

III. Central Bank Operations

1. Overview

In 2018, the Bank observed that heightened uncertainties surrounding international economic and financial prospects could soften momentum for domestic economic expansion. Meanwhile, the output gap remained negative, and the inflation outlook was mild. Taiwan's interest rates still registered around the middle range among a host of economies. Against such a backdrop, the Bank kept policy rates on hold for the year 2018 to help foster price and financial stability and sustain economic growth.

To reinforce communication with the public about monetary policy, the Bank decided to live-stream the press conference following each Monetary Policy Meeting from June 2018 onwards. Furthermore, beginning from September 2018, the Monetary Policy Meeting would be held one hour earlier to allow sufficient time for the board directors to consider and discuss factors affecting economic and financial conditions and make appropriate monetary policy decisions.

In response to economic and financial conditions, the Bank 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 enhance financial institutions' flexibility in funding arrangements, the auction schedule of CDs would be announced on a quarterly basis instead of a monthly basis, starting from the third quarter of 2018. The outstanding amount of CDs issued by the Bank stood at NT\$7,816.7 billion at the end of the year, down by NT\$63.4 billion or 0.80% from the previous year end. In terms of money supply, the annual growth rate of reserve money averaged 5.61%, while M2 posted an annual growth rate of 3.52% for the year as a whole, within the Bank's target range of 2.5% to 6.5%.

With regard to macroprudential policy on the housing sector, as prices for high-value housing tend to be more volatile than ordinary housing, which raises banks' real estate-associated credit risks, the Bank decided to keep the regulations governing high-value housing loans in place over the year and continued to urge banks to strengthen risk management of real estate lending so as to sustain financial stability.

In respect of foreign exchange (FX) management, the Bank was dedicated to maintaining dynamic stability of the NT dollar throughout the year. The trading volumes of buying and selling currencies remained broadly balanced.

In addition, in order to promote authorized FX banks' competitiveness and quality of services, the Bank revised FX business related regulations, such as allowing authorized banks to accept customers' applications to open digital foreign currency deposit accounts online, and streamlining electronic FX services application procedures for banks.

In 2018, the Bank continued to improve financial market infrastructures to facilitate the development of financial inclusion. Meanwhile, the Bank stepped up efforts to closely monitor the latest trends in financial technology and assist financial institutions in developing innovative services and boosting the adoption of electronic payments. Related developments included suggesting the Financial Information Service Co., Ltd. to build a blockchain-based platform for financial audit verification, which commenced operation at the end of the year, and assisting financial institutions to promote the use of the mobile payment service "Taiwan Pay."

With the rapid development of electronic and mobile commerce, instant interbank clearing significantly increased year by year. To meet rising prefunding needs of financial institutions, the Bank raised the ceiling on the amount of financial institutions' end-of-day balances in the "Interbank Funds Transfer Guarantee Special Accounts" to be counted as part of the required reserves from 4% of the current month's required reserves to 8%, effective from January 4, 2019.