

# Central Bank Operations



## III. Central Bank Operations

### 1. Overview

In order to contain domestic inflation expectations against a background where inflation has stayed relatively high since 2021 and an electricity tariff hike was scheduled to take effect in April 2024, the Bank decided to raise the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations by 0.125 percentage points to 2%, 2.375%, and 4.25%, respectively, effective March 22, 2024.

Later in the year, domestic inflation broadly maintained a gradual downtrend and was expected to ease further to below 2% in 2025. In addition, although downside risks were looming for the global economy, Taiwan's economy was expected to experience mild growth momentum in 2025 on the back of domestic demand. Meanwhile, the output gap was estimated to be slightly negative for both 2024 and 2025. Against this background, the Bank maintained policy rates unchanged in the remaining three quarters of the year so as to help sustain sound economic and financial development on the whole.

To implement the directive of "efficient allocation and proper use of credit resources" under the government's Healthy Real Estate Market Plan and to prevent excessive bank credit resources from gushing into the real estate market, the Bank has made rolling adjustments to its selective credit control measures since December 2020, which have helped reinforce banks' risk management associated with real estate lending.

In June and September 2024, the Bank made the sixth and seventh amendments to the selective credit controls, with the aim of further strengthening management of banks' credit resources and containing housing market speculation and property hoarding, while prioritizing the channeling of credit resources towards non-homeowners seeking owner-occupied housing.

In addition, in August 2024, through moral suasion, the Bank requested banks to enhance internal control of the aggregate amount of real estate lending from the fourth quarter of 2024 to the fourth quarter of 2025. These actions helped rectify the over-concentration of credit resources on real estate lending and improve the effectiveness of the Bank's selective credit control measures.

Since these policies took effect, housing market transactions have been decreasing, public expectation for housing price rises has softened, and housing loans to non-homeowner borrowers as a share of total housing loans in domestic banks have risen. These developments indicate that the Bank's selective credit control measures have gradually shown results.

In response to economic and financial conditions, the Bank continued with open market operations by issuing CDs to manage market liquidity and reserve money so as to maintain liquidity in the banking system and keep market rates at appropriate levels. In 2024, reserve money registered an annual growth rate (on an adjusted basis) of 5.58%, while the monetary aggregate M2 rose by 5.83% year on year, remaining within the Bank's M2 growth reference range of 2.5% to 6.5%.

As for the foreign exchange (FX) market, during the first half of 2024, market expectations for the timing of Fed rate cuts were repeatedly deferred, which supported the strength of the US dollar. In tandem, Taiwan's equity markets rose alongside gains in US tech stocks. As Taiwan's stock markets hovered at elevated levels, foreign investors adjusted their holdings and repatriated the gains abroad, resulting in NT dollar depreciation against the US dollar.

In the second half of the year, signs of cooling in the US labor market strengthened market expectations for Fed rate cuts, leading to a weaker US dollar and a rebound of the NT dollar exchange rate against the US dollar. Thereafter, following Donald Trump's re-election as US President, market concerns over the uncertainties surrounding his trade and economic policies prompted foreign investors to net sell Taiwanese stocks and remit funds abroad, causing the NT dollar to reverse course and depreciate against the US dollar.

Throughout the year, the NT dollar exchange rate experienced significant fluctuations, reflecting substantial foreign investor net sales and purchases of Taiwanese stocks as well as international economic impacts. Consequently, the Bank, in line with its statutory mandates, continued to conduct two-way smoothing operations in the forex market as warranted to maintain dynamic stability of the NT dollar, with a net selling of US\$16.4 billion for the entire year. Compared with other major currencies such as the SGD, EUR, KRW, and JPY, the NT dollar experienced lower volatility in its exchange rate vis-à-vis the US dollar in 2024.

Meanwhile, in addition to approving more bank branches as authorized FX banks, the Bank reviewed the laws and regulations governing FX business as seen fit so as to facilitate authorized FX banks' competitiveness and service quality. In light of Taiwan's economic, trade, and financial conditions, and in support of the policy goal to develop Taiwan into an asset management hub in Asia, the Bank raised the annual aggregate FX settlement amount limits for institutions and individuals and for companies and business entities, respectively, starting in November 2024.

In order to ensure the security and efficiency of the functioning of Taiwan's payment and settlement systems, the Bank continued to supervise clearing institutions in enhancing measures for sustaining core business operations under disaster scenarios and carrying out drills for system backup and manual backup procedures under extreme conditions.

Moreover, the Bank continuously urged the Financial Information Service Co., Ltd. (FISC) to

reinforce the retail payment infrastructure and encouraged electronic payment institutions to participate in the "Common Platform for Electronic Payment Institutions" and to provide services including funds transfer, tax e-payment, bill e-payment, and shopping e-payment via this platform.

In the meantime, the Bank instructed the FISC, in collaboration with financial institutions and electronic payment institutions, to continue promoting the adoption of TWQR, a common QR code payment specification, with the aim of gradually mitigating the fragmentation of Taiwan's retail payment market. Furthermore, efforts have been made to broaden TWQR application scenarios, including the development of a TWQR-based transit QR code for use in the transportation sector and the launch of a TWQR-based cross-border shopping e-payment service in Japan and South Korea, thereby fostering a more robust domestic payment ecosystem.

In response to digital developments, the central bank digital currency (CBDC) has become a focus of international research in recent years. The Bank also conducted relevant studies and experiments such as completing the "wholesale CBDC technical feasibility study" in 2020 and the "retail CBDC technology experimentation" in 2022, and established the "CBDC prototype platform." On the other hand, the Bank is currently undertaking three key tasks to reinforce CBDC-related research and preparations: continuing extensive communication, strengthening platform technology, and deliberating on the legal framework. Only upon completion of these tasks will the Bank evaluate the feasibility of launching a pilot program.

## 2. Monetary Management

### Tightening Monetary Policy to Contain Domestic Inflation Expectations

(1) Raising the Policy Rates Once to Foster Price Stability

In March 2024, considering that domestic inflation had remained at a relatively high level since 2021 and that the public expected an electricity rate hike in April, the Bank raised the policy interest rates by 0.125 percentage points to curb domestic inflation expectations. Therefore, the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations were raised to 2%, 2.375%, and 4.25%, respectively.

Subsequently, the domestic inflation rate broadly maintained a gradual downtrend and was expected to come down to around 2% in 2025. Meanwhile, the domestic economy was projected to expand at a moderate pace for both 2024 and 2025, with a modestly negative output gap for both years. Against this background, the Bank kept the policy rates unchanged in June, September, and December 2024, to help foster sound economic and financial development on the whole.

(2) Increasing the Reserve Requirement Ratios on NT Dollar Deposits Twice to Reinforce the Effectiveness of the Selective Credit Controls

In order to strengthen the effectiveness of the selective credit controls and to further contain excessive credit flows into the real estate market, the Bank raised the reserve requirement ratios on NT dollar passbook and time (savings) deposits (excluding passbook deposits from nonresident investors) by 0.25 percentage points twice in a row, effective July 1 and October 1, 2024, equivalent to reducing market liquidity by approximately NT\$250 billion.

### Adjustments to the Reserve Requirement Ratios on NT Dollar Deposits

Unit: Percentage of deposits						
Effective Date	Checking Accounts	Passbook Deposits	Savings Deposits		Time Deposits	Principal (in NT Dollars) Received by Banks from the Sale of Structured Products
			Passbook	Time		
2024/07/01	11.500	10.525	6.250	4.750	5.750	5.750
2024/10/01	11.750	10.775	6.500	5.000	6.000	6.000

Source: *Financial Statistics Monthly* (February 2025), CBC.

## Continuing Open Market Operations to Adjust Market Liquidity

In 2024, the Bank continued to affect money supply through open market operations by issuing CDs in response to domestic economic and financial conditions, which helped to maintain banking system liquidity and market interest rates at appropriate levels.

### (1) Appropriately Managing Reserve Money

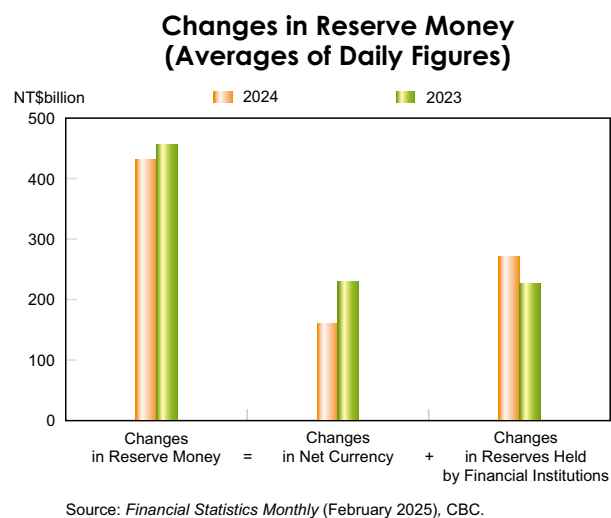
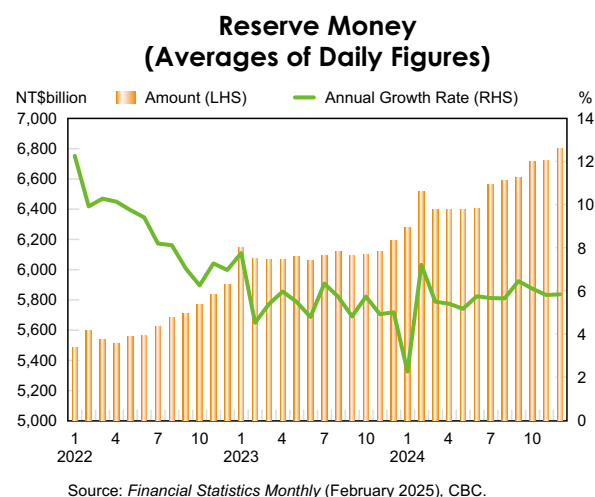
The Bank continued to conduct open market operations by issuing CDs. At the end of 2024, the total outstanding amount of CDs issued by the Bank was NT\$7,332 billion.

In 2024, reserve money grew by 5.58% year on year, 0.03 percentage points higher than the previous year's figure. The annual average excess reserves of financial institutions were NT\$48.2 billion, lower than the previous year's NT\$59.8 billion.

In terms of the monthly movements of reserve money, the annual growth rates of reserve money for January and February are often more volatile because of the shift in the exact timing of the Lunar New Year holidays (e.g., the holidays occurred in late January in 2023, yet in the middle of February in 2024). For the first two months of 2024, reserve money posted an annual growth rate of 4.74%. From March onwards, the annual growth rates of reserve money were relatively stable.

On the demand side, reserve money, measured on a daily average basis, increased by NT\$431.3 billion over the previous year. Of the components, net currency rose by NT\$160.5 billion and the annual growth rate fell to 5.21% from 8.07% the previous year; reserves held by financial institutions expanded by NT\$270.9 billion, with the annual growth rate rising to 8.97% from 8.08% the previous year.

As higher interest rates paid on bank deposits raised the private sector's opportunity cost of holding currency, net currency



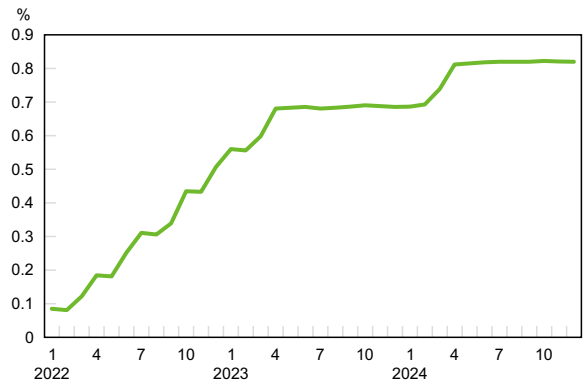
recorded slower growth than a year earlier. In respect of reserves held by financial institutions, with sustained growth in deposits, banks' required reserves rose accordingly, leading to a larger increase in reserves held by financial institutions compared to the previous year.

From the supply side perspective, reserve money rose by NT\$628.7 billion at the end of 2024. According to the balance sheet of the Bank revealing the sources of changes in reserve money, increases were mostly attributable to the reduction in the outstanding balance of CDs issued by the Bank and the growth in foreign assets held by the Bank, whereas decreases were mainly due to increased government deposits.

(2) Overnight Call Loan Rate Moving Up with the Bank's Policy Rate Hike

The Bank's 0.125 percentage point rate increase in March 2024 drove up the overnight call loan rate by nearly 0.125 percentage points for the year. As of the end of December 2024, the annual average overnight call loan rate was at 0.821%.

Overnight Call Loan Rate



Source: Financial Statistics Monthly (February 2025), CBC.

(3) Conducting Regular Small-Scale Repo Operations

The Bank conducted small-scale test repo operations on CDs and government bonds in April and October 2024 to improve operational readiness and ensure resilience of open market operations. In addition, in December 2024, the Bank conducted a small-scale test repo operation on sustainable bonds issued by banks to help promote the development of sustainable finance.

(4) M2 Rising Before Trending Down, All Within Reference Range

Measured on a daily basis, the annual growth rate of M2 fell by 0.42 percentage points from the previous year to 5.83% in 2024. The slowdown mainly reflected a higher base effect and net outflows of foreign capital.

With regard to the monthly movements in 2024, sustained annual growth in housing loans, together with a rebound in exports and a booming stock market, boosted funding demand of enterprises and individuals. As a result, the M2 annual growth rate rose from a yearly low of 5.44% in January to a yearly high of 6.25% in June.

Afterwards, owing to net capital outflows, the M2 annual growth rate continued to decline and

registered 5.60% in September. In October, with a continuous rise in bank loans and investments, the M2 annual growth rate rebounded to 5.83%. In November, net capital outflows and decelerated growth in bank loans and investments brought the M2 annual growth rate down to 5.47%. Later, faster growth in both time deposits and foreign currency deposits led the M2 annual growth rate to edge up to 5.51% in December.

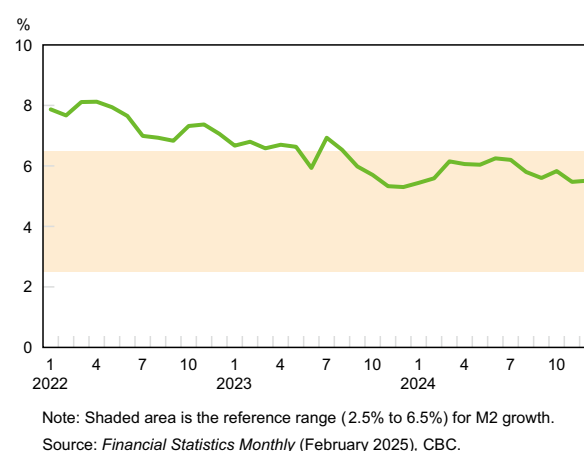
The annual growth rate of the monetary aggregate M1B, measured on a daily average basis, went up by 1.79 percentage points to 4.61% in 2024, mainly owing to a larger increase in demand deposits resulting from a lower base effect and stronger growth in bank loans and investments.

As for the monthly movements in 2024, with a higher annual growth rate of bank loans and investments, along with a lower base effect, both contributing to faster growth in demand deposits, the M1B annual growth rate exhibited an uptrend at the start of the year, rising from an all-year low of 3.56% in January to an all-year high of 5.38% in March.

In April, the M1B annual growth rate declined to 4.94% owing to net capital outflows. In subsequent months, a smaller scale of net resident capital outflows in May, coupled with a pickup in the annual growth rates of bank loans and investments in June and July, led the M1B annual growth rate to rebound to 5.22% in July. Nevertheless, the rate dropped to 4.05% in August as net capital outflows recorded stronger expansion.

In September, the M1B annual growth rate edged up to 4.07% on the back of faster growth in demand deposits. In October, it continued to rise to 4.91%, driven by a sustained increase in bank loans and investments. Thereafter, as both bank loans and investments and demand savings deposits posted slower growth, the M1B annual growth rate fell again to 4.00% in December.

**Annual Growth Rate of M2**



**Annual Growth Rate of M1B**





## **Continuing with the Selective Credit Control Measures and Adopting Supporting Measures to Strengthen Their Effectiveness**

To promote financial stability and sound banking operations, to carry on with the Bank's policy efforts under the government's Healthy Real Estate Market Plan, and to prevent bank credit from excessively flowing towards property and land hoarding, the Bank continued to implement the selective credit control measures in 2024, as follows.

### **(1) Adjusting the credit control measures twice in June and September 2024**

- A. June 2024: The Bank lowered the loan-to-value (LTV) ratio cap on natural persons' second outstanding home loans for housing in the designated "specific areas" to 60%.
- B. September 2024: The Bank made the following amendments:
  - (a) Granting no grace period to a natural person's first outstanding home loan when the borrower already owns building(s) to his/her name.
  - (b) Lowering the cap on the LTV ratio, from 60% to 50%, of natural persons' second outstanding home loans and widening the applicable scope (from housing in the "specific areas") to housing nationwide.
  - (c) Lowering the LTV ratio caps on corporate entities' housing loans, natural persons' high-value housing loans, natural persons' third (or more) outstanding home loans, and unsold housing unit loans from 40% to 30%.

### **(2) Adopting moral suasion in August 2024, requesting banks to self-regulate management of outstanding real estate loan balances**

To encourage banks to allocate credit resources appropriately and avoid excessive credit flows into the real estate market, the Bank requested banks to enhance internal control of the aggregate amount of real estate lending from the fourth quarter of 2024 to the fourth quarter of 2025, and to submit quarterly reports on the implementation progress of these controls.

### **(3) Introducing supporting measures in October 2024 for natural persons who have acquired housing properties with outstanding home loans through inheritance or who have demonstrated a genuine need for home replacement**

- A. For a natural person who has acquired houses with outstanding home loans through inheritance, such inherited properties and home loans are not counted toward the number of houses or home loans under the borrower's name. In other words, if a natural person owns only inherited properties, a newly applied home loan (for purchasing a non-high-value house) may be exempted from the restrictions under the Bank's selective credit controls.

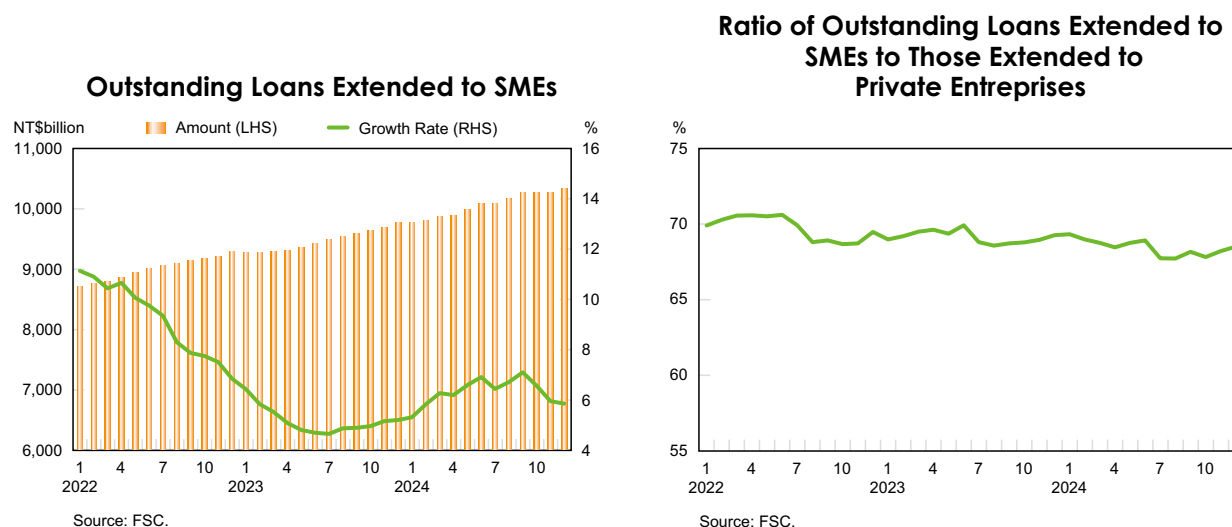
- B. For a natural person with a genuine need for home replacement, who commits to selling the original property within one year after the disbursement of a newly approved home loan, the application for a first or second home loan (for purchasing a non-high-value house) may be exempted from the restrictions under the Bank's selective credit controls.

Since the Bank's selective credit controls took effect, real estate lending growth has seen a downtrend, which has helped enhance banks' risk management associated with real estate lending, and banks' real estate loans have maintained good credit quality as indicated by the continuously low non-performing loan ratio of this loan bracket. The Bank has continued to review the effectiveness of the selective credit control measures, closely monitor the potential impacts of real estate-related policies on the housing market, and make timely adjustments as needed in order to promote financial stability and sound banking operations.

### Facilitating SME Funding

To assist small and medium enterprises (SMEs) in obtaining necessary funds for their operations, the Bank has regularly tracked banks' lending to SMEs and participated in the "Forward-Looking SME Financial Services Coordination Platform Meeting," jointly hosted by the Financial Supervisory Commission (FSC) and the Ministry of Economic Affairs to urge banks to enhance their lending to SMEs.

At the end of 2024, the outstanding loans extended to SMEs by domestic banks amounted to NT\$10,338 billion, an increase of NT\$571.6 billion from the end of the previous year to a level that exceeded the annual lending growth target of NT\$420 billion set by the FSC for 2024 under the "Program to Encourage Lending by Domestic Banks to SMEs." At the end of 2024, the ratio of SME loans to loans extended to all private enterprises reached 68.52%, slightly lower than the 69.26% recorded at the previous year end.



### **Raising the Remuneration Rates on Financial Institutions' B Reserve Accounts**

The Bank raised the policy rates in March 2024, and the remuneration rates on financial institutions' B reserve accounts held with the Bank increased accordingly. Effective March 29, 2024, reserves from demand deposits and time deposits would receive interest at 0.771% and 1.459% per annum, respectively.

### **Accepting Redeposits from Financial Institutions**

Accepting redeposits from Chunghwa Post, the Agricultural Bank of Taiwan, and commercial banks is another instrument for the Bank to influence banks' reserve positions in order to promote financial stability. At the end of 2024, the outstanding redeposits of Chunghwa Post stayed broadly unchanged at NT\$1,623.7 billion, while the outstanding redeposits of the Agricultural Bank of Taiwan and of commercial banks were NT\$88 billion and NT\$235.8 billion, respectively.

## Box

## The Bank's Adjustments to Selective Credit Control Measures and Its Request for Internal Management by Domestic Banks over Real Estate Loans

To implement the directive of "efficient allocation and proper use of credit resources" under the government's Healthy Real Estate Market Plan and to prevent excessive bank credit resources from gushing into the real estate market, the Bank continued to carry out selective credit control measures. In June and September 2024, the Bank made the sixth and seventh amendments to the relevant regulations. In addition, in August 2024, through moral suasion, the Bank requested banks to enhance internal control of the aggregate amount of real estate lending from the fourth quarter of 2024 to the fourth quarter of 2025. These actions helped enhance the effectiveness of the Bank's selective credit control measures.

### I. The Bank made the sixth and seventh adjustments to selective credit control measures in 2024

1. In June and September 2024, the Bank made the sixth and seventh adjustments to the selective credit control measures through relevant regulatory amendments. Moreover, in August 2024, the Bank, through moral suasion, asked banks to enhance internal control of the aggregate amount of real estate lending from the fourth quarter of 2024 to the fourth quarter of 2025. These measures include three primary aims: (1) cooling public expectations of a housing price uptrend; (2) freeing up loanable funds otherwise tapped by speculators and channeling such funds towards priority use for home loans to non-homeowners; and (3) rectifying the over-concentration of credit resources on real estate lending.

2. Key changes for the aforesaid adjustments to selective credit control measures are as follows.

#### (1) June 2024:

Lowering the cap on the LTV ratio to 60% for a natural person's second home loan for housing in specific areas.

#### (2) September 2024:

- A. Granting no grace period to a natural person's first outstanding home loan when the borrower already owns building(s) to his/her name.
- B. Lowering the cap on the LTV ratio, from 60% to 50%, for natural persons' second outstanding home loans and widening the applicable scope to housing nationwide.
- C. Lowering the LTV ratio caps on corporate entities' housing loans, natural persons' high-value housing loans, natural persons' third (or more) outstanding home loans, and unsold housing unit loans from 40% to 30%.

3. To fulfill the objectives of the Bank's selective credit controls while also accommodating the public's need for financial planning related to owner-occupied housing, the Bank announced relevant support measures on October 9, 2024. Under these measures, housing loans (excluding high-value housing loans) applied for by natural persons may be exempted from the Bank's selective credit controls if the applicant falls into any of the following categories:

(1) those who have acquired the property through inheritance; (2) those with a genuine need for home replacement; or (3) those who, at the time of applying for a home loan, have already signed a home purchase agreement (including for completed or pre-sale homes) with the case qualifying as inheritance or genuine home replacement.

## **II. The Bank requested domestic banks to implement internal management of the outstanding balance of real estate loans**

1. From the second half of 2023 onwards, housing market transactions increased and housing prices surged, driving up the annual growth rate of banks' housing loans. As of the end of June 2024, the ratio of real estate lending to total lending of all banks (a measure of concentration of real estate lending) rose to 37.61%, indicating that the concentration of bank credit resources in real estate loans remained in need of further improvement.

2. In August 2024, the Bank successively met with the general managers of 34 domestic banks and the National Federation of Credit Co-operatives, urging these institutions to fulfill their social responsibilities and to avoid excessive credit flows into real estate lending. The Bank requested that, without adversely affecting the funding needs of non-homeowners applying for owner-occupied housing loans or of real estate sector entities looking to finance their projects of urban renewal and reconstruction of old and unsafe buildings, banks should, in light of their respective business conditions, gradually adjust the aggregate amount of real estate lending from the fourth quarter of 2024 to the fourth quarter of 2025 so as to improve the over-concentration of credit resources in real estate lending.

## **III. Results and effectiveness of the Bank's selective credit control measures**

Following the above-mentioned efforts, housing market transactions declined and public expectations of housing price rises eased in the second half of 2024. Meanwhile, domestic banks recorded a rising share of housing loans taken out by non-homeowners as a percentage of total home loans, and the concentration of real estate lending decreased. These developments indicated that the Bank's selective credit control measures in 2024 had gradually shown results.

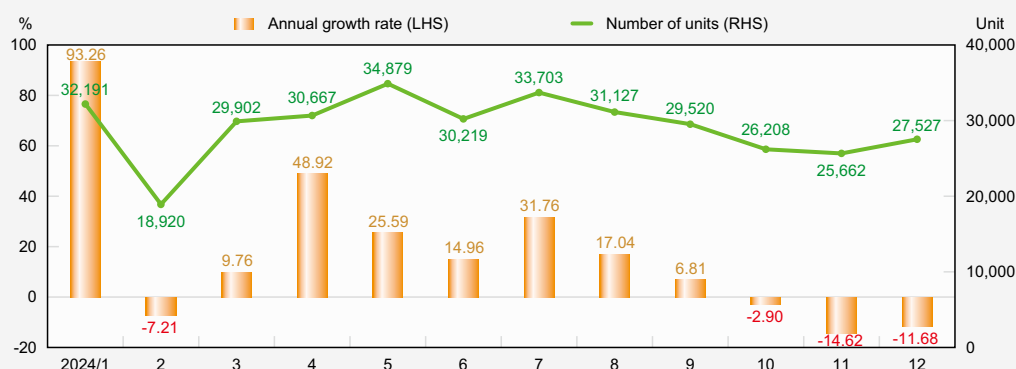
### 1. Reduction in housing market transactions

In October 2024, the annual growth rate of the total number of building ownership transfers nationwide turned negative, registering -2.90%, followed by -14.62% in November and -11.68% in December.

### 2. Easing of public expectations of housing price increases

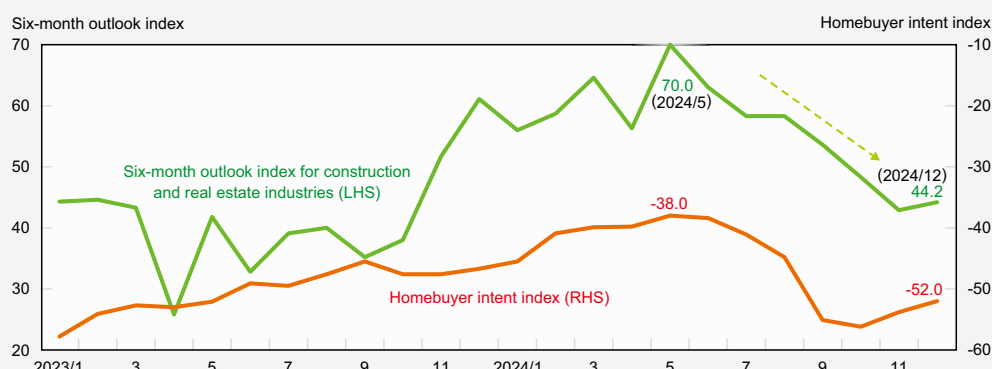
As public expectations of housing price rises eased, the homebuyer intent index, compiled by the Cathay Financial Holdings based on its "national economic confidence survey," declined from -38 in May 2024 to -52 in December 2024. Meanwhile, the six-month outlook index for the construction and real estate industries, published by the Chung-Hua Institution for Economic Research (CIER), also fell from 70% in May 2024 to 44.2% in December 2024.

**Number and Annual Growth Rate of Building Ownership Transfers**



Source: Ministry of the Interior, R.O.C. (Taiwan).

**Homebuyer Intent Index & Six-Month Outlook Index for Construction and Real Estate Industries**



Notes: 1. The homebuyer intent index by the Cathay Financial Holdings is calculated based on survey respondents' views regarding the timing of buying or selling a house (= Yes - No).

2. The six-month outlook index for the construction and real estate industries by the CIER: A reading below 50 indicates contraction.

Sources: 1. Cathay Financial Holdings.

2. Press releases on Purchasing Managers' Index, National Development Council.

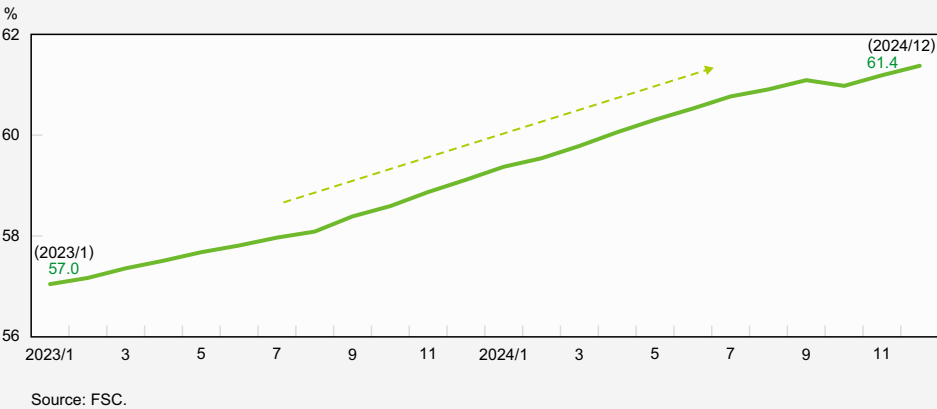
3. Rise in the share of housing loans extended to non-homeowners by domestic banks as a percentage of total home loans

The share of housing loans extended to non-homeowners as a percentage of total home loans rose from 57.0% at the end of January 2023 to 61.4% at the end of December 2024, indicating that non-homeowners were prioritized to receive bank credit.

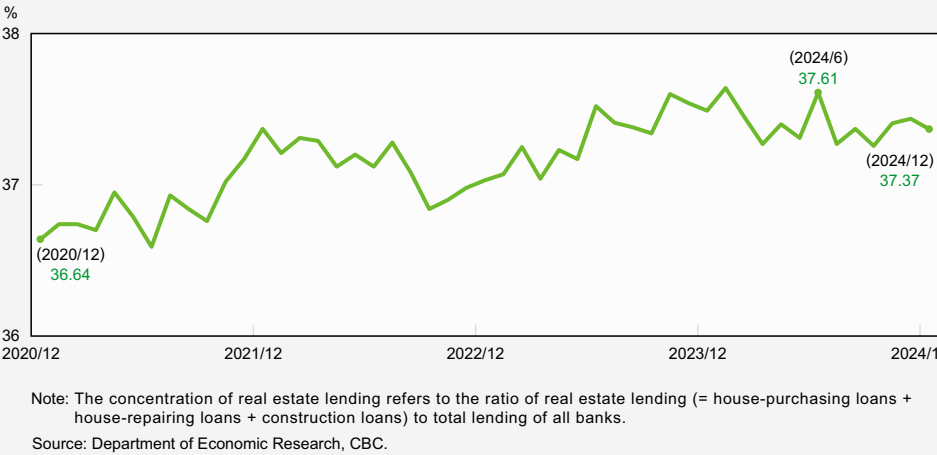
4. Decrease in the concentration of real estate lending

The concentration of real estate lending in total bank lending declined from 37.61% at the end of June 2024 to 37.37% at the end of December 2024, indicating a gradual improvement in the over-concentration of credit resources in real estate lending.

Housing Loans to Non-Homeowner Borrowers as A Share of Total Home Loans in Domestic Banks



Concentration of Real Estate Lending by All Banks



#### **IV. Conclusion**

To reduce the over-concentration of credit resources in loans to the real estate sector, the Bank continued to implement selective credit control measures and requested domestic banks to enhance internal control of the aggregate amount of real estate lending. Regarding moral suasion, the Bank will keep track, on a quarterly basis, of the progress of banks' internal improvement plans on real estate lending management and urge them to ensure robust implementation.

In the future, the Bank will continue reviewing the status of banks' real estate lending and the effectiveness of the Bank's credit control measures, closely monitor potential impacts of real estate sector-related policies on the housing market, and adjust the measures as needed in order to promote financial stability and sound banking operations.



### 3. Foreign Exchange Management

#### Promoting the Sound Development of the Foreign Exchange Market

(1) Flexible foreign exchange rate management to maintain dynamic stability of the NT dollar exchange rate

As Taiwan is a small open economy with high dependence on foreign trade, the Bank suitably adopts a managed float exchange rate regime to contain sharp exchange rate fluctuations. Under this regime, the NT dollar exchange rate is in principle determined by market forces. However, in the event of disorderly movements (such as mass inflows and outflows of short-term capital) and seasonal factors, the Bank would, in line with its statutory duties, conduct appropriate smoothing operations to stave off adverse effects for economic and financial stability and to maintain an orderly foreign exchange market.

In recent years, massive and frequent international short-term capital flows have become the main driving force of exchange rate changes. To mitigate excessive exchange rate volatility and to improve market efficiency, the Bank has adopted "leaning against the wind" operations to prevent erratic flows from disrupting the foreign exchange market. The dynamic stability of the NT dollar exchange rate is viewed as conducive to long-term economic stability and sound development.

In 2024, the Bank continued to conduct two-way smoothing operations in the forex market, in response to significant NTD exchange rate fluctuations driven mainly by foreign portfolio investment flows as well as international economic developments. The first half of 2024 witnessed NTD depreciation, partly due to USD strength on market expectations of the Fed delaying rate cuts and partly reflecting FINIs' profit-taking trades amid Taiwan stock rallies on the AI boom. Entering the second half of 2024, the NTD rebounded as the USD was weakened by stronger expectations for Fed rate cuts. However, the NTD turned lower later in the year, reflecting foreign portfolio investment outflows amid global market concerns about trade uncertainties from the new US administration's policies. Overall, NTD volatility in the year prompted the Bank to step in the forex market to maintain the dynamic stability of the NTD exchange rate, with net sales by the Bank amounting to US\$16.4 billion.

(2) Maintaining an orderly forex market and promoting sound market development

A. Implementing the Real-Time Reporting System for Large-Amount Foreign Exchange Transactions.

B. Strengthening off-site monitoring management to ensure that forward transactions were based on

real transactions to curb foreign exchange speculation.

- C. Urging authorized banks to enhance their exchange rate risk management in order to reduce market exposure of individual banks and to contain systemic risks.
- D. Strengthening targeted examinations on foreign exchange business to help ensure a sound foreign exchange market.

### **Foreign Currency Call Loan and Swap Market Management**

- (1) The Bank continued to ensure sufficient foreign currency liquidity in the financial system to meet funding needs, with the seed capital of US\$20 billion, €1 billion and ¥80 billion that it provides to the Taipei Foreign Currency Call Loan Market to help corporations venture into overseas markets.
- (2) The Bank continued to provide foreign currency liquidity to domestic banks through foreign currency call loans and swaps, thereby helping to meet corporate funding needs for operations and overseas investments.

### **Foreign Exchange Reserve Management and Foreign Currency Liquidity of the Bank**

The Bank manages its foreign exchange reserves based on the considerations of liquidity, safety, and profitability. The Bank keeps a close watch on the global economic and financial situation and adjusts the portfolio of foreign exchange reserves accordingly. Currently, financial assets denominated in US dollars make up a larger share in Taiwan's foreign exchange reserves than the COFER (Currency Composition of Official Foreign Exchange Reserves) average published by the IMF. As of the end of 2024, Taiwan's total foreign exchange reserves stood at US\$576.7 billion, an increase of US\$6.1 billion or 1.1% compared to the end of 2023, mainly attributable to returns from forex reserve investments. Combining the reserves held in gold valued at US\$4.7 billion, the Bank's reserve assets totaled US\$581.4 billion at the end of 2024.

Foreign exchange reserves are the Bank's foreign currency claims on nonresidents. On the other hand, foreign currency claims on residents consist of US dollars held under swap agreements and foreign currency deposits with and loans to domestic banks, which amounted to US\$77.1 billion, US\$24.2 billion, and US\$7.7 billion, respectively, at the end of 2024.

In terms of foreign currency liquidity, the total amount (including foreign currency claims and gold) reached US\$694.2 billion at the end of 2024.

### **Capital Flow Management**

In line with the efforts to promote financial liberalization and internationalization, the Bank's

foreign exchange management has mainly been focusing on maintaining the market mechanism, and financial capital can, in principle, flow freely in and out of Taiwan. Financial capital flows not involving NT dollar conversion have been able to flow freely. Additionally, there are no restrictions on financial flows involving NT dollar conversion for goods and service trade, nor for direct and securities investments approved by the competent authorities.

Regulation only exists for short-term remittances. The amount of accumulated annual remittances for an individual resident within US\$10 million and for a juridical person within US\$100 million can be settled by banks directly, while annual remittances above the aforementioned amounts require the approval of the Bank. For a nonresident, each transaction within US\$0.1 million can be settled by banks directly, whereas any transaction amount above that threshold requires the approval of the Bank.

(1) Measures with regard to the management of capital flows in 2024 included:

- A. The amendments to the *Directions for Banking Enterprises while Assisting Customers to Declare Foreign Exchange Receipts and Disbursements or Transactions* and the *Directions for Domestic Security Firm Approved to Conduct Foreign Exchange Business While Assisting Customers in Declaring Foreign Exchange Receipts and Disbursements or Transactions* took effect on July 4, 2024.
- B. On October 31, the Bank issued an official directive to raise the ceilings on the annual aggregate foreign exchange settlement amount for domestic residents. The amount ceiling for an association or an individual was raised from US\$5 million to US\$10 million, while that for a company or a firm was raised from US\$50 million to US\$100 million, effective from November 1, 2024.
- C. On December 24, the Bank, following the FSC's recommendation, agreed to relax the regulations related to foreign currency nondiscretionary money trusts, allowing trustors to use their beneficial rights in such trusts investing in foreign currency-denominated securities as pledge for NTD loans, so as to facilitate this business and increase funding flexibility. Accordingly, the Bank amended Subparagraph 4, Paragraph 1, Point 10 of the *Directions Governing Banking Enterprises for Operating Foreign Exchange Business* on January 15, 2025 effective on the same day.
- D. On December 27, the Bank requested four associations, including the Securities Investment Trust & Consulting Association of the R.O.C., to inform their members of the following policy change: Starting 2025, the annual limit of US\$50 million for foreign currency discretionary investment business in foreign securities would be lifted.

(2) Promoting the Internationalization of Taiwan's Capital Market

Cases of fund-raising by domestic and foreign institutions through securities issuance, approved by or filed for record to the Bank in 2024, are shown in the following table.

Institution	Fund-Raising Method	Number	Amount
Foreign companies	IPO on TWSE & TPEx and registration on the Emerging Stock Board	23	NTD 19.69 billion
	NTD-denominated bonds	13	NTD 11.75 billion
	Foreign currency-denominated bonds	54	USD 9.73 billion
		1	AUD 0.02 billion
		1	NZD 0.01 billion
		2	RMB 0.33 billion
		1	ZAR 0.3 billion
Domestic companies (and domestic branches)	Foreign currency-denominated bonds	52	USD 0.13 billion
	Overseas depositary receipts	7	USD 3.17 billion
	Overseas convertible bonds	7	USD 3.35 billion

Note: TWSE stands for the Taiwan Stock Exchange; TPEx stands for the Taipei Exchange.  
Source: Department of Foreign Exchange, CBC.

### (3) Approving Residents' Investments in Foreign Securities

Institution	Method/Instrument	Amount
Securities investment trust companies (SITEs)	151 domestic SITE funds (including 45 NTD-foreign multi-currency SITE funds)	NTD 3,052.7 billion (including 829 billion in multi-currency funds)
Life insurance companies	Nondiscretionary money trusts managed by financial institutions	USD 0.36 billion
	Investment in their own accounts	USD 0.48 billion
Five major government pension funds and employment insurance funds	Investment in their own accounts	USD 6.41 billion

Source: Department of Foreign Exchange, CBC.

## Management of Foreign Exchange Business of Financial Institutions

### (1) Authorized Foreign Exchange Banks

Under *The Central Bank of the Republic of China (Taiwan) Act* and the *Foreign Exchange Regulation Act*, the Bank reviews, authorizes, and supervises banks to conduct foreign exchange business accordingly. In 2024, the Bank continued to approve bank branches as authorized foreign exchange banks and review relevant regulations as needed to facilitate authorized foreign exchange banks' competitiveness and service quality.

At the end of 2024, there were 3,459 authorized foreign exchange banks in total, which included

38 head offices and 3,381 branches of domestic banks, 37 branches of foreign banks, three branches of Mainland Chinese banks, as well as 4,586 authorized money exchangers, post offices, and financial institutions authorized for the dealing of foreign currency cash and traveler's checks.

(2) Insurance Companies

As of the end of 2024, the numbers of insurance companies allowed to engage in traditional and in investment-linked foreign currency insurance business were both 21. The foreign currency premium revenue increased by US\$2.83 billion, or 12.43%, from the previous year to US\$25.55 billion in 2024.

(3) Securities Firms

The approved cases for securities firms to conduct foreign exchange business in 2024 are listed in the following table.

Institutions	Foreign Exchange Business	Number
Securities firms	Underwriting of international bonds denominated in foreign currency	2
	Proprietary foreign securities trading neither belonging to investment with their funds nor for hedging needs	2
	NTD and foreign currency spot exchange rate	1
	Structured products	1
	Participating dealer of domestically issued foreign currency denominated ETFs	1

Source: Department of Foreign Exchange, CBC.

(4) Investment Trust/Consulting Firms

The approved cases granted by the Bank for investment trust and investment consulting firms to conduct foreign exchange business as of 2024 are shown in the following table.

Institutions	Foreign Exchange Business	Number
Investment trust and investment consulting firms	Serving as mandated institutions of private offshore funds	3
	Foreign currency discretionary investment business	1

Source: Department of Foreign Exchange, CBC.

Foreign Currency Clearing Platform

(1) Taiwan's foreign currency clearing platform was consigned by the Bank and established by the Financial Information Service Co. The platform offers services for domestic and cross-border (including

cross-strait) remittances of the Chinese renminbi and the Japanese yen, and domestic remittances of the US dollar, the euro, and the Australian dollar. The platform adopts a payment-versus-payment (PVP) mechanism among banks, a liquidity-saving mechanism for foreign currency remittances, and a delivery-versus-payment (DVP) mechanism for foreign currency bonds and bills.

## (2) Domestic Development of Foreign Currency Settlement Business in 2024

Currency	Domestic Participating Units	Settlements in 2024	
		Number of Transactions	Amount
US dollar	72	1,461,559	USD 2,094.8 billion
Renminbi	59	320,721	RMB 748 billion
Yen	37	62,435	JPY 1,823 billion
Euro	38	21,416	EUR 9.2 billion
Australian dollar	30	31,752	AUD 2 billion

Source: Department of Foreign Exchange, CBC.

## Offshore Banking

### (1) Regulatory amendments

In line with the amendment of relevant insurance regulations and to achieve supervision consistency, the Bank collaborated with the FSC to amend the *Regulations Governing Offshore Insurance Branches*. The amendment was effective July 10, 2024.

### (2) Financial Status

#### A. Offshore Banking Units (OBUs)

At the end of 2024, the number of OBUs came to 59, and total OBU assets decreased by US\$0.67 billion, or 0.2%, over the previous year to US\$276.61 billion. The net income after tax of all OBUs amounted to US\$1.8 billion, almost the same as the year before.

#### B. Offshore Securities Units (OSUs)

At the end of 2024, the number of OSUs stood at 18, and total OSU assets increased by US\$0.81 billion, or 12.8%, over the previous year to US\$7.09 billion. The net income after tax of all OSUs continued with a net loss of US\$14.6 million, increasing by US\$23.6 million from a year before.

#### C. Offshore Insurance Units (OIUs)

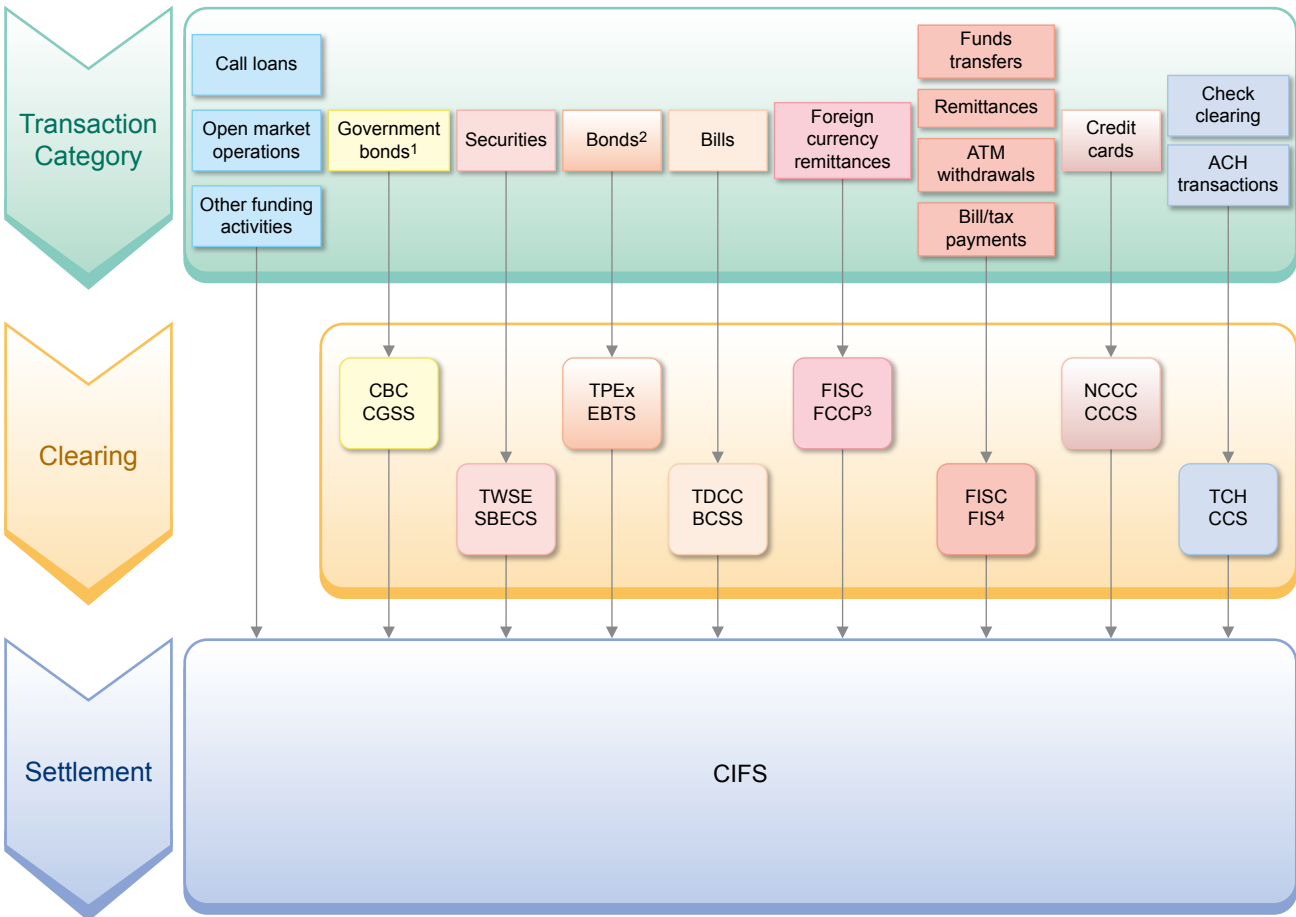
As of the end of 2024, the number of OIUs was 20, with a total amount of assets of US\$0.85 billion, which was US\$0.04 billion, or 4.4%, less than the previous year end. The net income after tax of all OIUs added up to US\$21.3 million, increasing by US\$15.3 million or 256.2% from the previous year.

## 4. Payment and Settlement Systems

The Bank plays a crucial role in the functioning of Taiwan's payment and settlement systems, and operates the CBC Interbank Funds Transfer System (CIFS) and the Central Government Securities Settlement System (CGSS).

The CIFS serves as the hub of Taiwan's payment and settlement systems, linking the interbank clearing systems operated by the FISC, the Taiwan Clearing House (TCH), the National Credit Card Center of R.O.C. (NCCC), the Taiwan Depository and Clearing Corporation (TDCC), the TPEX, and the TWSE, as well as the CGSS, together to construct a comprehensive system.

Payment System Infrastructure



Notes: 1. Including DVP settlements for interbank transactions of central government bonds and treasury bills.  
2. Including netting settlements for outright trades of government bonds, corporate bonds, and bank debentures.  
3. The CIFS is responsible for settlements involving NT dollars, while settlements involving foreign currencies are performed by designated commercial banks.  
4. The FISC's Financial Information System (FIS) has successively provided fast payment services on a 24/7/365 basis since 1991.  
Source: Department of Banking, CBC.

Among Taiwan's payment and settlement systems, the Financial Information System (FIS), operated by the FISC, serves as Taiwan's retail fast payment system. Through the CIFS, financial institutions may pre-allocate funds from their A reserve accounts held with the Bank to the Interbank Funds Transfer Guarantee Special Account,<sup>7</sup> providing a guarantee for the real-time, transaction-by-transaction clearing and settlement of interbank payment transactions processed via the FIS.

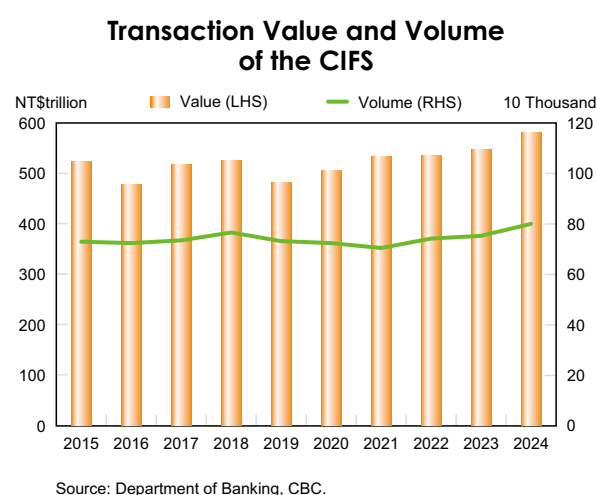
In addition, the Bank monitors major payment systems based on the *Principles for Financial Market Infrastructures* released by the Bank for International Settlements (BIS) to ensure sound operation of these systems and to promote stability of the financial system.

## Operation of Payment and Settlement Systems

### (1) Funds Transfers via the CIFS

As a large-value electronic funds transfer system, the CIFS not only deals with interbank funding, open market operations, and funds settlements in financial markets, but also provides interbank final settlement services for each clearing institution.

At the end of 2024, there were 85 participants of the CIFS, which included 70 banks, eight bills finance companies, Chunghwa Post, and six clearing institutions, namely the FISC, the TCH, the TDCC, the TWSE, the TPEx, and the NCCC. In 2024, the number of transactions via the CIFS was 803,008, and the amount of funds transferred totaled NT\$582 trillion. Meanwhile, the daily average number of transactions via the CIFS was 3,278, increasing by 7.51% over the previous year, and the daily average amount of funds transferred was around NT\$2.4 trillion, rising by 7.28% from a year before.



### (2) Transactions via the CGSS

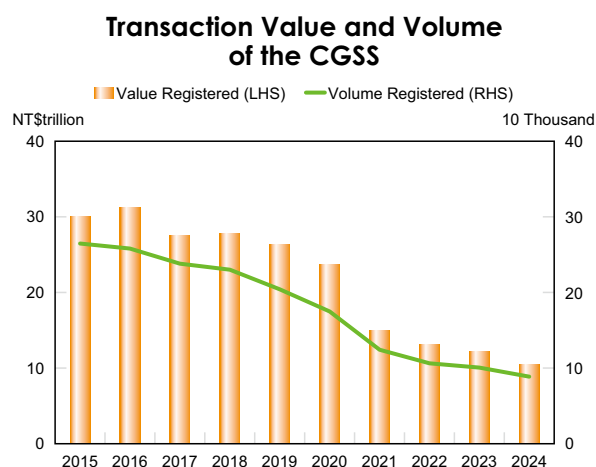
Established in September 1997, the CGSS is a system for issuance, transfer, redemption, and interest payment of book-entry central government securities. Since its inception, central government bonds have been issued in book-entry form. Treasury bills were included in this system in October 2001 and have been issued in book-entry form ever since.

<sup>7</sup> To deal with the clearing and settlement of retail interbank payment transactions, the Bank agrees that all banks shall jointly open an Interbank Funds Transfer Guarantee Special Account at the Bank. It is a collective account consisting of individual sub-accounts designated for each participating bank.



Since April 2008, when the CGSS linked up with the CIFS, fund settlements, principal redemptions, and interest payments have been handled through the CIFS using a DVP mode. The DVP mode, promoted by the BIS, is an arrangement in a securities settlement system to ensure that securities delivery occurs at the same time as the funds transfer, effectively eliminating potential principal risk during the transaction process.

As of the end of 2024, there were 20 clearing banks with 1,666 branches that handled the registration of central government securities transfers. Transaction value and volume of the CGSS in 2024 were NT\$10.3 trillion and 89 thousand transfers, respectively.



## Oversight of Payment and Settlement Systems

To ensure sound operation of domestic payment and settlement systems, the Bank conducted the following oversight activities in 2024:

### (1) Monitoring the Operation of the Large-Value Payment Systems

The Bank continued to monitor the operation of the large-value payment systems in 2024, and required improvement by those participating institutions which applied for the CIFS operation time extensions because of system malfunctions or other contingencies.

### (2) Requiring Payment Institutions to Submit Information on Payment Business

Payment system operators and electronic payment institutions were required by the Bank to submit information about their operations and activities on a regular basis. The Bank also kept close watch on the progress of innovative services in the payment industry, and assisted in providing sound retail payment infrastructure.

### (3) Supervising Contingency Drills Performed by Clearing Institutions

To ensure business continuity of payment and settlement systems, the Bank supervised clearing institutions enhancing measures for sustaining core business operations under disaster scenarios, including implementing manual backup mechanisms when system malfunctions occur. Furthermore, the Bank, together with participants of the CIFS, conducted drills for maintaining clearing and

settlement operations in the event of network disruptions, ensuring that the backup systems would be activated promptly and that relevant personnel are familiar with contingency procedures.

#### (4) Performing Backup Drills with Clearing Banks

Since 2019, the Bank has supervised all clearing banks performing backup drills in the event of malfunction or line interruption of a CGSS participant's mainframe system. In October 2024, this drill was conducted successfully with all clearing banks.

#### (5) Urging Bills Market Participants to Develop Contingency Mechanisms

The Bank urged participating institutions in the bills market to establish contingency mechanisms for disaster scenarios and enhance their capacity to cope with surges in short-term bill transactions resulting from unscheduled holidays, such as typhoon days off. In addition, the Bank instructed the TDCC and the R.O.C. Bills Finance Association to explore and implement institutional improvements, including promoting the automation of certain processes such as the registration of commercial paper for financing purposes (often referred to as CP2), contract note revisions, and deferred transaction processing, in order to improve settlement efficiency.

#### (6) Organizing Conferences to Enhance Payment System Operation

The Bank invites the FSC and clearing institutions to jointly hold two conferences on "Promoting Sound Operation of the Payment Systems" every year. The conferences are convened separately by type of clearing institution. In 2024, the May conference was held for securities clearing institutions such as the TDCC, the TPEX, and the TWSE, while the one in November was attended by payment clearing institutions including the FISC, the TCH, and the NCCC. During the conferences, the Bank urged clearing institutions to continuously reinforce the resilience of payment systems, conduct drills for manual backup procedures under extreme scenarios, and actively fulfill their role as financial market infrastructure by working with financial institutions to promote sustainable finance.

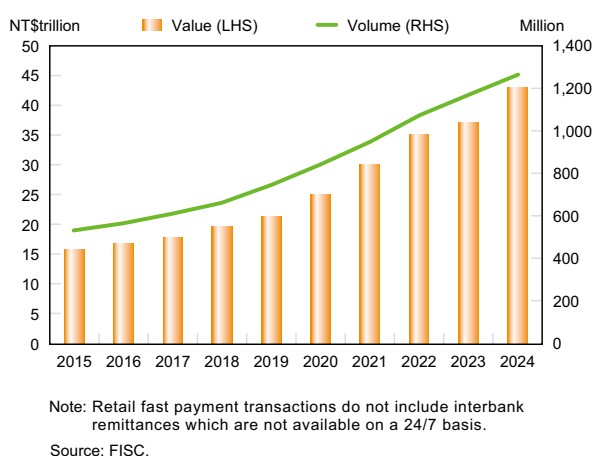
### **Urging FISC to Strengthen Retail Payment Infrastructure and Collaborate with Payment Service Providers in Promoting New Service Adoption**

(1) Taiwan's retail payment system provides services such as interbank remittances, ATM withdrawals and transfers (including internet and mobile banking), shopping payments, and tax and bill payments. Except for the interbank remittance service, most of these services are available 24/7 through fast payment channels. With the widespread use of mobile phones and the internet, demand for instant payments continued to rise, resulting in steady year-on-year growth in

both the value and volume of retail fast payment transactions.

- (2) To enhance information transmission and to facilitate transfer of funds between electronic payment institutions, as well as between electronic payment institutions and financial institutions, the Bank urged the FISC to continue promoting the participation of electronic payment institutions in the "Common Inter-Institutional Electronic Payment Platform." The platform currently provides services in four areas including funds transfer, tax e-payment, bill e-payment, and shopping e-payment.<sup>8</sup>

**Transaction Value and Volume of Retail Fast Payments**



- (3) To gradually address the fragmentation of Taiwan's retail payment market, the FISC collaborated with financial institutions and electronic payment institutions to introduce TWQR, a common QR code payment specification, on the "Common Platform for Electronic Payment Platform Institutions" in 2023. With TWQR, merchants and consumers can complete shopping payment by using one common QR code. In addition, to further foster a robust payment ecosystem in Taiwan, the Bank instructed the FISC to expand the application scenarios of TWQR. These efforts included developing a TWQR-based transit QR code for use in the transportation industry, which helps promote cross-sector interoperability and allows the public to pay for transit services via electronic payment or mobile banking apps. Moreover, the FISC worked with its Japanese and South Korean counterparts to roll out a TWQR-based cross-border shopping e-payment service.

## Proceeding with the CBDC Research Project

- (1) In response to digital developments, CBDC has become a focus of international research in recent years. The Bank has also conducted relevant studies and experiments, such as completing the "wholesale CBDC technical feasibility study" in 2020 and the "retail CBDC technology experimentation" in 2022, and establishing the "CBDC prototype platform."
- (2) The Bank is currently undertaking three key tasks: continuing extensive communication, strengthening platform technology, and deliberating on the legal framework. Only upon completion of these tasks will the Bank evaluate the feasibility of launching a pilot program.

<sup>8</sup> The 42 participating financial institutions have provided all four services, whereas electronic payment institutions provide the type(s) of service(s) they see fit. At the end of 2024, all nine electronic payment institutions have provided shopping e-payment services.

- A. Continuing extensive communication: To understand public demand for CBDC and opinions on related designs, a written opinion survey was completed in 2024, and the results were published on the Bank's official website.<sup>9</sup> In 2025, the Bank plans to hold at least eight in-person engagement events, including public hearings, forums, and briefings, to further gather feedback and enhance public awareness of CBDC.
- B. Strengthening platform technology: To assess the feasibility of future implementation of the "CBDC prototype platform," the Bank is conducting a trial project focused on supporting fund payment and settlement operations involved in the issuance of digital vouchers by government agencies. Leveraging this platform's architecture, the Bank is developing a "digital public infrastructure fund flow platform" and linking it with the Ministry of Digital Affairs' "shared foundational platform for government disbursement" to facilitate the payment, clearing, and settlement of funds under various government disbursement programs. Moreover, in response to the growing trend of asset tokenization, the Bank is collaborating with participating banks to explore the feasibility of using wholesale CBDC to support asset tokenization technologies.
- C. Deliberating on the legal framework: In conjunction with the above initiatives, the Bank continues to monitor legal and regulatory developments in major economies. In addition, legal issues related to CBDC will be discussed with stakeholders during the planned in-person engagement events.

<sup>9</sup> The results of the opinion survey are available (in Chinese only) at: <https://knowledge.cbc.gov.tw/front/references/inpage/D5766911-2329-EF11-9108-00505694F3B3>.

## 5. Currency Issuance

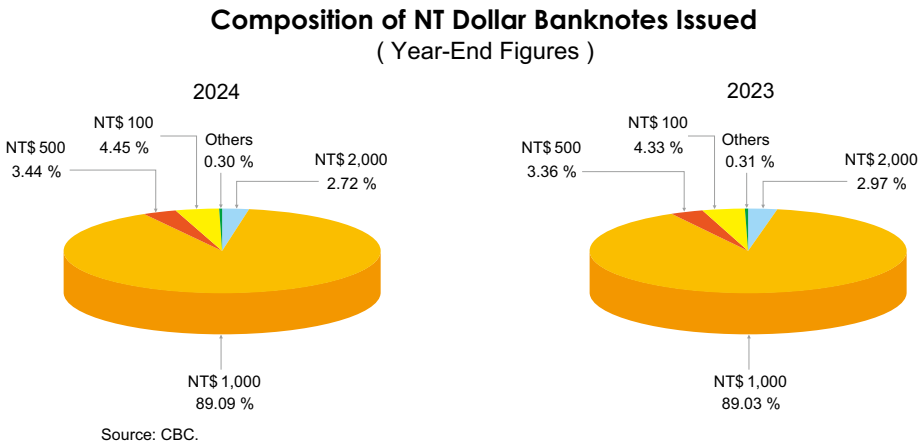
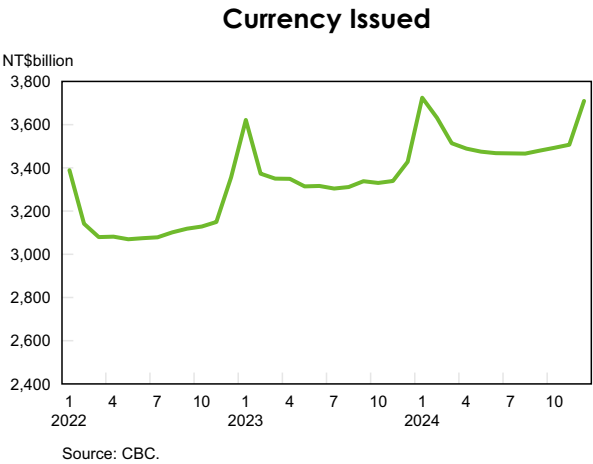
For the year 2024, the Bank, as the sole agency with the authority to issue banknotes and coins, continued to conduct currency issuance with a focus on maintaining an adequate supply of currency to meet public demand, which is dependent on domestic economic conditions, seasonal factors, and the development of noncash payment instruments. The Bank also issued commemorative coin sets to mark national events.

Furthermore, the Bank continued to promote public awareness of counterfeit deterrence and encourage the use of circulating currency through various channels.

### Currency Issuance Increased to Meet Currency Demand

In 2024, the Bank ensured an adequate supply of currency to meet public demand. The amount of currency issued peaked at NT\$3,875.3 billion on February 7, the last business day before the Lunar New Year holidays, reflecting a temporary seasonal surge in cash demand. At the end of the year, the outstanding amount of currency issued was NT\$3,710.0 billion, an increase of NT\$281.6 billion or 8.21% over the previous year end.

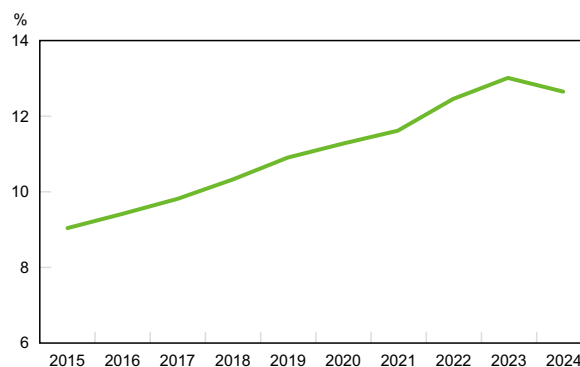
By denomination, the composition of NT dollar banknotes in circulation at the end of 2024 was similar to the end of 2023. The majority of circulating banknotes went for the NT\$1,000 note with a share of 89.09%, followed by the NT\$100 and NT\$500 notes with shares of 4.45% and 3.44%, respectively.



### Ratio of Currency in Circulation to GDP Rose Steadily

As cash was still frequently used for small-value transactions, the public's demand for currency remained high. The ratio of currency in circulation to nominal GDP has shown an uptrend in recent years. However, with buoyant domestic economic activity in 2024 leading to a larger increase in nominal GDP, the ratio dropped by 0.37 percentage points to 12.69%, down from 13.06% in the previous year.

### The Ratio of Public-Held Currency to GDP



Sources: 1. CBC.  
2. DGBAS, Executive Yuan.

### Two Commemorative Coin Sets Were Issued

In addition to currency issuance, the Bank may issue gold and silver coins and commemorative coins from time to time, such as for important ceremonies, national holidays, major international

### Commemorative Coin Set for the Chinese Zodiac Year of the Dragon



Source: CBC.

events, or other significant national events. During 2024, the Bank issued a casting set of coins for the Chinese Zodiac Year of the Dragon and the commemorative gold and silver coins for the inauguration of the Sixteenth President and Vice President of the Republic of China (Taiwan).

### Commemorative Coins for the Inauguration of the Sixteenth President and Vice President of the Republic of China (Taiwan)



Source: CBC.

### Efforts to Encourage the Use of Circulating Currency and Raise Public Awareness of Counterfeit Money Continued in 2024

With the aim of deterring and preventing counterfeiting, reducing currency issuing costs, and protecting the environment by maximizing existing resources, the Bank launched several advertising campaigns during 2024 to enhance public understanding on the security features of NT dollar notes and coins and to promote the use of circulating currency.

While striving to improve the cleanliness of currency by inspecting returned banknotes and destroying damaged ones, the Bank also continued to urge the public to help maintain the



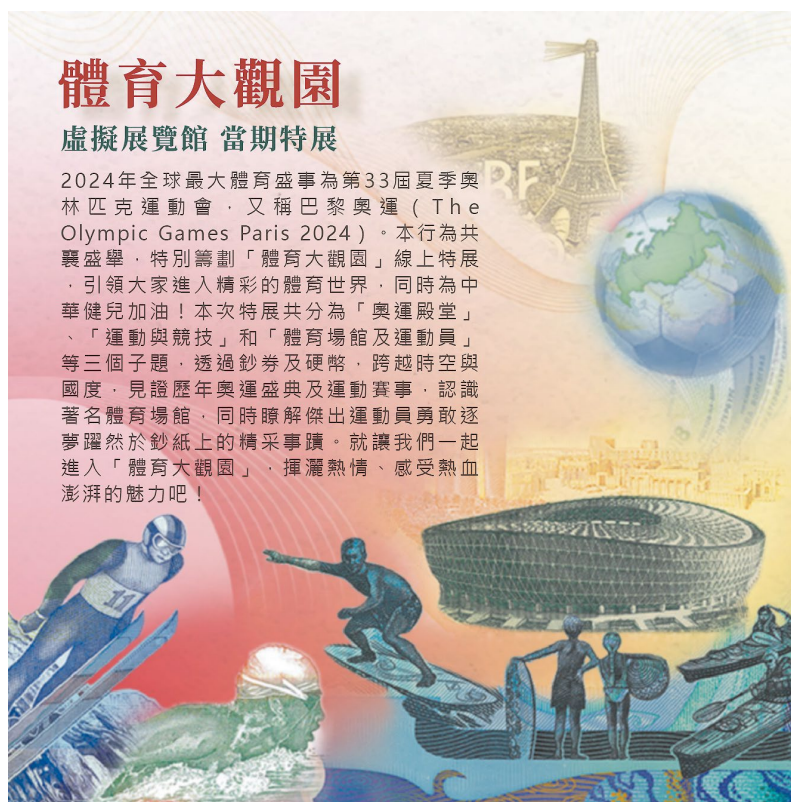
cleanliness of circulating notes and coins.

Educational materials for these campaigns were provided through multiple channels. For example, relevant videos were broadcast on media such as the Bank's website and mobile app, the Virtual Money Museum, and YouTube. Information was also posted on the Bank's Facebook page and published in magazines. Leaflets were distributed to the public and relevant institutions.

### A Virtual Exhibition was Held on the Theme of Sports

The Bank's Virtual Money Museum has been running smoothly since it came online in June 2013. In response to increased use of mobile technologies and with the aim of providing optimal viewing experiences across devices, the Bank launched the upgraded version of the Virtual Money Museum website in August 2020. For instance, the Virtual Exhibition Hall of the upgraded website began to showcase banknotes from around the world classified into various themes. During 2024, the Bank held an annual virtual exhibition titled "A Grand Tour of Sports" to celebrate the Olympic Games Paris 2024, the world's largest sporting event.

#### Annual Exhibition 2024 of Virtual Money Museum—A Grand Tour of Sports



Source: CBC.



## The Bank Continued to Promote the Visually Impaired-Friendly NT Dollar Banknote Identification Service

To help visually impaired people to better identify banknotes, the Bank has made multifaceted efforts from 2020 onwards, such as producing video material to introduce how to identify banknotes and distinguish the different denominations. The video is available on the Bank's website and local visually impaired support groups are encouraged to download it for educational purposes. Meanwhile, the Bank has developed the NT dollar banknote gauge card and instructed the Central Engraving and Printing Plant to conduct mass production. The Bank has also sent relevant personnel to local support groups to promote the use of the card and to distribute it for free to the visually impaired.

### Raised-Dot Tactile Feature of NTD Banknotes (Left) and NTD Banknote Gauge Card (Right) for the Visually Impaired



Source: CBC.

## 6. Fiscal Agency Functions

As banker to the central government, the Bank fulfills its responsibilities by managing the treasury deposit account (TDA), handling central government agency deposit accounts, and undertaking the issuance, transfer and registration, redemption, and interest payment of central government bonds and treasury bills.

### Managing the Treasury Deposit Account

The Bank manages the TDA on behalf of the Ministry of Finance, processing receipts and disbursements of the central government. In order to provide convenient services for government agencies and the general public, the Bank delegates the handling of treasury business to 14 financial institutions and their 366 branches, including three overseas branches located in New York, Los Angeles, and Paris. In addition, there are another 4,693 national tax collection agencies set in financial institutions. In 2024, the Bank received a total of NT\$4,998.7 billion in treasury deposits, increasing by NT\$253.7 billion or 5.35% over the previous year. Payments made on behalf of the national treasury were NT\$4,852.2 billion, an increase of NT\$23.7 billion or 0.49% from 2023. At the end of 2024, the TDA balance was NT\$207.1 billion, an increase of NT\$146.6 billion or 242.31% from the end of 2023.

### Handling Central Government Agency Deposits

Central government agencies are required to make their deposits with the Bank or other delegated banks. At the end of 2024, the balance of central government agencies' deposits with the Bank amounted to NT\$263.9 billion, an increase of NT\$31.6 billion or 13.60% over 2023. Deposits with other delegated banks were NT\$784.0 billion at the end of 2024, decreasing by NT\$9.6 billion or 1.21%.

### Enhancing the Efficiency of Electronic Payment Channels for Treasury Funds

To further enhance the diversity of treasury payment methods and promote non-cash payments, all treasury receipt and payment application forms have been revised, and the new versions were effective July 1, 2024. The barcodes on these forms have been changed from a horizontal layout to a vertical one to facilitate barcode scanning by bank personnel handling treasury transactions and to effectively reduce the operational risk associated with barcode reading errors. In addition, information about various treasury payment channels—such as interbank remittance, the "e-Bill National Payment Network" website and app, and QR code mobile payments—along with relevant instructions, have been listed on the treasury payment forms to enhance the overall efficiency of electronic treasury payment channels and improve convenience for payers.

## Managing Central Government Bonds

As a fiscal agent, the Bank provides services related to the issuance, transfer and registration, redemption, and interest payment of central government bonds. The Bank also conducts the auctions of central government bonds. There are 55 domestic dealers qualified to directly participate in the auctions, including 23 banks, 18 securities companies, eight bills finance companies, five insurance companies, and Chunghwa Post.

In 2024, the Bank conducted 19 issues of central government bonds in book-entry form worth NT\$538.0 billion in total. Of this amount, 10-year bonds accounted for the lion's share of 39.59%, worth NT\$213.0 billion, followed by 5-year bonds, representing a share of 32.53% with an amount of NT\$175.0 billion.

In addition, the Bank paid NT\$416.4 billion in principal and NT\$81.4 billion in interest for central government bonds. At the end of 2024, the outstanding amount of central government bonds was NT\$6,034.1 billion, an increase of NT\$121.6 billion or 2.06% from the end of 2023.

## Handling Treasury Bills

The Bank also handles the auctions of treasury bills. Currently, direct bidders include banks, insurance companies, securities companies, bills finance companies, and Chunghwa Post.

In 2024, the Bank conducted eight issues of book-entry treasury bills with a total amount of NT\$250 billion. The majority of the issuance went for 91-day bills with a value of NT\$125 billion, or a share of 50.00%. At the end of 2024, the outstanding amount of treasury bills was NT\$30 billion, the same as the previous year end.

## 7. Financial Inspection

Pursuant to the objectives and duties stipulated in *The Central Bank of the Republic of China (Taiwan) Act*, the Bank conducts targeted examinations to ensure the effective implementation of monetary, credit, and foreign exchange policies. The Bank has also established a report auditing system and a financial stability assessment framework to systematically monitor and assess possible sources of potential risks. The Bank adopts appropriate policies accordingly, in a timely manner to achieve the operational goal of financial stability. The following are the main tasks conducted in 2024.

### Targeted Examination

Targeted examinations in 2024 were conducted on real estate mortgage loans and related fund flows, foreign exchange derivatives business involving the NTD exchange rate, inward and outward foreign exchange remittances, accuracy of regulatory reports of offshore banking units, operations of foreign currency exchange counters, etc.

### Follow-up on Examination Findings

To ensure the effectiveness of the Bank's policy implementation, the Bank continued to track whether the financial institutions under inspection had improved their operations, based on the findings from the Bank's targeted examinations as well as the results of the FSC's financial examinations related to the Bank's operations or regulations. The financial institutions violating the *Regulations Governing the Extension of Mortgage Loans by Financial Institutions* were subjected to administrative actions by the Bank.

### Strengthening Off-Site Monitoring

In 2024, the report auditing system was utilized to evaluate financial performance, business status and regulatory compliance of individual financial institutions as a reference for the supervision and inspection by the Bank and relevant authorities. Moreover, to reflect changes in the evolving financial environment and regulatory amendments, the Bank reviewed and modified the content of the report auditing analysis and evaluation. The Bank also leveraged visualization tools to improve the efficacy of data processing and analysis.

### Improving Information Transparency of Financial Institution Operations

The Bank regularly compiles and publishes statistics on financial institutions, such as *Condition and Performance of Domestic Banks (Quarterly)* and *Business Overview of Financial Institutions*

(Yearly). All related information is disclosed on the Bank's website and available for inquiry and download, with the aim of strengthening the information transparency of financial institutions' operations and to reinforce market discipline.

In line with the government's open data policy, the financial and operational performance datasets of financial institutions are also regularly uploaded to the designated open government data platform.

### **Financial Stability Assessment**

The Bank regularly conducts an analysis of financial institutions' business operations and their risk exposures so as to identify potential risks to the stability of the overall financial system. It also compiles financial soundness indicators and publishes the *Financial Stability Report* to keep the public updated on the state of the domestic financial system and sources of potential risks and to aid cross-border communication and information sharing.

In 2024, to enhance analytical effectiveness regarding financial stability, the Bank continued to improve the graphical user interface of credit and market risk stress-testing models and estimated domestic banks' value at risk (VaR) and unexpected losses from related risks. The Bank also compiled the Financial Vulnerability Index to identify vulnerabilities in the domestic financial system. Moreover, as a reference for the implementation of related policies and future tools, the Bank collected and studied the macroprudential tools of major central banks in addressing climate-related risks.

### **International Cooperation in Financial Supervision**

In 2024, the Bank continued to actively engage in international cooperation related to financial supervision, such as participating in the 15<sup>th</sup> SEACEN Meeting of Deputy Governors in Charge of Financial Stability and Banking Supervision, and the 26<sup>th</sup> SEACEN-FSI Conference of the Directors of Supervision of Asia-Pacific Economies concurrently held with the 37<sup>th</sup> Meeting of Directors of Supervision of SEACEN Members. The Bank also hosted a visit by banking regulators and/or supervisors in Asia.

## 8. Participation in International Activities

The Bank is committed to engaging in international activities and continues to enhance collaboration with international financial organizations and other central banks. The Bank is a member of the Asian Development Bank (ADB), the Central American Bank for Economic Integration (CABEI), and the South East Asian Central Banks (SEACEN) group. Moreover, the Bank continually strengthens its ties with international forums and institutions such as the Bank for International Settlements (BIS) and the Inter-American Development Bank (IDB). Through participation in international conferences, training courses, and forums, the Bank endeavors to maintain close relationships with other central banks by exchanging views and sharing policy experience on current financial and economic issues.

The Bank continued its efforts in taking part in international activities during 2024. The Bank attended the 59<sup>th</sup> SEACEN Governors' Conference in Mumbai, India, from February 15 to 16. Through this conference, the Bank and other member banks acknowledged the challenging trade-offs emerging from different policy objectives and discussed approaches to address them using diverse sets of policy tools.

In addition, the Bank attended the 60<sup>th</sup> SEACEN Governors' Conference in Seoul, South Korea, during December 6 to 7. At this conference, the Bank and other member banks shared views on how trade tensions in the form of rifts and tariffs could threaten the trajectory of global growth, while also discussing the fundamental changes that central banks face nowadays with major structural shifts, driven by digitization, the advent of artificial intelligence (AI), the green transition, population aging, and climate change.

The Bank also participated in the meetings held by other international organizations, such as the IDB's 64<sup>th</sup> Annual Meeting of the Board of Governors in Punta Cana, the Dominican Republic, during March 6 to 10, the ADB's 57<sup>th</sup> Annual Meeting of the Board of Governors in Tbilisi, Georgia, from May 2 to 5, the CABEI's 64<sup>th</sup> Ordinary Meeting of the Board of Governors in Tegucigalpa, Honduras, on May 13, the BIS' 94<sup>th</sup> Annual General Meeting in Basel, Switzerland, during June 29 to 30, and the 23<sup>rd</sup> SEACEN Executive Committee Meeting held virtually on August 30.