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, including large short-term capital inflows and outflows, and seasonal factors, the Bank would conduct appropriate smoothing operations to moderate adverse effects on 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.

Throughout 2025, the NT dollar exchange rate exhibited significant volatility against the US dollar, primarily driven by shifting U.S. trade policies and global AI industry trends. In the first half of the year, the NTD initially depreciated due to capital outflows triggered by U.S. political uncertainties and a tech stock sell-off amid U.S. tariff policy shifts. However, the NTD experienced a sharp rebound in the second quarter owing to subsiding tariff fears and growing expectations of a Fed rate cut, with positive progress in Taiwan-U.S. trade negotiations providing further support. Entering the second half of the year, despite early gains from robust AI-driven equity inflows, the NTD was weighed down by a stabilizing US dollar on the back of yen weakness following Japan's leadership change and subsequent capital repatriations by foreign investors amid emerging concerns over AI industry overheating and Fed policy divisions.

Overall, in 2025, the NTD exchange rate fluctuated significantly, reflecting not only foreign portfolio investment flows but also international economic impacts. To maintain the dynamic stability of the NT dollar exchange rate, the Bank continued to conduct two-way smoothing operations in the forex market. For the year as a whole, net FX purchases by the Bank amounted to US$7.7 billion. Despite heightened fluctuations during the year, the volatility of the NTD exchange rate against the US dollar remained lower than those of other major currencies such as the Japanese yen, the Korean won and the euro.

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

In 2025, the Bank continued with the following efforts:

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, with the aim of reducing market exposure of individual banks and containing systemic risk.

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) To provide the financial system with sufficient foreign currency liquidity to meet funding needs, including those for corporations to venture into overseas markets, the Bank has appropriated seed capital for the Taipei Foreign Currency Call Loan Market, including US$20 billion, €1 billion and ¥80 billion.

(2) Through foreign currency call loans and swaps conducted by authorized foreign exchange banks, the Bank continued in 2025 to support corporations and insurance companies by meeting the needs for foreign currency liquidity and exchange rate hedging.

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 of 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 2025, Taiwan's total foreign exchange reserves stood at US$602.6 billion, an increase of US$25.9 billion or 4.49% compared to the end of 2024, mainly attributable to returns from forex reserve investments. Combining the reserves held in gold valued at US$4.9 billion, the Bank's reserve assets totaled US$607.5 billion at the end of the year.

Foreign exchange reserves are the Bank's foreign currency claims on nonresidents. On the other hand, foreign currency claims on residents consist of the US dollars held under swap agreements and foreign currency deposits with and loans to domestic banks, which amounted to US$78.8 billion, US$25.5 billion, and US$7.5 billion, respectively, at the end of 2025.

In terms of foreign currency liquidity, the total amount, including foreign currency claims and gold, reached US$724.4 billion at the end of 2025.

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 trade in goods and services, 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 resident 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.

Measures with regard to the management of capital flows in 2025 included:

(1) The amendments to the *Directions for Banking Enterprises while Assisting Customers to Declare Foreign Exchange Receipts and Disbursements or Transactions* took effect on December 24, 2025.

(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 2025, 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	17	NTD 9.15 billion
	NTD denominated bonds	14	NTD 12.15 billion
	Foreign currency-denominated bonds	40	USD 10.26 billion
		4	AUD 0.14 billion
	Overseas convertible bonds	2	USD 0.7 billion
Domestic companies (and domestic branches)	Foreign currency-denominated bonds	54	USD 0.16 billion
	Overseas depositary receipts	2	USD 1.23 billion
	Overseas convertible bonds	9	USD 7.6 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)	83 domestic SITE funds (including 34 NTD-foreign multiple currency SITE funds)	NTD 1,764.6 billion (including NTD 747 billion in multiple currency funds)
Life insurance companies	Non-discretionary money trusts managed by financial institutions	USD 0.33 billion
	Investment quota in their own accounts	USD 14.52 billion
Five major government pension funds and employment insurance funds	Investment quota in their own accounts	USD 16.49 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 2025, the Bank continued to approve bank branches as authorized foreign exchange banks and loosened restrictions on foreign exchange derivative product business in order to facilitate authorized foreign exchange banks' competitiveness and service quality.

A. At the end of 2025, there were 3,448 authorized foreign exchange banks in total, which included 38 head offices and 3,370 branches of domestic banks, 37 branches of foreign banks, three branches of Mainland Chinese banks, as well as 4,572 authorized money exchangers, post offices, and financial institutions authorized to engage in basic foreign exchange business.

B. On January 15, the Bank amended Point 10 of the *Directions Governing Banking Enterprises for Operating Foreign Exchange Business* to expand the scope of currency options for loans granted by authorized banks against the pledge of beneficial rights in foreign-currency non-discretionary trust funds as collateral, thereby lifting the restriction that such loans shall only be handled in foreign currencies.

   On July 15, the Bank amended the *Regulations Governing Foreign Exchange Business of Banking Enterprises*, including (1) simplifying procedures for authorized banks to set up foreign currency automatic teller machines, outsource back-office operations related to foreign exchange business to a third party, and issue foreign exchange bank debentures, and (2) adjusting reporting thresholds and submission deadlines for authorized banks' foreign exchange remittance data.

(2) Insurance Companies

As of the end of 2025, the number of insurance companies permitted to engage in traditional and investment-linked foreign currency insurance business was 21 in each category. The foreign currency premium revenue increased by US$6.12 billion, or 23.96%, from the previous year to US$31.68 billion in 2025.

(3) Securities Firms

The approved cases for securities firms to conduct foreign exchange business in 2025 are listed in the following table.

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

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 2025 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	2
	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 2025

Currency	Domestic Participating Units	Settlements in 2025	
		Number of Transactions	Amount
US dollar	72	1,515,434	USD 2,213.6 billion
Renminbi	59	368,340	RMB 581.8 billion
Yen	37	74,985	JPY 2,404 billion
Euro	38	21,442	EUR 10 billion
Australian dollar	30	34,869	AUD 2.7 billion

Source: Department of Foreign Exchange, CBC.

Offshore Banking

(1) Regulatory amendments: In order to enhance the competitiveness of offshore insurance units (OIUs), the Bank collaborated with the FSC to amend Article 22-16 of the *Offshore Banking Act*, extending the applicable period of the tax incentives for OIUs to the end of 2035.

A. The Bank collaborated with the FSC to amend Articles 9 and 15 of the *Regulations Governing Offshore Insurance Branches*, with the aim of promoting the development of OIUs by encouraging them to pursue innovation in insurance products.

B. In order to enhance the competitiveness of offshore securities business and facilitate offshore customers' remittance-related operations, the Bank collaborated with the FSC to amend Articles 9-1 and 13 of the *Regulations Governing Offshore Securities Branches* to allow OSUs to deposit offshore customer funds with foreign custodian banks.

(2) Financial Status

A. Offshore Banking Units (OBUs)

At the end of 2025, the number of OBUs came to 59, and total OBU assets increased by US$50.98 billion, or 18.4%, over the previous year to US$327.54 billion. The net income after tax of all OBUs amounted to US$3.17 billion, increasing by US$1.37 million, or 76.1%, from a year before.

B. Offshore Securities Units (OSUs)

At the end of 2025, the number of OSUs stood at 18, and total OSU assets increased by US$0.82 billion, or 11.6%, over the previous year to US$7.91 billion. The net income after tax of all OSUs amounted to US$98.1 million, increasing by US$112.7 million from a year before.

C. Offshore Insurance Units (OIUs)

As of the end of 2025, the number of OIUs was 21, with a total amount of assets of US$0.8 billion, which was US$0.05 billion or 5.9% less than the previous year end. The net income after tax of all OIUs amounted to negative US$2.8 million, decreasing by US$24.1 million or 113.1% from the previous year.