

5. Payment and Settlement Systems

The CBC Interbank Funds-Transfer System (CIFS) is the backbone of Taiwan's payment system, linking two Interbank Remittance Systems (IRS) operated by the Financial Information Service Co. (FISC) and the National Credit Card Center of the R.O.C. (NCCC), the Check Clearing House System (CCHS), the Central Government Securities Settlement System (CGSS), the Bills Clearing and the Settlement System (BCSS), the Securities Book-Entry Clearing System (SBECS) of the Taiwan Stock Exchange Corporation (TWSE), and the Electronic Bond Trading System (EBTS). Together these constitute a comprehensive payment system.

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

Operation of Payment and Settlement Systems

1. Funds Transfers via the CIFS

Launched in May 1995, the CIFS is a large-value electronic funds-transfer 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 the Taiwan Clearing House (TCH), the FISC, the NCCC, the Taiwan Depository and Clearing Corporation (TDCC) and the TWSE.

At the end of 2013, participants of the CIFS included 71 banks, eight bills finance companies, and seven other institutions including Chunghwa Post, the TWSE, the GreTai Securities Market (GTSM), and the NCCC, etc. In the year 2013, the daily average amount of funds transferred via the CIFS was NT\$1,803.4 billion, while the daily average number of transactions reached 2,848.

2. Transactions via the CGSS

The CGSS was established in September 1997. It is a system for 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 this system and have been issued in book-entry form ever since.

The CGSS linked up 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 in a securities settlement system to ensure that securities delivery occurs almost at the same time as the funds transfer, effectively mitigating potential risks during the transaction process.

There were 16 clearing banks with 1,693 branches that handled the registration of central government securities transfers at the end of 2013. During 2013, 294 thousand transfers with a total amount of NT\$28.7 trillion were processed by this system.

Monitoring Payment Systems

The CBC monitors the payment systems on a periodic basis to maintain their safety and efficiency. In 2013, the CBC's monitoring activities in this regard included the following:

1. Requiring payment system operators and payment instrument issuers to provide detailed information on their operations and activities as a basis for monitoring payment systems.
2. Ensuring clearing institutions set up backup systems and contingency plans for business continuity in case of emergency.
3. Inviting the Financial Supervisory Commission and clearing institutions such as the FISC, the TDCC, and the TCH to jointly hold conferences twice in 2013 to promote the sound operation of the payment systems.
4. Urging the TCH to establish a risk management mechanism of check clearing and settlement to complete the day's clearing once a member fails to pay its accrued net difference. As a result, the TCH formulated the "*Directions for Risk Management Mechanism of Clearing and Settlement*," effective from May 1, 2013.
5. Urging the TCH to, in accordance with Article 27 of the *Personal Information Protection Act* and the CBC's *Regulations Governing the Clearinghouse's Plan of Security Measures for Personal Information Files*, draw up a formal plan and the policy to enhance credit information protection under its possession.

Planning and Building the Foreign Currency Clearing Platform

The foreign currency clearing platform planned by the CBC and established by the FISC was launched in 2013, aiming to strengthen financial infrastructure and facilitate the development of the financial services sector. This platform adopted the SWIFT standard to facilitate transactions with financial institutions abroad. Settlements of domestic US dollar remittances and domestic and cross-strait renminbi remittances could be processed on this platform, starting from March and September 2013, respectively. Both services have run smoothly with steady growth in the trading volume. Moreover, the PVP (payment-versus-payment) system for cross-currency transactions and

the service of cross-strait US dollar remittances were launched in February 2014.

Incorporating Credit Card Transactions into the CIFS

In November 2013, the CBC agreed that the payment operations of credit cards of the NCCC, which were originally handled by three banks, be included in the CIFS to enhance clearing efficiency of credit card payments. Since the incorporation, the credit card payment clearing operations have been working smoothly.

International Research Cooperation

In 2013, the CBC participated in the project titled “Analytical Framework to Assess Systemic Financial Market Infrastructure” held by the Conference of Governors of South East Asian Central Banks (SEACEN) Research and Training Centre, and submitted a research report on the case of Taiwan.