

III. Central Bank Operations

1. Overview

For the year 2014, uncertainties lingered in the global economy, the domestic output gap remained negative, and the inflation outlook was mild. Against such a backdrop, the CBC kept policy rates on hold so as to fulfill its legal mandates of maintaining price and financial stability and fostering economic growth.

In response to economic and financial conditions, the CBC continued to conduct open market operations and issue certificates of deposit (CDs) to manage market liquidity, maintain reserve money at appropriate levels and sustain steady growth in monetary aggregates. Moreover, in order to meet financial institutions' portfolio diversification needs, the CBC raised the bidding amounts of 364-day CDs and 2-year CDs. With regard to money supply, M2 recorded an annual growth rate of 5.66 percent, within the CBC's target range of 2.5 percent to 6.5 percent, which was sufficient to fully support economic activity.

To further strengthen financial institutions' management of real-estate associated credit risks and ensure sound banking operation, the CBC decided to expand the scope of Specific Areas to include four more districts in New Taipei City and four districts in Taoyuan City, revise the definition of high-valued housing, and introduce a loan-to-value ratio cap of 50 percent on, among others, new loans for the third (or more) home purchase, all effective from June 27, 2014.

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 FSC. Furthermore, from September 9, 2014, overseas branches of domestic banks were eligible to conduct NT dollar non-delivery forwards business with prior approval. This measure was expected to help expand the business scope of overseas branches of domestic banks and promote their international competitiveness. Meanwhile, the CBC also permitted authorized foreign exchange banks to offer online banking services to a wider customer base and allowed interbank ATM cash withdrawal in foreign currency.

To enhance the safety and efficiency of payment system operation, the CBC continued to improve financial infrastructure. During 2014, the CBC expanded the functions of the foreign currency

clearing platform, which significantly reduced the charges for remittances paid by the general public and the processing time. In addition, the CBC assisted the Financial Information Service Co., Ltd., the Taiwan Clearing House, and the National Credit Card Center of R.O.C. in founding the Taiwan Mobile Payment Co., which later launched the Payment Service Provider Trusted Service Manager platform on December 30, 2014, aiming to facilitate the development of mobile payments.