

State Monetary Policy Guidelines for 2004

The objective of the state monetary policy guidelines for 2004 is to maintain the stable Togrog and to strengthen and deepen the achievements and stabilization through improvement of favorable to business environment, formed in the banking and financial sector for the last years, while the financial intermediation and competition are being increased.

To achieve the above objective, the BOM will conduct the following activity:

One. Price, exchange rate, financial market

1. The annual inflation rate to be defined through CPI will be around 5%. Monetary policy instruments will be effectively used in order to keep stable price increase and reduce its fluctuation during the year. Ways will be sought to activate the capital market.

2 For the purpose of support the Togrog and foreign exchange inter-banks market activity, its organizing will be improved. A new regime on the inter-bank payments will be introduced, and conditions will be formed to introduce the modern payment instruments.

3. For the purpose of increase the quality of the methods of monetary policy implementation, an empiric research will be thoroughly conducted with usage of theoretical conclusions, and its results will be utilized while the monetary policy implemented and propagandized to the public.

4. The BOM will submit and carry out policy to develop long-term financial markets such as mortgage, apartment, land and immoveable.

5. Togrog exchange rate to foreign currencies will be free and depend on demand,

supply matters of the interbank forex market.

6. The BOM will apply instruments to positively influence lending rate levels within the economy.

Two. Banks and NBFIs development, supervision over them

7. For the purpose of support fair competition in the financial market, and to strengthen control over the banks activity by customers, information correctness and transparency will be provided, the banking accounting will be improved accordingly to the international standards, and financial responsibilities of shareholders will be increased.

8. Approaching the rules and regulations on the banks and NBFIs activity to the international standards will be continued. The legal environment regarding protection of interests of the banks customers and depositors and information confidentiality will be improved.

9. A legal environment will be formed to fight against money laundry and terrorism financing.

10. Directions to improve the banks management capability and legal environment, to strengthen the data basis, and to keep information exchange open and active will be followed within the measures oriented on reduction of risk in the banks activity.

Bank of Mongolia