBTS) together to constitute systemically important payment systems.

Accordingly, the Bank plays a key role in Taiwan's payment systems. In addition to operating the CIFS and CGSS, the Bank also monitors major payment systems based on international standards to ensure sound operation of these systems and to promote stability of the financial system.

Funds Transfers via the CIFS

Launched in May 1995, the CIFS is a large-value electronic payment system. In addition to dealing with interbank funding, reserve requirement adjustments and funds settlements in financial markets, the CIFS also provides interbank final settlement services to several clearing institutions such as Taiwan Clearing House (TCH), Financial Information Service Co., (FISC), Taiwan Depository and Clearing Corporation (TDCC) and Taiwan Stock Exchange Corporation (TWSE).

At the end of 2010, participants of the CIFS included 65 banks, 9 bills finance companies, and 5 other institutions including Chunghwa Post Co., TWSE, and the GreTai Securities Market (GTSM). For the year as a whole, the daily average value of funds transferred via the CIFS was NT\$1,416.7 billion, while the daily average number of transactions reached 2,878.

Transactions via the CGSS

The CGSS was established in September 1997. It is a system for the issuance, transfer, redemption, and interest payment of book-entry central government securities. Since its inception, central government bonds have been issued in book-entry form. In October 2001, treasury bills were included in the system and have been issued in book-entry form since then.

The CGSS System linked with the CIFS in April 2008. Since then, fund settlements, principal redemptions and interest payments have been handled through the CIFS using a delivery-versus-payment (DVP) mode. The DVP mode, promoted by the Bank for International Settlements (BIS), is an arrangement linking securities delivery with funds settlement in a securities settlement system to ensure that a securities delivery occurs almost at the same time as the funds transfer, effectively mitigating potential risks during the process of transaction.

The registration of central government securities transfers is handled by 16 clearing banks and their 1,683 branches. In 2010, 508 thousand transfers with a total value of NT\$44.3 trillion were processed by this system.

Monitoring Payment Systems

The Bank monitors the payment system on a periodic basis to maintain its safety and efficiency as one of its foremost goals. Monitoring activities include the following:

- (1) Require payment system operators and payment instrument issuers to provide detailed information on their operations and activities as a basis for monitoring payment systems; ensure clearing institutions set up backup system and contingency plans in case of emergency.
- (2) Invite clearing institutions, such as the FISC, the TDCC, and the TCH, to participate in panel discussions held regularly to promote the sound operation of the payment system.
- (3) Work with financial supervisory agencies to address potential computer system problems related to the "centenary bug" in financial and clearing institutions.
- (4) Review and make changes to *Regulations Governing the Administration of Negotiable Instrument Clearing Business by the Central Bank of the Republic of China* to meet the needs of the clearing business under the current system. It went into effect on December 22, 2010. The title was also changed to *Regulations Governing the Business of Negotiable Instruments Exchange and Clearance of Accounts among Banks*.