

## III. Central Bank Operations

### 1. Overview

For the year 2017, uncertainties still cast a shadow over the global economic outlook, while the domestic economy experienced steady expansion and the output gap remained negative. Current inflationary pressures and future inflation expectations stayed anchored, and Taiwan's real interest rate stood at an appropriate level. In light of the above developments, the CBC kept the policy rate unchanged to help safeguard price and financial stability and foster economic growth.

To further enhance the transparency of monetary policy decision making, the CBC announced that it would publish the meeting minutes six weeks after the Monetary Policy Meeting, beginning from June 2017. The minutes were first published on August 3, 2017, with contents including monetary policy considerations and interest rate decision, list of attendees, and voting results (with names).

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, maintain reserve money at appropriate levels and sustain steady growth in monetary aggregates.

In addition, to increase the flexibility of open market operations and to meet financial institutions' portfolio diversification needs, the CBC issued 7-day CDs on a regular basis, starting from April 2017. On the other hand, the monthly amounts of 364-day CDs and 2-year CDs issued both increased by NT\$10 billion from May and August onwards, respectively. The outstanding amount of CDs issued by the CBC totaled NT\$7,880 billion at the end of the year, up by NT\$292 billion or 3.86% from the previous year end. With respect to money supply, reserve money rose at an average annual rate of 5.04%, while M2 growth averaged at a pace of 3.75% for the year as whole, within the CBC's target range of 2.5% to 6.5%.

Given that largely volatile high-value housing prices may raise banks' real estate-associated credit risks, the regulations governing high-value housing loans introduced by the CBC stayed in place. The CBC would continue to keep watch on banks' risk management of real estate lending and developments in the housing market in order to sustain financial stability.

In regard to foreign exchange management, the CBC steadily promoted the internationalization of capital markets and amended relevant foreign exchange regulations in continual cooperation with the Financial Supervisory Commission (FSC). To name a few, adjustments to forex business related regulations made by the CBC included allowing securities enterprises to engage in New Taiwan dollar spot foreign exchange transaction business and planning to expand the permissible scope of banks' electronic forex services.

In 2017, to advance the safety and efficiency of payment system operation, the CBC stepped up efforts to reinforce financial infrastructure and urged clearing institutions to strengthen payment system governance and information security. Meanwhile, the CBC continued to closely monitor the latest trends in financial technology and assisted financial institutions in developing innovative financial services such as electronic payments.