III. Central Bank Operations

1. Overview

In 2025, the domestic inflation rate continued its gradual downtrend, and the inflation outlook for 2026 was projected to be mild. Meanwhile, the domestic economy delivered strong performance in 2025 and was expected to post solid growth in 2026. In light of these developments, and taking a prudent approach to the uncertainty surrounding the global economic and financial outlook and the potential influence of U.S. economic and trade policies on the domestic economy, the Bank decided at all four quarterly Board meetings in 2025 to keep the policy rates unchanged. Therefore, the discount rate, the rate on refinancing of secured loans, and the rate on temporary accommodations remained at 2%, 2.375%, and 4.25%, respectively.

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 flowing into the real estate market, the Bank has made seven adjustments to its selective credit control measures since December 2020, which have helped strengthen financial institutions' risk management associated with real estate lending. In addition, in August 2024, through moral suasion, the Bank requested banks to enhance internal quantitative goal management of aggregate real estate lending volumes from the fourth quarter of 2024 to the fourth quarter of 2025.

Since these policies took effect, the concentration of real estate lending by all banks has gradually come down. Banks' credit resources have been channeled towards accommodating the funding needs of non-homeowner mortgage borrowers and those for urban renewal and reconstruction of unsafe and dilapidated buildings. Public expectations for housing price rises have also eased. These developments indicate that the effectiveness of the Bank's selective credit control measures has gradually begun to yield results. Furthermore, most banks have implemented and achieved their self-set quantitative control goals of aggregate real estate lending volumes. Against this backdroup, starting 2026, banks are allowed to carry out quantitative controls at their own discretion. Nevertheless, the Bank will continue to require banks to submit data reports on real estate lending on a monthly basis and will also strengthen its efforts in targeted financial examinations, so as to keep updated on the status of banks' real estate lending and to ensure bank compliance with the selective credit control measures.

Going forward, the Bank will continue to conduct rolling reviews of the effectiveness of the selective credit control measures and adjust relevant measures as needed in order to promote financial stability and sound banking operations.

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 2025, reserve money registered an annual growth rate (on an adjusted basis) of 6.02%, while the monetary aggregate M2 rose by 4.54% 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, 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 such as those from U.S. tariff policy shifts. Consequently, the Bank, in line with its statutory mandates, continued to conduct two-way smoothing operations in the forex market as warranted to maintain the dynamic stability of the NTD exchange rate, with net forex purchases amounting to US$7.7 billion for the entire year. Compared with other major currencies such as the JPY, KRW, and EUR, the NT dollar experienced lower volatility in its exchange rate vis-à-vis the US dollar in 2025.

Meanwhile, the Bank reviewed the laws and regulations governing FX business as seen fit to reinforce authorized FX banks' competitiveness and service quality.

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 in conducting drills for system backup and manual backup procedures under extreme conditions.

In the meantime, to gradually mitigate the fragmentation of Taiwan's retail payment market, the Bank instructed the Financial Information Service Co., Ltd. (FISC) to reinforce the retail payment infrastructure and expand the application scenarios of TWQR, a common QR code payment specification, so as to facilitate the public's use of a unified QR code to complete various types of payments. These efforts included encouraging retail merchants to adopt TWQR for shopping payments, developing and promoting a TWQR-based transit QR code for use in the transportation sector, and advancing the TWQR-based cross-border shopping e-payment service in Japan and South Korea, thereby fostering the sound development of Taiwan's payment ecosystem.

On the CBDC front, around 90% of central banks worldwide have engaged in research or experimentation work related to CBDCs. The Bank has also been carrying out CBDC-related initiatives in a prudent and steady manner. In 2025, the Bank, building on the framework of the "retail CBDC prototype platform," established a "digital public infrastructure payment platform" and connected it with the Ministry of Digital Affairs' "common platform for government disbursements" to support various government disbursement operations. In addition, the Bank, together with the FISC and the Taiwan Depository and Clearing Corporation (TDCC), conducted experiments in 2025 on the use of wholesale CBDC to support the settlement of tokenized bond transactions. These experiments aim to explore the feasibility of jointly building a tokenized financial market infrastructure in the future.

With regard to currency issuance, considering that the current NT dollar banknotes have been in circulation for 24 years, and to ensure that their anti-counterfeiting features keep pace with the latest international technologies while aligning with sustainable development trends in environmental protection, social responsibility, and corporate governance (ESG), the Bank officially launched the NT dollar banknote redesign program on October 23, 2025.

Moreover, at the end of 2025, the Bank published its first *Sustainability Report*, structured around five key pillars, namely financial stability, accountable governance, green operations, a friendly workplace, and social engagement. The report documented the Bank's performance and progress in 2024 across the three ESG dimensions. Through its annual publication, the report serves to demonstrate the Bank's efforts to listen to and respond to stakeholders' expectations, and to undertake ongoing reviews to refine policy measures that support the sustainable development of Taiwan's financial system.