



Recent Trends and Challenges in Reserve Management – Bank of Mongolia

Session 6: Reserve Management: Trends and Challenges
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2025 ASIAN REGIONAL FORUM
ON INVESTMENT MANAGEMENT
OF FOREIGN EXCHANGE RESERVES

Country overview



GDP growth
(H1 2025)

5.6 percent

Inflation
(Jul 2025)

8.1 percent

Resource rich: copper, gold, coking coal, iron ore

~ 93% of exports

~ 20% of GDP

~ 30% of Budget revenue

GDP per capita
(H1 2025)

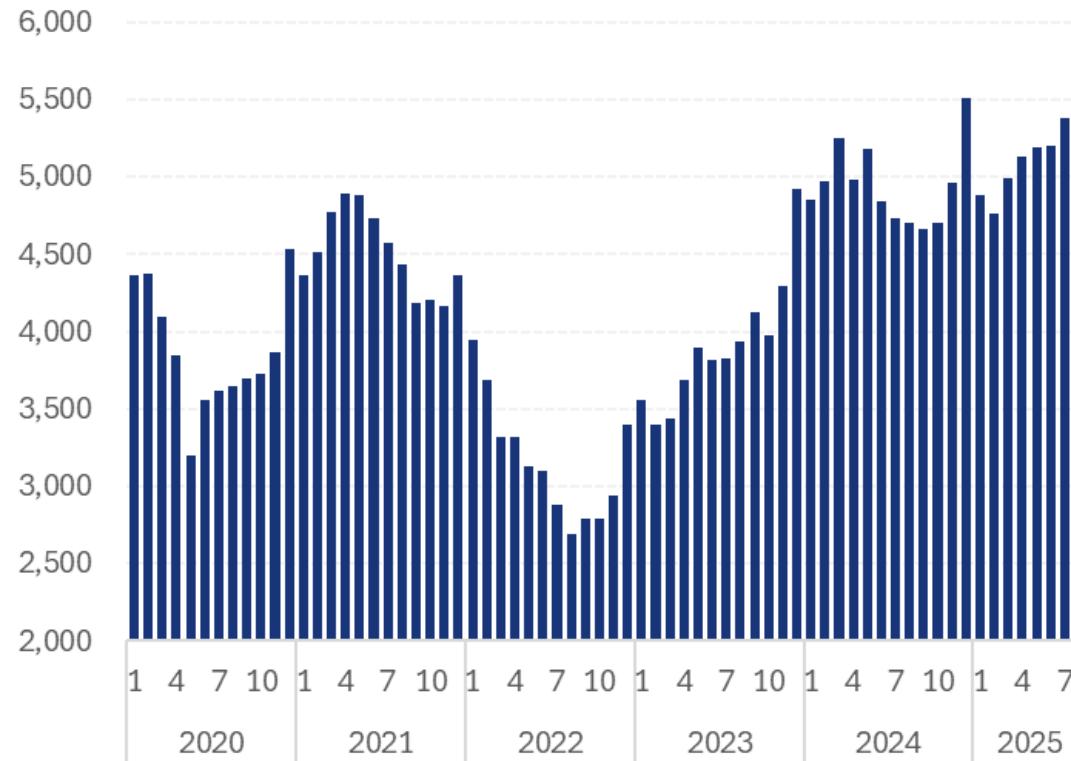
~\$6,900

FX reserves
(Aug 2025)

\$5,683 million

Reserve management objectives

Gross international reserves (*million \$*)

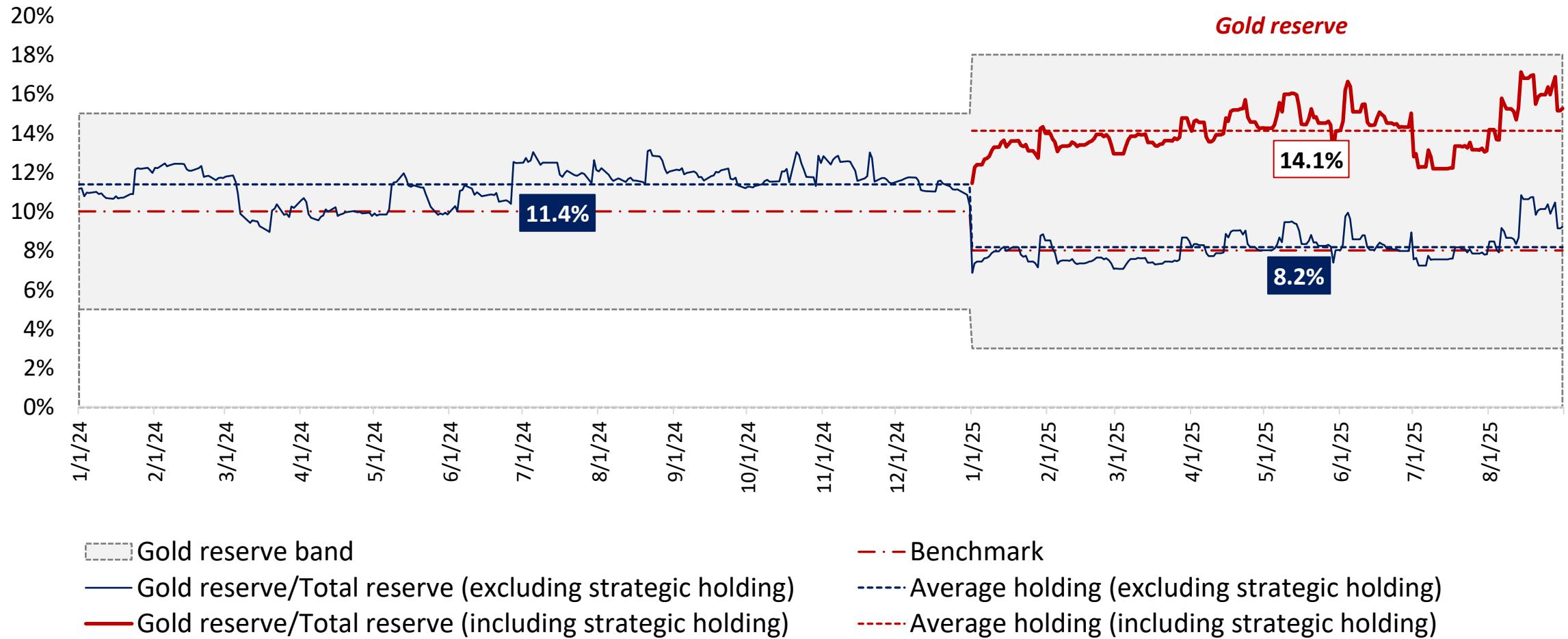


Policy objectives of holding reserves	Reserve management objectives
To facilitate external payments, support monetary and exchange rate policy operations, provide a buffer against cyclical BOP shocks, service government external debt, and reinforce confidence in the national currency.	Liquidity: <ul style="list-style-type: none">- High portion of holdings in liquid asset- Traditional asset class/currency (SDR basket currency +gold) Safety: <ul style="list-style-type: none">- Diversification- Minimum credit rating criteria (counterpart, asset)
	Return: <ul style="list-style-type: none">- Maximize return under safety and liquidity limits

Reserve management governance

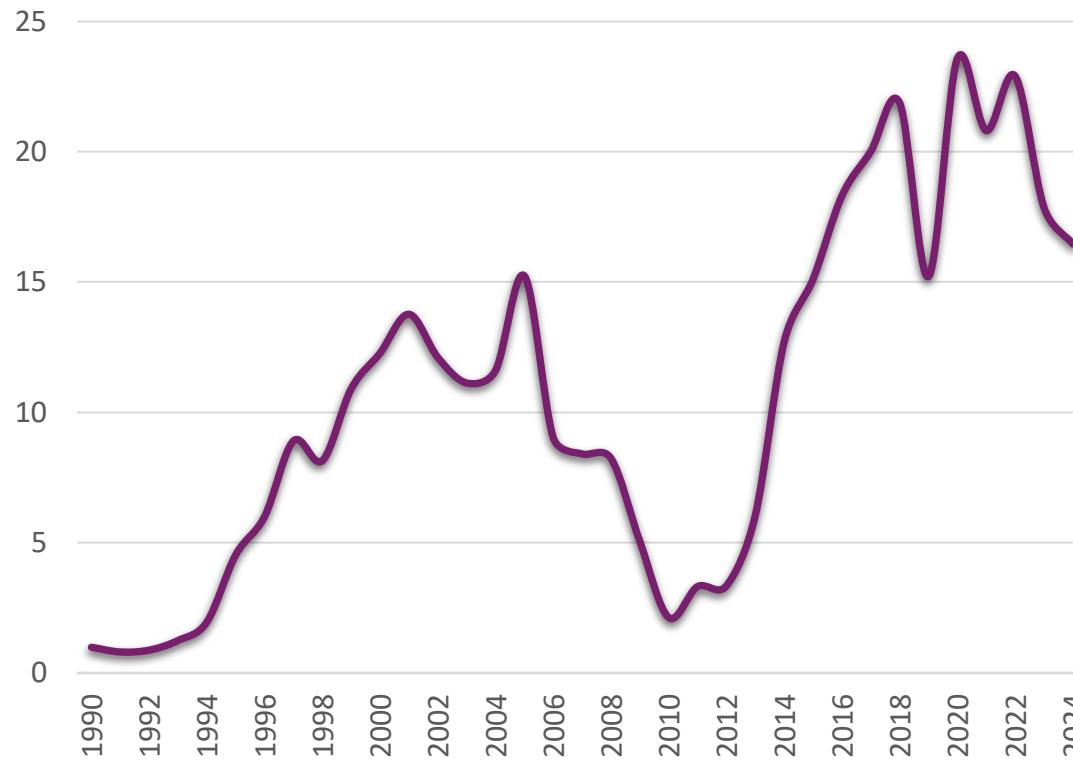
Scope	Decision making process			Frequency	
Strategic decision	Governor	First Deputy Governor	Deputy Governor	Quarterly	<ul style="list-style-type: none">- To strengthen checks and balances, each office—front, middle, and back—is directly supervised by different governors, thereby enhancing the effectiveness of internal and operational control;- Revising the “Investment guideline” and drafting a new “Investment Policy” document;
Tactical decision	Board of Directors	Investment committee	Executing units	Daily	
	Front office: Reserve management	Middle office: Risk management	Back office: Finance and accounting		

1. Gold as a diversification tool



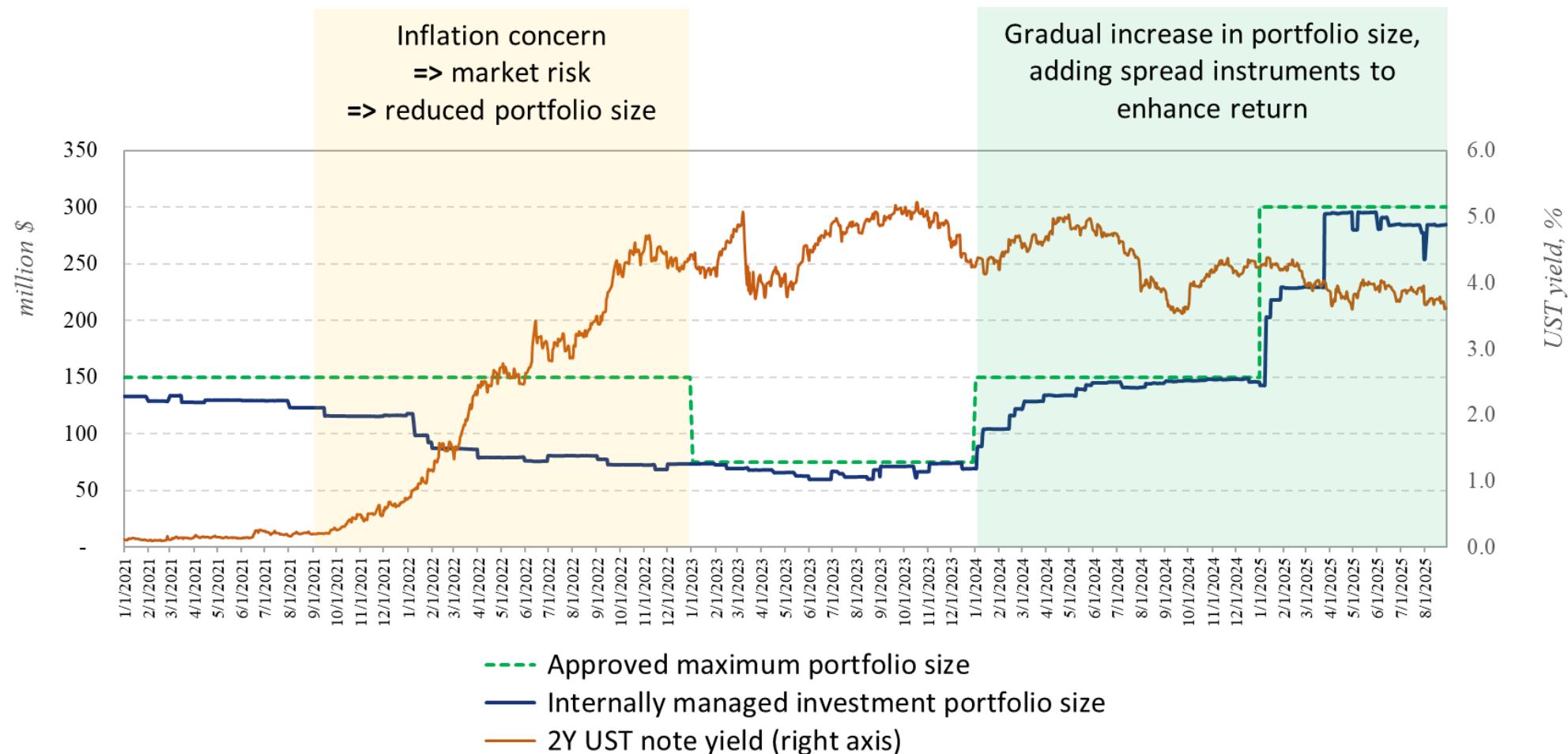
1. Gold as an ESG integration tool

Domestic gold purchases (in tonnes)



- Efforts to acquire a higher volume of responsibly sourced domestic gold by streamlining operational procedures, such as promoting formalization and strengthening partnerships throughout the gold supply chain;
- International co-operation plays a central role in this approach – joined WGC's 12 London Principles.
- Exclusively partners with internationally licensed entities for logistics, storage, refining and transactions, and only engages with LBMA Good Delivery–accredited refineries, which apply **comprehensive due diligence to uphold responsible mining standards**.

2. Adjusting investment portfolio size



Challenges

CHALLENGES	DISCUSSION
<p>Macro: Mining sector (external demand from trade protectionist policy etc.) and agriculture sector (climate factors) => volatile BOP due to external factors</p>	<ul style="list-style-type: none">• Growing liquidity need – how to manage without compromising portfolio return?• Central bank liquidity swaps & repo facilities, regional liquidity facility need?
<p>Reserve management: Geopolitical tensions across world - Highly volatile market</p>	<ul style="list-style-type: none">• Diversification options• SAA review frequency, how often is optimal under current market volatility?• Infrastructure – BOM opening global custodian account to get better access to diversification options, reduce settlement risk etc.
<p>Fiscal: Uncertainty surrounding the evolution of the fiscal stance in many countries</p>	<ul style="list-style-type: none">• High risk premia?• Tighter spread between Govies and Supras?

Thank you!



2025 Asian Regional Forum on Investment Management of Foreign Exchange Reserves
8–10 October 2025 | Dilijan, Armenia

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