
中央銀行

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III. Central Bank Operations

In accordance with the Central Bank of China Act, the Bank has four operational objectives, namely, to promote financial stability, to guide sound banking operations, to maintain the stability of the internal and external value of the currency and, within the scope of the above-mentioned objectives, to foster economic development.

The Board of Directors, consisting of fifteen members, of which six are concurrently executive directors, is the highest decision making body of the Bank and meets four times a year. Starting from the end of the year 2000, the Board decided to adopt a policy of monetary easing to add momentum to the recovery of the domestic economy. Under the precondition of price and financial stability, in order to stimulate the economy, the Bank cut the discount rate 15 times between December 2000 and the end of 2003. Moreover, to help boost the real estate market and traditional industries, during the year 2003 the Bank and the Ministry of Finance continued to coordinate local banks to conduct the programs of preferential housing loans and preferential loans to traditional industries.

For the first half of the year 2003, the US-Iraq War and the outbreak of Severe Acute Respiratory Syndrome (SARS) disturbed the economy and retarded the economic recovery. However, these uncertain factories were eliminated during the second half of the year and export-led growth resumed. The yearly economic growth rate was 3.24 percent. The price level remained stable, with a negative 0.28 percent consumer price inflation rate and a negative 0.61 percent core inflation rate.

Since 2003, the Board has set dual target ranges for M2 and M2 plus bond funds growth rates to provide a more comprehensive reference for setting monetary policy. The M2 growth target zone for 2003 was revised downward to between 1.5 percent and 5.5 percent, while the M2 plus bond funds growth target zone was set at 3 to 7 percent. The average M2 and M2 plus bond funds growth rates during 2003 were 3.77 percent and 5.25 percent, respectively, which remained within the target range. Moreover, the Bank continued to maintain the stability of the foreign exchange market, and the NT dollar exchange rate exhibited dynamic stability throughout 2003.

At the March meeting, considering the stable domestic economic situation which was benefiting from strong Asian intra-regional trade expansion in the first quarter, the Board did not further loosen its monetary policy stance. However, at the June meeting, in view of the uncertain global recovery and weak domestic demand due to the impact of SARS, the Board decided to cut the discount rate by 25 basis points to its historical low of 1.375 percent. At the September meeting, taking into account the moderate recovery of the domestic economy and stable prices, the Board decided to leave interest rates unchanged. At the December meeting, the Board viewed that the monetary easing of the last three years had provided important support for domestic economic activity. In view of moderate inflation expectations and domestic demand next year, the Board decided to continue its accommodative monetary stance and did not change interest rates. Moreover, the Board set the intermediate target range for M2 growth at 2.5 to 6.5 percent and for M2 plus bond funds growth at 4 to 8 percent for the year 2004. Both targets were higher than those for 2003 by 1 percentage point.

Financial reforms were actively implemented in 2003. Almost all banks adopted adjustable rate mortgages and the new market interest rate-linked base lending rate regime. As a result, mortgage rates and base lending rates were closer to money market interest rates than the previous years' , to the benefit of borrowers. The asset management companies (AMCs), which were introduced by the Bank and the Ministry of Finance (MOF), actively purchased non-performing loans (NPL) from banks and, incorporated with banks' own efforts to reduce problem assets, caused the average NPL ratio to decline sharply during 2003. The Legislative Yuan (Congress) passed the Financial Supervision Commission Act in July, which consolidated the financial supervisory authorities under one roof. Under the guidance of the Bank, the Taiwan Clearing House established the first electronic check (eCheck) system in Asia in September. Moreover, in order to achieve liberalization of capital movements, in early October, the qualified foreign institutional investor (QFII) system was abolished, where the distinction between QFII & non-QFII was removed, and a new registration-based scheme was adopted. The Bank and the Ministry of Finance also enlarged the portfolio investment scope for foreign investors.

Aside from financial reforms, the Bank is also pushing for the amendment of the Central Bank of China Act, which is currently being reviewed by the Legislative Yuan. Once approved, the Board directors of the Bank will serve on a full time basis and have their tenures staggered to further enhance the professionalism and independence of the central bank.