

Main Directions of the Governments Monetary Policy for the Year 2003

The objective of the state monetary policy guidelines for 2003 is to strengthen macroeconomic and financial stability achieved over past few years, to create monetary and financial environment supportive to the GDP growth, to further deepen financial intermediation and to widen scope and availability of banking and financial services.

In order to achieve objective of the state monetary policy the following measures will be implemented:

One. Monetary and exchange rate policies

1.1 In order to contain inflation around annual level of 5 percent, the Bank of Mongolia will seek to improve coordination between different instruments of the monetary policy for the sake of higher efficiency, and will undertake efforts to report results of the monetary policy in more transparent manner.

1.2 Activities to reduce general level of the interest rate, create favourable monetary financial environment will be carried out.

1.3 Togrog exchange rate will be determined flexibly depending on foreign trade performance and demand, supply matters of the interbank forex market.

Two. On banking and financial sector issues

2.1 To improve efficiency of financial intermediation, to encourage more competition within the financial sector, a state participation in the banking system will be reduced by the means of privatization of the Agricultural bank, also preparations for privatization of the Savings bank will start.

2.2 In order to improve control over commercial banks, an introduction of the corporate governance principles into bank activities will be continued and efforts to make banks financial positions and activities more open and transparent will be undertaken. Control from the external and internal auditors over the bank activities will be tightened.

2.3. With purpose of strengthening financial standing of the banks and other financial institutions and to increase their ability in risk management, supervision from the Bank of Mongolia will be concentrated more on controlling risk management of those institutions and new international supervisory requirements will be introduced.

2.4 To widen scope and availability of lending services, a cooperation with the international financial institutions on on-lending of certain social projects such as rural finance, housing will be continued. Steps to actively support financial deepening will be undertaken.

2.5 In order to reduce reliance on cash, an efforts will be carried out to make advanced forms of non-cash payments more habitual and project on establishment of the national clearing network will be launched.

2.6 Steps to create or improve legal environment concerning activities on non-cash forms of payment, ecommerce, bank privacy will be undertaken and new law on the NBFIs will be enforced.

2.7 Within the scope of strengthening independence of the central bank and making its activity more transparent to the public, legal issues pertaining to the enlargement of the Bank of Mongolias Directors Board and to preparation of the state monetary policy guidelines will be handled.

The Bank of Mongolia