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III. Central Bank Operations

Affected by the global economic slowdown and impact of the September 11 terrorist attacks in the U.S., Taiwan's external trade shrank and domestic demand weakened in 2001. As a result, overall economic performance was slack.

Under the precondition of price and financial stability, in order to stimulate the economy, the Bank cut the discount rate 12 times. Moreover, to help boost traditional industries and the real estate market, the Bank also cooperated with the Ministry of Finance to appropriate additional fund for the preferential housing loans program and preferential loans with credit guarantees to traditional industries. Under the operation of the Bank's monetary policy, market interest rates trended downward. The growth of the M2 monetary aggregate averaged 5.79 percent for the year 2001, staying within the target range.

During the year, the Bank also adopted measures to strengthen the foreign exchange market and to liberalize capital movements. Steps were taken to further develop offshore banking units to become the funding center of Taiwanese enterprises operating overseas. Changes were made by the Bank to strengthen credit records regarding check-clearing management through the market mechanism. The Bank also worked with other government agencies to help deal with 36 problem community financial institutions with the financial support from the Financial Restructuring Fund. As the implementation of the book-entry government bonds system has been very successful, the Bank further introduced book-entry Treasury bills to expand the electronic trading system. A new NT\$100 note was also issued in 2001.