

Main directions of monetary policy for the year 2002

The main course of the governments monetary policy for the year 2002 is directed toward ensuring macroeconomic stability, continuing price and tariff stability, and revitalizing the financial sector through structural changes. The main course is also aimed at achieving the following economic indicators:

- Keeping the inflation rate at a level 6-8 percent
- Not exceeding a 3 percent decrease in the Mongolian tugrik/foreign currencies exchange rate;
- Increasing the countrys foreign currency reserves up to a level of 13 days import needs

Within the framework of above-mentioned objectives, the Bank of Mongolia shall adopt the following measures to collaboratively implement agreements of the Government of Mongolia with international financial institutions, create a financial environment for domestic industries and investment promotion and a shift to indirect management of the money flow, and develop financial meditation.

1. Monetary policy

The Bank of Mongolia will implement a project on reserve money in order to establish an indirect money management system, which is a progressive form of monetary policy.

A flexible interest rate policy tied to the inflation rate will be implemented through the rate for central bank securities.

Economic and financial studies will be intensified and the results of these studies used for optimal decision-making.

Support domestic industries and investment and include money circulating in the market, not through the banking system, to normal economic life, investigate possibilities to reduce the value reflected in the letter of debt of domestic companies in good standing through the principle of Central Bank reinvestment.

The Bank of Mongolia will work to introduce non-cash payment methods in collaboration with donors.

The Bank of Mongolia and the Government of Mongolia will work together to create the conditions for selling letters of debt of restructuring banks in secondary market and use this as part of its monetary policy.

Develop interbank tugrik and foreign currency markets and create a legal environment for regulating of this kind of relationship.

Study the possibilities for introducing banking services in border trading with neighboring countries and implement them.

Liberalize the domestic gold market.

Promote financial services for the priority industries.

2. Revitalize the Financial sector through Continued Structural Changes

Central Bank supervision of banks and nonbank financial institutions as well as internal control in banks in banks shall be focused on determining risks, assessing possible risks, and preventing these risks and the principle of unified financial control by the Central bank shall be introduced. Best international practices in the banking system activities shall be implemented.

Increase the money supply and create a competitive environment among loan providers through the introduction of new financial products, development of financial meditations, support of activities of banks with foreign investment and non-bank financial institutions.

Analyze insurance system methods for personal savings of citizens together with international financial and banking organizations.

Make more financial services to the public more available through non-bank financial institutions and develop financial meditation according to international standards in its

classic form. In order to create a legal environment in regions, draft a law will regulate the peculiarities of relationships of these organizations.

The Bank of Mongolia shall create the legal environment for regulation of electronic financial services.

The asset quality of financial institutions shall be improved in order to minimize risks in the financial sector. The Bank of Mongolia will work in collaboration with other organizations to improve the mechanisms for information exchanges among organizations, which are registered by the accounting offices of fixed assets.

Bank borrowing organizations and create a database in commercial banks and further expand information regarding collateral assets and other information.

Improve the coordination and collaboration of internal and external auditing of banking activities.

In order to improve hierarchical supervision in the activities and management of banks, the internationally accepted governance principles will be introduced in banks.

3. Improvement of Internal Activities and Supervision in the Central Bank

To ensure openness and transparency of Central Bank policies, The Bank of Mongolia will disseminate on regular basis information regarding its decisions, legal acts, and research activities through the media and on the Internet.

Take actions to increase the size of The Bank of Mongolias legal assets.

Continue the experimental reform of budget management and finance in some departments and units of The Bank of Mongolia.

Improve the organizational structure of the Bank of Mongolias branches and representatives step by step in accordance with the Regional Development Concept of Mongolia.

Implement complex measures to improve social welfare, training and working conditions and opportunities for the staff of The Bank of Mongolia.