

III. Central Bank Operations

1. Overview

For the year 2015, the global economy performed weaker than expected, domestic economic growth decelerated, the negative output gap widened, and inflation expectations were mild. Against such a backdrop, the CBC lowered policy rates twice in September and December, respectively, by a total of 25 basis points to foster economic growth.

In response to economic and financial conditions, the CBC continued to conduct open market operations by issuing certificates of deposit (CDs) to manage market liquidity and sustain steady growth in monetary aggregates. Furthermore, the CBC raised the bidding amounts of 364-day CDs and 2-year CDs to meet financial institutions' portfolio diversification needs. The outstanding balance of CDs issued by the CBC was NT\$7,545 billion at the end of the year, expanding by NT\$438 billion or 6.17% from the end of the previous year. In regard to money supply, M2 recorded an annual growth rate of 6.34%, within the CBC's target range of 2.5% to 6.5%, which was sufficient to support economic activity.

In 2015, the CBC continued with targeted macro-prudential measures on the real estate sector. During the year, banks' concentration on mortgage loans improved, the government's measures to sustain housing market soundness gradually came into effect, and real estate speculation was more contained. Based on these assessments, the CBC revised the scope of the designated Specific Areas by removing six districts, and raised the 50% cap on the loan-to-value (LTV) ratio to 60%, effective from August 14, 2015.

In terms of foreign exchange management, the CBC steadily promoted the internationalization and liberalization of capital markets and revised relevant foreign exchange regulations in continual cooperation with the FSC. In 2015, adjustments to foreign exchange business made by the CBC included easing regulations governing foreign exchange business performed by insurance companies, approving authorized banks to issue foreign currency-denominated negotiable certificates of deposit, and expanding the scope of foreign exchange derivatives business conducted by authorized banks as well as simplifying relevant application procedures.

To enhance the safety and efficiency of payment system operation, the CBC continued to improve financial infrastructure. During 2015, the CBC further expanded the functions of the foreign

currency clearing platform, such as launching domestic and cross-border yen and euro remittances, and establishing the delivery-versus-payment (DVP) mechanism for transactions of foreign currency bonds and bills. The new functions significantly reduced both the charges for remittances and the processing time.