

5. Payment and Settlement Systems

Increasing Funds Transfers by the CBC Wire

The two main subsystems under the CBC wire are the CBC Interbank 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 funds transfer system. Since September 2002, the system has been operated in a real-time gross settlement (RTGS) basis. Participants of the CIFS include banks, investment and trust companies, and bills finance companies. For those who maintain transaction accounts with the Bank, they may directly use the CIFS to transfer funds. Payment instructions are also sent over the CIFS for settling obligations on check clearing, adjusting reserve account balances, or making payments associated with interbank loans, bill transactions, and bond transactions. For the year 2005, the total value of funds transferred by the system grew by 27.2 percent from 2004 to NT\$246,279 billion.

Established in September 1997, the CGSS 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 interbank 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.

Declining Check Clearing by the Clearing House System

Supervised by the Bank, the Taiwan Clearing House System handles the clearing and settlement of checks, promissory notes, and drafts among banks. Participants of the system include banks, credit co-operative associations, as well as credit departments of farmers' and fishermen's associations. All financial institutions in Taiwan using these facilities should hold reserve accounts at the Bank. The Bank also participates in this System.

The Taiwan Clearing House (TCH) is responsible for the operation of the system. 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 Taiwan 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.

Both the volume and value of TCH transactions have been decreasing over the past few years. In 2005, checks and bills settled by the TCH system amounted to NT\$23,961 billion, a decrease of 9.9 percent from 2004, mainly due to the growth of interbank remittance transactions.

Increasing Transactions through the FISC Interbank Payment System

The Interbank Remittance System (IRS), launched in August 1987 and operated by the Financial Information Service Co., Ltd (FISC), is the largest retail electronic payment system in the country. This system provides remittance services to the general public, government agencies, and banks.

Credit cards and ATM (automatic teller machine) cards are the most popular payment cards in the country. The interbank settlements of credit card transactions between card-issuing banks and retail merchant's banks are mostly made by the FISC. The CD/ATM (cash dispenser/ automatic teller machine) System, which provides 24-hour cross-bank withdrawal, balance inquiry, funds transfer, credit card cash advance, and IC card loading services, is also operated by the FISC. All the participants in the IRS can join the system. In addition, the FISC handles funds transfers for on-batch payments, debit cards, electronic and mobile banking, etc.

In 2005, the FISC handled a total value of NT\$107,166 billion in funds transactions, a moderate increase of 2.5 percent from the previous year.

Transactions of Payment Systems

Year	CBC Interbank Funds Transfer System		Clearing House System		FISC Interbank Payment System	
	Volume (thousand)	Value (NT\$ billion)	Volume (thousand)	Value (NT\$ billion)	Volume (thousand)	Value (NT\$ billion)
1996	265	96,379	169,115	51,183	151,070	36,374
1997	310	112,022	170,950	54,957	185,770	58,232
1998	379	129,513	171,959	53,492	215,660	63,097
1999	389	118,166	170,228	41,489	249,160	65,361
2000	435	134,376	175,019	40,835	292,370	79,698
2001	466	141,078	171,509	37,975	313,370	76,545
2002	443	153,467	162,791	31,985	342,230	85,245
2003	447	160,729	158,345	28,228	371,114	89,777
2004	630	193,662	159,635	26,597	396,169	104,566
2005	794	246,279	154,538	23,961	409,193	107,166

Source: Financial Statistics Monthly, Republic of China, the Central Bank of China.