

14. Banking Supervision

To ensure the safety and soundness of financial institutions and to maintain the stability of the financial system, 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. Particular emphasis was given to the following:

Implementing On-site Examination

- a. The Bank, the Ministry of Finance, and the Central Deposit Insurance Corporation share the responsibility to conduct regular on-site examinations. In addition, target examinations were also conducted to accommodate the implementation of monetary policy, with information from off-site examinations, financial incidences and contingencies, and letters of accusation serving as the reference material.
- b. To conform to the international practice of consolidated supervision, the Bank enhanced its supervision of the overseas branches of domestic banks. In 2001, the Bank sent examiners to the U.S., the United Kingdom, and Belgium to conduct on-site examinations, and also visit the local financial supervisory authorities to share information.

Supervising the Internal Auditing of Banks

The Bank supervised and evaluated financial institutions' 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 served as an important reference for the Bank to approve financial institutions' plans to expand their businesses or branches.

The Bank began to compile statistics on local banks' country risk exposure, and published them on a quarterly basis.

Handling Problem Financial Institutions

The Bank continued to monitor the operations of problem financial institutions. To help stabilize the financial system, the crisis-management team of the Bank promptly evaluated and proposed ways to address problems arising from those financial institutions whose acts seriously violate codes of conduct. The Bank also worked with other government agencies to help deal with 36 problem community financial institutions with the financial support from the Financial Restructuring Fund.

Other Important Measures

a. The Bank continued to monitor financial institutions to ensure the implementation of monetary policy to its full effect.

b. The Bank invited banks to discuss the anti-forgery issues surrounding newly issued banknotes. Conclusions from the meeting were sent to all financial institutions for their reference.

c. In response to the enactment of the Financial Holding Companies Law, effective from July 2001, the Bank worked with other relevant agencies to prepare manuals for examining financial holding companies.

