



**Taiwan, ROC**

# TAIWAN, ROC

*Taiwan, which is under the jurisdiction of the Republic of China (ROC), covers a land area of 36,191 square kilometres. The population of Taiwan reached 23.11 million at the end of November 2009. The gross national product (GNP) for the Taiwan area and per capita GNP were estimated to be US\$390.3 billion and US\$16,914, respectively, in 2009. Taiwan's unit of currency is the New Taiwan dollar, which was exchanged at NT\$33.049 to a US dollar on average in 2009.*

## Highlights of the Economy

As the global financial turmoil intensified and sparked worldwide recession from the second half of 2008, Taiwan's economy suffered a significant downturn in late 2008 and early 2009. Following the gradual recovering of the global economy bolstered by fiscal and monetary stimulus in many countries, Taiwan's economic activity has steadily picked up. The Directorate-General of Budget, Accounting and Statistics (DGBAS) of the Executive Yuan (Cabinet) forecast annual growth rate of Taiwan's economy would return to a positive growth of 6.89% in the fourth quarter of 2009 and will rise from -2.53% in 2009 to 4.39% in 2010. Labour market has also gradually improved.

On the inflation front, with declining prices of crude oil and consumer durables compared with the same period of 2008, Taiwan's CPI and core CPI inflation for the first eleven months of 2009 were -0.92% and -0.08% (year on year), respectively. According to the DGBAS, CPI inflation will remain stable at 0.92% for 2010.

## THE CENTRAL BANK OF THE REPUBLIC OF CHINA (TAIWAN)

### Policy-Making Body

The Board of Directors is the highest decision making body of the Bank. It consists of eleven to fifteen directors nominated by the Executive Yuan and appointed by the President. Five to seven directors of the Board are designated as executive directors. The Governor of the Bank, the Minister of Finance and the Minister of Economic Affairs are ex officio directors and executive directors. Directors, except for ex officio directors, are appointed for a five-year term and can be reappointed upon the expiration of their terms. Currently, the Board consists of fifteen members, of whom five are concurrently executive directors.

### Frequency of Meetings

Four times a year.

**Release of Policy Information**

Information on monetary and foreign exchange policies is released in the form of press releases and statements. The policy information and the related financial statistics are also available on the Bank's website at <http://www.cbc.gov.tw>. In addition, details of monetary and foreign exchange policies can be found in the Annual Report.

**MONETARY  
POLICY  
IMPLEMENTATION****Policy Goals**

Monetary policy goals include:

- promoting financial stability;
- guiding sound banking operations;
- maintaining the stability of the internal and external value of the currency; and
- fostering economic development within the scope of the above goals.

**Interest Rates on Discounts and Accommodations to Banks**

To help boost domestic demand while domestic inflation pressure has clearly subsided, following five policy rate cuts in the second half of 2008, the Bank continued lowering the policy rates twice in the first two months of 2009 by a total 0.75 percentage points. At the end of 2009, the Bank's three policy rates, the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral were 1.250%, 1.625%, and 3.50%, respectively.

**Required Reserve Ratios on Deposits**

The required reserve ratios are an important monetary policy instrument. Through adjusting the ratios, the Bank can influence financial institutions' ability to extend credit, which in turn helps control money growth. In addition, reserve requirements provide assurance over the liquidity of financial system and safety of customers' deposits. In 2009, the Bank kept the required reserve ratios on NT dollar demand deposits, time deposits, savings deposits around 5.35% on average.

**Preferential Loan Programmes**

To help boost the real estate market and relieve the mortgage burden of house buyers, the Bank and the Ministry of the Interior expanded the preferential mortgage loan programme, launched in September 2008, by NT\$200 billion in April 2009 to a total credit line of NT\$400 billion. By December 18, 2009, 147,661 households have obtained a combined amount of NT\$399.2 billion under the programme.

**Open Market Operations**

For the first eleven months of 2009, the total amount of certificates of deposit (CDs) issued and redeemed by the Bank were NT\$36,540 billion and NT\$35,172 billion, respectively. At the end of November 2009, the outstanding balance of CDs issued by the Bank was NT\$5,763 billion.

## **FINANCIAL STABILITY**

### **Institutional Coverage of the Financial Supervisory Authorities**

Promoting and safeguarding financial stability is the common goal of the Financial Supervisory Commission (FSC) and the Bank. The FSC was inaugurated to be the sole statutory financial supervisor on 1 July 2004. The FSC assumes ultimate responsibility for the prudential supervision of financial markets and financial institutions (e.g. financial holding companies, banks, securities firms, futures brokerage firms, and insurance companies), whereas the Bank is responsible for the licensing of authorised foreign exchange banks, the formulation and implementation of monetary policy, as well as foreign exchange market and payment system management. The Bank no longer carries out regular financial examinations after the establishment of the FSC but, as a lender of last resort, still conducts target examinations related to its monetary, credit, foreign exchange and payment system policies.

### **Supervision and Monitoring of Financial Stability**

**Prudential Monitoring:** In addition to on-site target examinations, the Bank adopts an off-site monitoring system to identify the strengths and weaknesses of individual financial institutions, to take a holistic view of the soundness of the banking sector, and to help prioritise policy response in a timely manner.

**Comprehensive Stability Assessment:** Over the past four years, the Bank has been using a set of financial soundness indicators, an essential part of its financial stability assessment framework, to systematically monitor, identify, measure and analyse the potential risks and vulnerabilities across the financial sector, financial markets and non-financial sectors (e.g. the real estate market, corporate and household sectors) that could undermine the stability of Taiwan's financial system. Moreover, the Bank published the third issue of the "Financial Stability Report of the Republic of China (Taiwan)" on 27 May 2009 to offer insights into the soundness of Taiwan's financial system and its potential weaknesses and risks, and promote general awareness among market participants to take remedial action when necessary.

**Continuous Supervision Cooperation:** As globalisation and financial innovation complicate the task of carrying out monetary policy and maintaining financial stability, the Bank continues to exchange information and work closely with various domestic authorities through formal or informal cooperation mechanisms. The Bank also actively participates in cross-border coordination and cooperation on supervisory and financial stability issues. Furthermore, in addition to providing sufficient liquidity to the markets amid the financial crisis, the Bank, along with the FSC and the Ministry of Finance, jointly announced the adoption of an interim blanket deposit guarantee for all insured institutions with the objective of stabilising the financial system and mitigating systemic risks. The above measures effectively eased the deposit drains and liquidity tensions suffered by a few private banks.

**Progress for the  
Implementation of  
Basel II**

All domestic banks in Taiwan have adopted Pillar I of Basel II since the beginning of 2007, while Pillars II and III have been implemented starting from 2008.

However, under the consideration of the fundamental problems of the Basel II as underscored by the global financial crisis, the Basel Committee announced a final package of measures in July 2009 to enhance the Basel II framework along with a consultant proposal of “Strengthening the Resilience of the Banking Sector” on 17 December 2009. In response, the FSC set up a special task force in November 2009, consisting of the Bank, FSC, Central Deposit Insurance Corporation, Joint Credit Information Center and major banks, aimed at developing an amendment to the Basel II regulations in Taiwan in four general areas (i.e. the three pillars of Basel II and stress test) and strengthening the effectiveness of its implementation.

**CURRENT  
MONETARY  
OFFICIALS**  
*(as of 31 December 2009)*

<b>Governor</b>	Mr. Fai-Nan Perng
<b>Deputy Governors</b>	Mr. A-Ting Chou Dr. Chin-Long Yang
<b>Director-Generals</b>	Mr. James J. T. Yue Department of Banking Mr. Yen-Shu Tsai Department of Issuing Mr. Sun-Yuan Lin Department of Foreign Exchange Dr. Yen Chrystal Shih Department of the Treasury

**Director-Generals** Mr. Chuan-Yu Sun  
Department of Financial Inspection  
Dr. Tzung-Ta Yen  
Department of Economic Research  
Mr. Hsin-Sheng Chen  
Secretariat  
Ms. Sunney K.S. Wu  
Department of Accounting  
Mr. Chun-Hung Chang  
Department of Information Management

**Directors** Mr. Huan-Chun Huang  
Personnel Office  
Mr. Shih-Lai Huang  
Ethics Office  
Mr. Kun-Shan Wu  
Legal Affairs Office

## MINISTRY OF FINANCE

**Minister** Mr. Sush-Der Lee

**Political Vice-Ministers** Mr. Sheng-Ford Chang

**Administrative Vice-Ministers** Mr. Ming-Chung Tseng  
Mr. Chih-Chien Hsu

## FINANCIAL SUPERVISORY COMMISSION

**Chairperson** Mr. Sean C. Chen

**Political Vice Chairperson** Dr. Jih-Chu Lee

**Administrative Vice Chairperson** Mr. Tang-Chieh Wu

**Address:** The Central Bank of the Republic of China (Taiwan), 2, Roosevelt Road, Section 1, Taipei 10066, Taiwan, REPUBLIC OF CHINA  
**Telephone:** (8862) 2393-6161 ; **Facsimile:** (8862) 2397-3768/2393-6253  
**Telex:** 21532 GOVTBANK; **Website:** <http://www.cbc.gov.tw>