

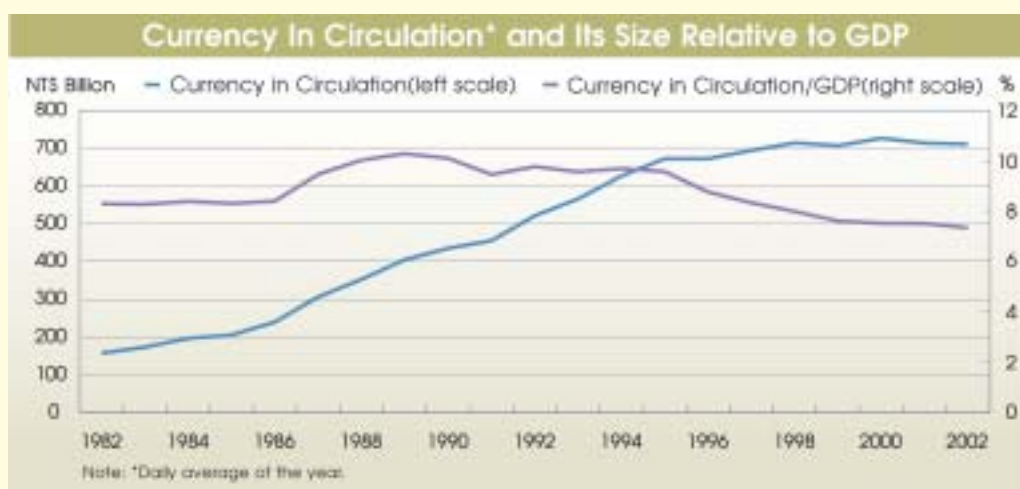
16. Currency Issuance

Slight Increase in Currency in Circulation

According to Article 16 of the Central Bank of China Act, the NT dollar should be issued against a 100-percent reserve, in the form of gold and silver bullion, foreign exchange, and eligible bills and securities. The reserve remains in the special custody of the Bank.

Because of financial innovation, the use of debit and credit cards, and the increasing prevalence of other payment tools, the traditional method of cash payment is being gradually replaced. Therefore, currency demand of the general public has barely increased during the past few years. The ratio of currency in circulation to nominal GDP has trended down since the mid-1990s.

As the demand for currency was subject to various factors, the Bank closely monitored the changes in currency demand and planned in advance accordingly to meet the public's needs. The currency in circulation peaked at NT\$1,016.2 billion on February 12, 2002, a few days before the Chinese Lunar New Year, when there was a temporary seasonal surge in cash demand. The outstanding amount of currency issued at the end of the year 2002 was NT\$698.5 billion, which represents a 0.8 percent or NT\$5.5 billion increase from a year earlier. After the Lunar New Year holidays, the currency gradually went back into the banking system.



At the end of 2002, the NT\$1,000 note constituted 79.0 percent of the total value of currency in circulation, while the NT\$100, NT\$500 and NT\$2,000 notes accounted for 5.9 percent, 4.8 percent, and 1.7 percent, respectively.

Recent Developments in Currency Issuance

The process of the issuance of a new series of New Taiwan dollar notes which started on July 3, 2000 was completed in July 2002. Advanced technologies were applied to improve the quality of the new notes, which also featured a variety of anti-forgery characteristics. New denominations of NT\$2,000 and NT\$200 and new versions of the existing denominations of NT\$1,000, NT\$500 and NT\$100 were successively issued every half a year on schedule.

