

## 5. Payment and Settlement Systems

### Developments in the Payment and Settlement Systems

The Bank provides the final instrument of payment, namely New Taiwan dollar notes and coins. The Bank also supervises the clearing house system which handles the clearing and settlement of checks, promissory notes, and drafts among banks.

The two main subsystems under the CBC wire are the CBC Inter-bank Fund-transfer Settlement System (CIFS), and the Central Government Securities Settlement System (CGSS). The CIFS launched in May 1995 is an on-line, large-value fund transfer system. Since September 2002, the system has been operated in complete real-time gross settlement (RTGS). For the year 2004, the system handled a total value of NT\$193.6 trillion transactions, showing a 20.5 percent increase from 2003. The CGSS established in September 1997 is a real-time gross settlement system for the issuance, transfer, redemption, and interest payment of book-entry central government securities. Currently, the book-entry transactions of central government securities within a clearing bank can be made on a delivery-versus-payment (DVP) basis while those between clearing banks cannot. To reduce the settlement risk in inter-bank transactions, the Bank plans to link the CGSS with the CIFS to allow clearing banks to handle these settlements on a DVP basis as well.

### Promoting the Bills Depository and Clearing System

The Debt Instruments Depository and Clearing Corporation (DIDC) was established in August 2003 to improve the efficiency and to reduce the settlement risk of short-term bills transactions.

With the help of the Bank, the Bills Depository and Clearing System was set up in April 2004 to replace the service of storing and delivering physical bills with an electronic funds transfer and reliable computerized book-entry facility. Since the system was linked with the Bank's CIFS at its inception, transactions of bills in a book-entry form have been processed on a DVP basis, which has greatly improved the settlement efficiency of bills transactions and reduced the default risk.

### Enhancing the Check-Clearing System

In view of the common features shared by each check-clearing house business and their close relations, the Bank assisted the 16 district clearing houses around the country to consolidate themselves into a single juridical entity. The Taiwan Clearing House (TCH), consisting of the Taipei head office and 15 branch offices outside the Taipei area, was established in November

2002 to assume the check-clearing business. In 2004, the TCH handled a total value of NT\$26.6 trillion in the clearing of checks and bills, a decrease of 5.7 percent from 2003, mainly due to the popular use of inter-bank remittance transactions.

In order to promote the efficiency of check clearing and to facilitate funds management for enterprises, the Bank guided the TCH to enhance its computerized check-clearing operation. Through dividing the Taiwan area into north, middle and south exchange regions, the checks collected by clearing houses were exchanged in three processing centers located in Taipei, Taichung and Kaohsiung, respectively. The Bank then handles the final settlement for these processing centers. This quasi-centralized and electronic processing system is conducive to time-saving for check processing and reducing manual handling loads. It also facilitates funds management of both financial institutions and enterprises. Since January 2004, the 12 check clearing houses in western Taiwan area have all implemented this computerized operation. However, the branch offices in Ilan County, Hualien County, Taitung County, and Penghu County still process check clearing manually.