

III. Central Bank Operations

1. Overview

For the year 2016, the global economy expanded at a slower pace, and uncertainties over the international economy remained, thus putting a drag on the domestic economic recovery. Against such a backdrop, along with a widened negative output gap and subdued inflation expectations, the CBC lowered policy rates twice on March 25 and July 1, respectively, by a total of 25 basis points to foster economic growth.

In response to economic and financial conditions, the CBC continued to issue certificates of deposit (CDs) to manage market liquidity, maintain reserve money at appropriate levels, and sustain steady growth in monetary aggregates. Moreover, the CBC increased the bidding amounts of 364-day CDs. The outstanding balance of CDs issued by the CBC was NT\$7,587.3 billion at the end of the year, rising by NT\$42.6 billion or 0.56% from the end of the previous year. In terms of money supply, M2 growth averaged at a pace of 4.51% for the year as whole, within the CBC's target range of 2.5% to 6.5%, indicating there was sufficient liquidity to support economic activity.

Since the CBC introduced targeted macroprudential measures on the real estate sector, financial institutions have improved credit risk management associated with real estate lending. On the other hand, the government gradually rolled out relevant taxation schemes and implemented measures to sustain housing market soundness, both helping to dampen speculative demand. Based on these developments, the CBC announced in March 2016 to repeal the rules imposed on home mortgage loans and land loans, except for high-value housing loans.

With respect to foreign exchange management, the CBC steadily promoted the internationalization of capital markets and revised relevant foreign exchange regulations in continual cooperation with the FSC. In 2016, adjustments to forex business made by the CBC included easing regulations governing foreign exchange business performed by insurance companies, approving the issuance of negotiable certificates of deposit denominated in Australian dollars, and continuously streamlining electronic forex business application procedures for banking enterprises amid a rising wave of financial digitization.

In order to enhance the safety and efficiency of payment system operation, the CBC stepped up efforts to reinforce financial infrastructure. During 2016, the CBC enhanced further the foreign currency clearing platform by launching services for Australian dollar clearing and foreign currency fee collection via the platform. The new functions markedly reduces foreign currency remittance fees.