

III. Central Bank Operations

1. Overview

In 2012, in light of global economic uncertainties, mild recovery of domestic economy, and sustained attention to inflation, the Bank kept policy rates unchanged so as to maintain price and financial stability and to ensure sound economic growth. At the end of the year, the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral were 1.875 percent, 2.25 percent, and 4.125 percent, respectively.

In response to economic and financial conditions, the Bank issued certificates of deposits (CDs) and conducted open market operations to maintain reserve money at appropriate levels and steady growth in monetary aggregates.

To curb speculative property investments, the Bank not only continued with existing measures to control risks associated with mortgages in several areas in metropolitan Taipei and land collateralized loans, but also introduced new restrictions on mortgages on high-value housing in June. As a result, the concentration of real-estate related lending declined further.

With regard to foreign exchange management, the Bank steadily promoted the internationalization of capital markets and revised relevant foreign regulations in continual cooperation with the FSC. In addition, to support the government's efforts to implement the "Program to Develop Financial Services with Cross-Strait Characteristics" and to increase cross-strait commercial activity and financial cooperation, in August 2012, the Bank and the People's Bank of China jointly signed a memorandum on cross-strait currency clearing cooperation. The Bank later announced the Shanghai branch of the Bank of Taiwan as the NTD clearing bank in the mainland area in September 2012.

To ensure smooth operation of the payment systems, the Bank closely monitored domestic payment systems and urged settlement institutions to set up backup facilities and adequate contingency plans to provide business continuity. Furthermore, to meet the need for domestic US dollar remittances, and to facilitate RMB receipt and payment and cross-strait currency settlement, the Bank has begun to set up a foreign currency settlement system.