

MONETARY POLICY GUIDELINES FOR 2011

Monetary policy will aim at maintaining macroeconomic and financial stability and enhancing sustained economic growth over the medium and long term.

1 Under the monetary policy framework:

- 1.1 Monetary policy will aim at sustaining economic growth over the medium term and maintaining CPI-inflation at a single-digit level.
- 1.2 For the purpose of preventing vulnerability to economic crisis and building up crisis resilience, the BOM will do macroeconomic and financial sector macro-prudential analysis and incorporate the findings into monetary policy for further implementation.
- 1.3 The principle will be to have a flexible exchange rate consistent with macroeconomic fundamentals. The BOM will intervene in the domestic forex market to smooth excess volatility and accumulate international reserves.
- 1.4 The BOM will undertake measures to attract long-term resources on the financial market. In collaboration with the Government and Financial Regulatory Commission, relevant actions will be taken to expand the securities market and effectively use liquidity in the banking sector to bolster economic development.

2 Under the framework of ensuring financial sector stability and further innovation

- 2.1 The BOM will ensure the strengthening of financial capacity of banks, higher risk-resistance, and long-term sustainability of the sector.
- 2.2 The BOM will ensure disclosure and transparency of operations of the banking sector, further enhance bank supervision, enforce good governance principles at banks, and tighten financial discipline in the sector.
- 2.3 The BOM will create a legal framework for introducing a deposit insurance scheme, increasing collateral liquidity, and engaging in development and investment banking operations in addition to current common banking services, expand the financial market, and facilitate the capital market development.

3 Under the framework of other activities of the Central Bank

- 3.1 The BOM will enhance the legal framework for the payments and settlements system of Mongolia and ensure its uninterrupted and secure functioning.
- 3.2 The BOM will disclose monetary policy and its instruments to the public and heighten the Central Bank's accountability. Monetary policy targets, actions, and expected results will be elucidated regularly to the public to boost the public confidence in the monetary policy framework.