

## 4. Banking Supervision

To ensure the sound operations of financial institutions and maintain the stability of the financial system, the Bank conducted banking supervision in accordance with the mandate endowed by the Central Bank of the Republic of China (Taiwan) Act. The Bank also actively planned to establish a framework to evaluate financial stability, including the establishment of financial soundness indicators and other financial stability indicators to systematically monitor, analyze, and evaluate the possible sources of financial system risks in order to adopt appropriate policies with the objective of financial stability.

### Implementing On-Site Examinations

According to the mandate endowed by the Central Bank of the Republic of China (Taiwan) Act, the Bank only conducted target examinations related to monetary, credit, and foreign exchange policies, and payment systems when necessary.

### Monitoring the Compliance with the Examination Opinions

Focusing the Bank's examination opinion and the Financial Supervisory Commission's examination opinion involving the Bank's business or regulations, the Bank monitored the improvement of the examined financial institutions, punished the misbehaving institutions according to the law when necessary, and urged the financial institutions to actually improve related deficiencies, to make the Bank's policy implementation successful.

### Enhancing Offsite Monitoring

Based on the periodical reports submitted by financial institutions, the Bank assessed the operations, financial conditions and regulatory compliance of individual financial institutions by utilizing the report auditing system. The Bank then compiled analysis on various business practices and other information to serve as a reference for relevant supervisory agencies.

### Establishing a Framework to Evaluate Financial Stability

The Bank referred to the IMF guidelines for compiling financial soundness indicators to draw up the Financial Soundness Indicators Reporting Items and Explanations for domestic banks and to establish related databank, thus forming the basis of financial stability evaluation.

With the databank, the Bank can regularly draw up financial soundness indicators for

domestic banks and non-bank financial institutions, can study and present depository institution management status and exposure analysis reports, thus gradually establishing the evaluation framework of Taiwan's financial stability.

### **Monitoring Mismanged Financial Institutions**

The Bank closely monitored mismanged financial institutions and collected the information for the Bank's policy decisions. Moreover, the information was forwarded to relevant competent authorities in order to adopt prompt corrective actions.

### **Other Important Measures**

Other important measures included: (i) The Bank supported the Financial Supervisory Commission to establish a single reporting window for financial supervisory information of domestic banks, foreign banks, and bills finance companies. (ii) The auditing system for the financial statements of insurance companies, securities firms, and futures firms was established. (iii) The Bank continued to urge financial institutions to use the currency sorters and processors in an aim to take counterfeit bills out of circulation.

