



THE BANK OF MONGOLIA

MONETARY POLICY STATEMENT

Improving monetary policy instruments

Number: 2013/02

Date: 27 February 2013

At its meeting on 27 February 2013, the Monetary Policy Committee (MPC) of the Bank of Mongolia decided to establish an interest rate corridor based on macroeconomic conditions, demand for money market development and international experiences on monetary policy implementation.

Establishing the interest rate corridor and improving monetary policy instruments will play a significant role to reduce volatility in short-term interest rates, improve interest rate channel of monetary transmission mechanism and bring more transparency in the implementation of monetary policy.

In conjunction with making the decision, interest rate structure of the monetary policy instruments is fully changed and new monetary policy instruments such as overnight repo and overnight deposit facilities are launched.

The interest rate corridor around policy interest rate consists of two end-of-day standing facilities. The rate of overnight repo facility will become the 'ceiling' (policy interest rate + 2 percentage points) and the rate of overnight deposit facility will serve as the 'floor' of the corridor (policy interest rate - 2 percentage points).

This policy measure shall provide a core condition for enhancing the efficiency of interbank market, decreasing the volume of outstanding central bank bills, reducing the interest rate of financing to banks as well as promoting economic activity.

MONETARY POLICY COMMITTEE