

State Monetary Policy Guidelines for 2005

The primary objective of the monetary policy for the year 2005 is to maintain stability in the financial intermediation process, Togrog and banking system in an increasingly competitive environment.

To achieve the primary objective, Bank of Mongolia will conduct the following activities:

1. To contain annual inflation, determined by the CPI, to annual 5%.
2. To provide legal environment favourable for the development of the lending system secured by residential property, land and other real estate (the medium and long-term financial contracts).
3. To support development of forward market of togrog and encourage related initiatives of entrepreneurs.
4. To improve the legal environment to attract and make use of investments and other low-cost funds from external as well as domestic markets.
5. To intensify economic researches related to the conduct of monetary policy in Mongolia, and start building an economic model of the Mongolian macroeconomics in cooperation with government.
6. To raise responsibility and discipline of the financial activity participants to maintain stability in the financial sector and provide favourable conditions for financial activities by such practices as enhancing regulations and legal arrangements regarding treatment of collateral foreclosure for the banks.
7. Based on international experience, to assist in introducing novel financial products and services to encourage competition, decrease banking activity risk and improve quality of bank assets.
8. To correspond supervision activities with state of the economy.
9. To stabilize and regulate for further development of activities with non-cash payment instruments.

Bank of Mongolia