

Operation of CDIC's Fund

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1 CDIC's Profile



CDIC's Profile

- A government agency established in 1985
- Shareholders
 - Financial Supervisory Commission (FSC)
 - Central Bank
- Competent authority : FSC
- Risk minimizer
 - Conducting off-site monitoring & on-site inspections
- Resolution authority
 - Handling problem insured institutions
 - Recovering from failed banks' assets
 - Pursuing civil liabilities for illegal acts or omissions by failed banks' staff



2 DIF Overview

- Sources of DIF
- Target Fund Ratio
- DIF Size and Ratio



Sources of DIF

In normal times :

- **Premium income**
 - Ex-ante funding system
 - Risk-based premium system
- **Investment income**

In a systemic crisis :

- **Special premium**
 - Oct. 2008 - Dec. 2010 · US\$ 0.03 billion
- **Public fund (Banking Business Tax Revenues)**
 - Jan. 2011 - June 2014 · US\$ 2.54 billion



Handling 2000's Financial Crisis by Financial Restructuring Fund(FRF) Mechanism

Background (Establishment of FRF in 2001)

- A precautionary measure for handling a potential domestic financial crisis in the wake of the 1997 Asian Financial Crisis

Size of fund: US\$ 7.6 billion

Funding sources :

- **Public fund** (2% Gross business receipt tax (GBRT) of the *financial industry*) from 2002 to 2010 (around US\$6.8 billion)
- **Deposit insurance premiums** from 2002 to 2011 (around US\$0.8 billion)

Decision-making body: FRF Committee

Execution body: CDIC

Funding sources during the financial crises

Year	Number of Resolved FIs		Funding Sources	
	Banking FIs	Agricultural FIs	FRF	DIF
1999	1			US\$ 0.04 billion
2001	7	29	US\$ 7.60 billion	US\$ 1.64 billion*
2002	1	7		
2004	2			
2005	1	1		
2007	3	1		
2008	3			
2010	1			
Subtotal	19	38		
Total	57		US\$ 9.28 billion	

***US\$ 1.68 billion of the DIF was used to resolve the 57 problem financial institutions (FIs) through various P&A transactions.**

Handling 2008 Financial Crisis by Deposit Insurance System(DIS)

Background

- The outbreak of 2008 global financial tsunami threatened Taiwan's financial system

Size of additional funding: US\$ 2.57 billion

Funding sources :

- **Normal deposit insurance premiums**
- Special premiums from Oct. 2008 to Dec. 2010 (around US\$ 0.03 billion)
- Public fund (2% Gross business receipt tax (GBRT) of the **banking industry**) from Jan. 2011 to June 2014 (around US\$ 2.54 billion)

Decision-making body: The Executive Yuan

Execution body: CDIC

Target Fund Ratio

Target fund ratio : 2% of covered deposits

- There is no regulatory time frame set to achieve the target ratio

Two separate DIF accounts from 2007

BDIF

**Banking Financial
Sector**

- including banks and credit cooperatives
- supervised by FSC

ADIF

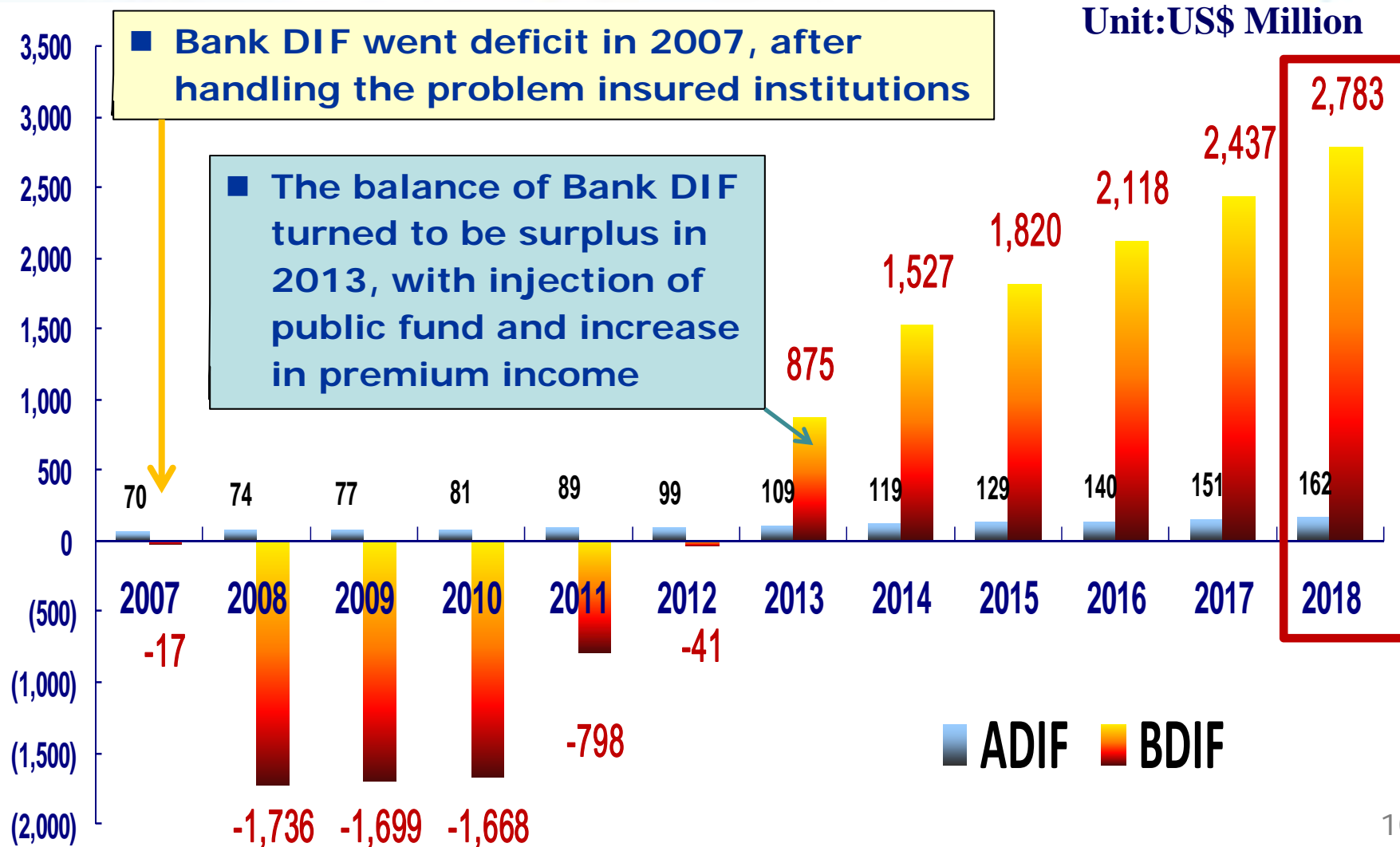
**Agricultural
Financial Sector**

- including credit departments of farmers' and fishermen's associations
- supervised by Council of Agriculture



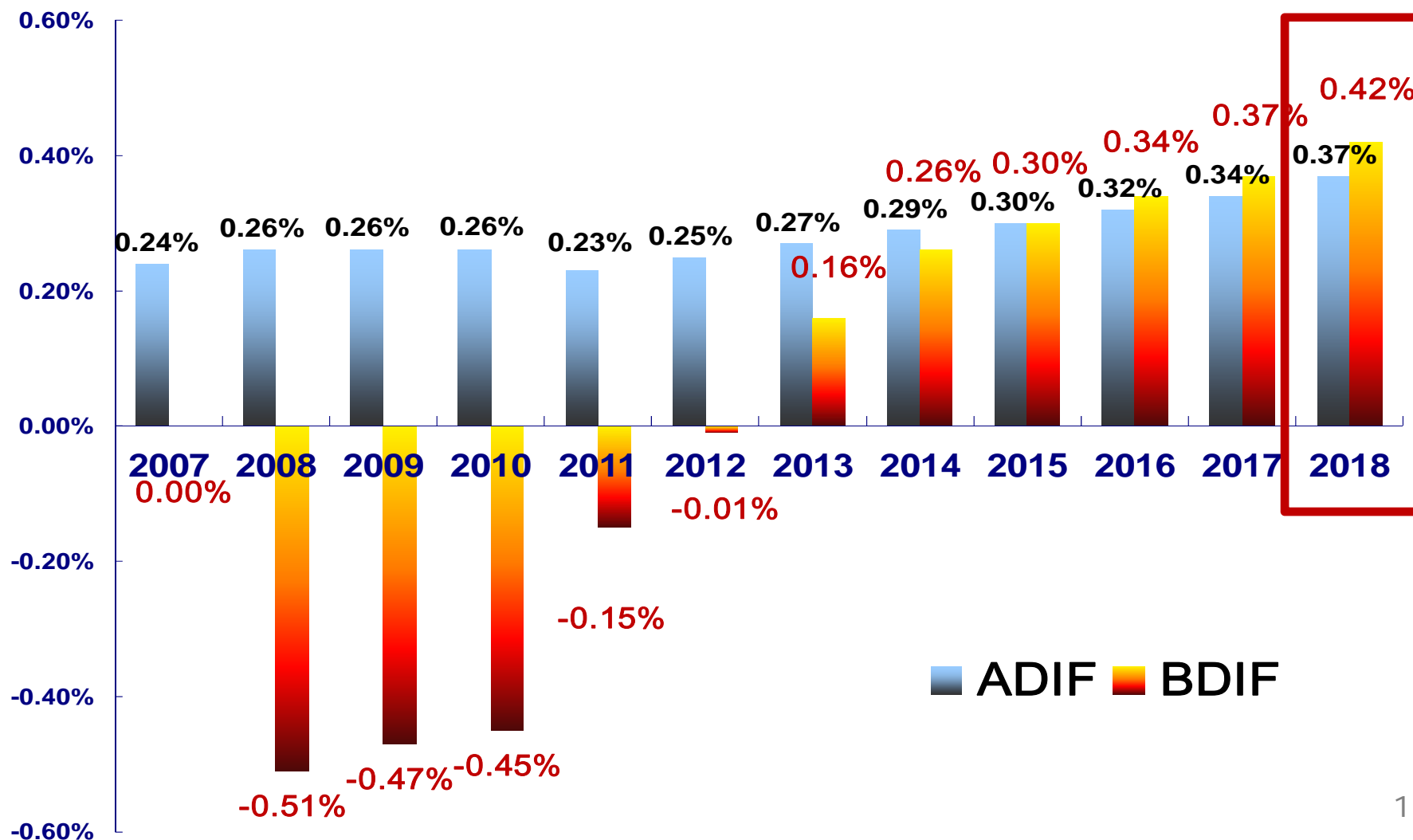
BDIF Size & ADIF Size

Total DIF size : US\$ 2,945 Million



BDIF Ratio & ADIF Ratio

Target fund ratio : 2% of covered deposits



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Policy of use of DIF

- Use of DIF
- Emergency Liquidity Funding
- Backup Funding



Use of Fund

Fulfill Insurance Responsibilities

- Payout
- Deposits Transfer
- **Purchase and Assumption (P&A)**
- Bridge Banks (systemic crisis)



Emergency Liquidity Funding

- Applying for special accommodation from Central Bank



- Borrowing from financial institutions



Backup Funding

Financial Special Fund (FSF)

FSF of BDIF

Size of fund: US\$ 6.2 billion

Funding sources: public fund

Gross business receipt tax (GBRT) of the financial industry from 2014 to 2024

Decision-making body : FSC

Fund managed and operated by
CDIC



Backup

BDIF

Banking Financial Sector

FSF of ADIF

Size of fund: US\$ 0.7 billion

Funding sources: public fund

Appropriated from GBRT during 2002 to 2010

Decision-making body :
Council of Agriculture

Fund managed and operated by
Council of Agriculture



Backup

ADIF

Agricultural Financial Sector

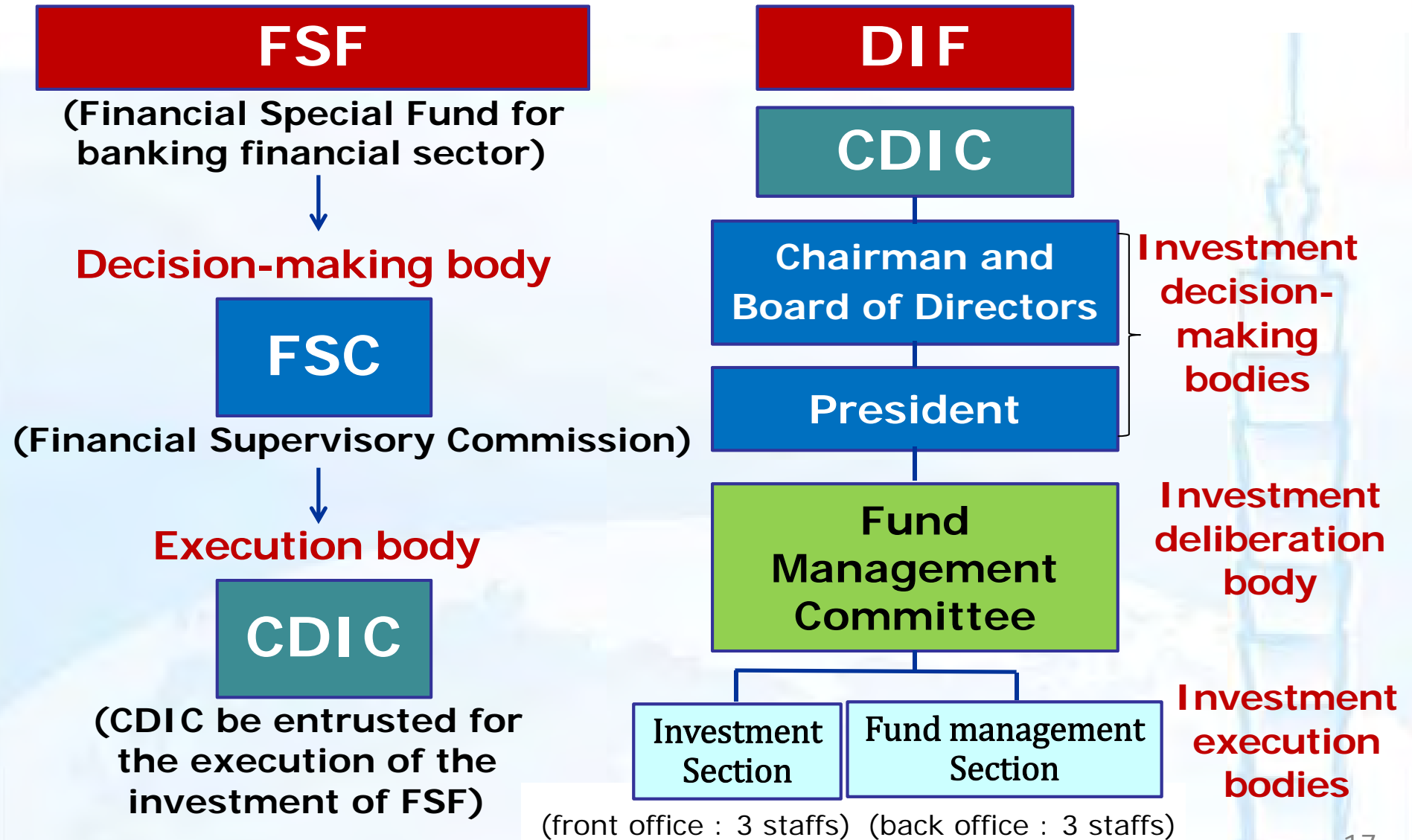
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Operation and Management of Funds

- Organizational Chart of Funds Management
- Investment Scope of DIF and FSF
- Investment Status



Organizational Chart of Funds Management



Investment Scope of DIF and FSF

Scope	FSF*	DIF
Deposits in Central Bank		V
Deposits in sound banks	V	
Government bonds	V	V
Government-owned corporation bonds	V	V
Bank debentures	V	V
Financial holding company bonds	V	V
Commercial papers	V	V
Taiwan 50 ETF		V

* FSF: Financial Special Fund for banking financial sector

Investment Status

As of Dec. 31, 2018

Unit: USD\$ Million

Investment Items	FSF	CDIC
Deposits in Central Bank	—	1,935
Government bonds	1,361	1,010
Government-owned corporation bonds	4	32
Bank debentures	48	200
Financial holding company bonds	0	87
Commercial papers	22	23
Subtotal operation funding	1,435	3,287*
Total	4,722	

*Subtotal operation funding of CDIC includes DIF (US\$ 2,945 million) and CDIC's capital (US\$ 342 million)

5 Future Challenges and Prospects



Challenges

- **The size of DIF and FSF is getting bigger**
- **The amount of deposits in Central Bank has reached the upper limit set by Central Bank**
- **The annual issuance of government bonds is declining year by year**
- **Maintain a low-risk and high-liquidity investment strategies**

Prospects

- Increase investment income to accelerate the accumulation of DIF
- Achieve the target fund ratio as soon as possible

Conclusion

IADI Core Principle 9 Sources and Uses of Funds

*Deposit insurer should have readily available funds and **all funding mechanisms** necessary to **ensure prompt reimbursement** of depositors' claims, including assured liquidity funding arrangements.*

Thank you for your attention!

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