

5. Payment and Settlement Systems

The CBC Interbank Funds-Transfer System (CIFS) is the backbone of Taiwan's payment system, linking payment and remittance systems operated by the Financial Information Service Co., Ltd. (FISC), the National Credit Card Center of R.O.C. (NCCC), the Taiwan Clearing House (TCH), the Taiwan Depository and Clearing Corporation (TDCC), the Taipei Exchange (TPEX), and the Taiwan Stock Exchange Corporation (TWSE) together to construct a comprehensive system.

Accordingly, the CBC plays a key role in the functioning of Taiwan's payment systems and operates the CIFS and the Central Government Securities Settlement System (CGSS). In addition, 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

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 each clearing institution.

At the end of 2014, participants of the CIFS included 70 banks, eight bills finance companies, and seven other institutions including Chunghwa Post, the TWSE, the TPEX, and the NCCC, etc. In the year 2014, the daily average amount of funds transferred via the CIFS was NT\$1,970.7 billion, while the daily average number of transactions reached 2,981, growing by 4.67 and 9.28 percent, respectively.

(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, 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 1,707 branches that handled the registration of central government securities transfers at the end of 2014. During 2014, 278,000 transfers with a total amount of NT\$27.8 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 2014, 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 (FSC) and clearing institutions such as the FISC, the TDCC, and the TCH to jointly hold conferences themed the “Development and Planning of Third-Party Payment and Mobile Payment Services” and “Enhancing the Effectiveness of System Operations while Taking Innovation and Safety into Account” in May and November 2014, respectively, to promote sound operation of the payment systems.
- (4) Providing comments on the draft of the *Act Governing Electronic Payment Institutions* and the amendment to the *Act Governing Issuance of Electronic Stored Value Cards* to the FSC in order to strengthen the legal basis of electronic payment supervision.

Expanding the Foreign Currency Clearing Platform

The foreign currency clearing platform planned by the CBC and established by the FISC was launched in March 2013, aiming to strengthen financial infrastructure and facilitate the development of the financial services sector. Functions of this platform have been gradually expanded in 2014 as follows:

- (1) Settlements for domestic US dollar call loan transactions between the CBC and banks could be processed on this platform, starting from January.
- (2) Cross-strait US dollar remittances and the interbank PVP (payment-versus-payment) mechanism were launched in February.
- (3) PVP settlements for NTD-USD foreign exchange swap transactions between the CBC and authorized banks were included in this platform in March. In addition, a liquidity saving mechanism for foreign currency remittances was incorporated into its services in July.
- (4) The process of selecting clearing banks for the Japanese yen and the euro was completed in

June and October, respectively. Settlements for USD-euro and USD-yen transactions will be available on this platform, starting from January and June 2015, respectively.

Building the Bills Payment Backup Mechanism

To ensure the smooth functioning of the payment system, the CBC established a backup mechanism of bills payment in July 2014. The backup mechanism would promptly continue processing the payment and delivery in case of disconnection between the Check Clearing House System (CCHS) and the CIFS.

Assisting in Establishing a Mobile Payment Platform

To enhance the safety and efficiency of mobile payment services, the CBC assisted the FISC, the TCH, the NCCC and financial institutions in founding the Taiwan Mobile Payment Co. in September 2014. Subsequently, this company launched the payment service provider trusted service manager (PSP TSM) platform in December 2014, aiming to facilitate mobile payment processing.