

14. Banking Supervision

To ensure the safety and soundness of financial institutions and to maintain the stability of the financial system, based on the Central Bank of China Act, the Bank not only strengthens bank examination, but also cooperates with the Ministry of Finance to review the current system of financial regulation and supervision. In 2000, particular emphasis was given to the following:

Implementing On-site Examination

- (1) The Bank implements regular on-site examinations in accordance with the division of duties regulated by law among the Ministry of Finance, the Central Depository Insurance Corporation and the Bank. In addition, target examinations are also conducted with the reference of information from off-site examinations, financial incidences and contingencies, and letters of accusation.
- (2) To enhance supervision of the overseas branches of domestic banks and to conform to the international practice of consolidated supervision, the Bank sent examiners to the U.S., France, the United Kingdom and Japan to conduct on-site examinations, as well as to further exchange information by visiting the local financial supervisory authorities.

Enhancing Collection of Data for Early Warning Signs

- (1) To enhance banks' asset quality control, the Bank completed filing the past-due loan records of local banks and branches.
- (2) To enhance liquidity management of financial institutions, the Bank requires them to report the term structure of NT dollar deposits on a quarterly basis.
- (3) In compliance with the financial statistics of the Bank for International Settlements, the Bank compiles country risk exposure statistics and adopts an on-line reporting system.

Supervising the Internal Auditing of Banks

The Bank supervises and evaluates commercial banks' internal auditing and control systems, based on the Guidelines for Evaluating the Internal Auditing of Local Banks, Investment and Trust Companies, and Bills Finance Companies. The results of such evaluations serve as an important reference for the Bank to approve commercial banks' plans to extend their branch networks.