

## III. Central Bank Operations

### 1. Overview

In 2013, against the backdrop of uncertainties surrounding the global economic outlook, mild expansion in the domestic economy, and muted inflationary pressures, the CBC kept policy rates unchanged so as to maintain price and financial stability and to ensure steady economic growth. At the end of 2013, 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 CBC continued to issue certificates of deposit (CDs) and conduct open market operations to maintain reserve money at appropriate levels and sustain steady growth in monetary aggregates. In addition, in order to diversify banks' portfolios, the CBC resumed monthly auctions of 2-year CDs from August 2013. At the end of the year, the total outstanding amount of CDs issued by the CBC was NT\$6,843 billion. The average annual growth rate of reserve money in 2013 was 7.18 percent, while M2 recorded an annual growth rate of 4.78 percent, within the CBC's target range of 2.5 percent to 6.5 percent.

The CBC continued with credit risk management measures for housing loans in “specific areas,” land collateralized loans, and high-value housing loans. Furthermore, the CBC also urged financial institutions to enhance self-discipline via prudential measures for real-estate lending in “non-specific areas” with considerable housing price surges, and to exercise caution regarding collateral loans on industrial area land.

In terms of foreign exchange management, the CBC steadily promoted the internationalization of capital markets and revised relevant foreign exchange regulations in continual cooperation with the Financial Supervisory Commission. Moreover, to develop Taiwan as an offshore renminbi (RMB) market, the CBC amended the *Regulations Governing Foreign Exchange Business of Banking Enterprises* in January 2013, stipulating that authorized foreign exchange banks (DBUs) may conduct RMB business after opening clearing accounts with the RMB clearing bank in Taiwan. On February 6, 2013, DBUs in Taiwan officially launched RMB business. In September, the CBC allowed DBUs to grant foreign currency (including RMB) loans to Taiwanese firms based on lending contracts with their affiliates or subsidiaries in Kunshan, Mainland China. This policy would help expand the channels for Taiwan's RMB funds to flow back to Mainland China.

To ensure smooth payment system operation, the CBC closely monitored domestic payment

systems and urged settlement institutions to set up backup facilities and adequate contingency plans to provide business continuity. In addition, to further strengthen financial infrastructure and to support the operation of the cross-strait RMB clearing mechanism, the CBC mapped out a foreign currency clearing platform, which adopted the SWIFT standard to facilitate transactions with financial institutions abroad. This platform was officially launched on March 1, 2013, providing the service of domestic US dollar remittance. The service of domestic and cross-border RMB remittance commenced operation through this platform on September 30.