

MONGOLIAN PARLIAMENT RESOLUTION

Nov 30, 2011

no.58

Government building, Ulaanbaatar city

Approving monetary policy guidelines for 2012

Pursuant to provision 25.1.7 of the Constitution of Mongolia and paragraph 10.2 of the Central Bank (Bank of Mongolia) Law, the Parliament is RESOLVING to:

1. Approve monetary policy guidelines for 2012 as attached.
2. Assign to the Government of Mongolia (S. Batbold), Bank of Mongolia (L. Purevdorj) and Financial Regulatory Commission (D. Bayarsaikhan) the duty to agree on macro-prudential policy measures critical for sustained long-term economic growth and take coordinated measures.
3. Assign to the Government of Mongolia (S. Batbold) the duty to build up sufficient reserves of staple food and petroleum and take measures aimed at preventing supply shortages.
4. The Economic Standing Committee of parliament (D.Zorigt) shall be responsible for oversight on the implementation of this resolution and report on the progress on a quarterly basis.

VICE SPEAKER OF PARLIAMENT

N.ENHBOLD

MONETARY POLICY GUIDELINES FOR 2012

The objective of monetary policy is to achieve low, stable inflation that is critical to ensuring sustained economic growth over the medium and long term. Under this framework, monetary policy will aim at enhancing financial stability.

1. Under the monetary policy framework:

- 1.1 CPI-inflation will be kept at a single-digit level in 2012 and below eight percent in 2013-2014.
- 1.2 The BOM will continue to pursue a flexible exchange rate regime and allow it set consistent with macroeconomic fundamentals.
- 1.3 For the purpose of ensuring sustained economic growth, in collaboration with the Government and other relevant agencies, the BOM will establish a macro-prudential framework to enhance the financial sector stability.

2. Under the framework of enhancing financial sector stability:

- 2.1 Capacity of banks will be improved in line with rapid economic and financial sector growth and business needs. International principles and regulatory instruments for banking supervision conducive to the banking sector stability will be enhanced.
- 2.2 Bank governance will be enhanced, operational transparency improved, fair competition promoted, and financial accountability heightened.
- 2.3 Preparations for shifting to a limited deposit insurance scheme will be completed.
- 2.4 Possibilities for investment banking operations will be expanded and supervision of financial conglomerates improved.
- 2.5 A legal framework for regulating and supervising foreign bank branches and subsidiaries will be created.

3. Under the framework of other activities of the central bank:

- 3.1 The use of non-cash payment instruments such as payment cards, and internet and mobile banking services will be encouraged and an uninterrupted and secure functioning of the payments system ensured.

- 3.2 The objective and instruments of monetary policy will be disclosed to the public, the central bank's capacity to influence inflation expectations improved through higher credibility of the central bank policy.
- 3.3 An anti-money laundering and terrorism-financing framework will be implemented in collaboration with the Government of Mongolia in line with the recommendations of the Financial Action Task Force on Money Laundering.