



**Monetary Policy Guideline for 2022:
Policy Measures and Objectives**

I. Cooperative measures to be implemented by the Government of Mongolia, BoM and FRC

2.1/Develop a strategic plan to promote export-oriented and value-added industries through assuring macroeconomic stability and improving the business environment and competitiveness; and implement the plan in line with the fiscal, monetary, and financial policies aimed at supporting economic recovery and growth inclusiveness;

2.2/ Define a policy to support non-mining exports and collaborate with international financial institutions and private sector in the area of establishing financial infrastructure and the framework for inclusive financing and enhancing the business environment;

2.3/ As part of preparations for the 2023 mutual review by FATF, implement the National AML/CFT program and Action Plan, improve the assessment under the FATF recommendations, establish risk-based supervision system to the virtual asset service providers based on the National Risk Assessment of AML/CFT in accordance with the recommendations and strengthen the enlightenment activities;

2.4/ As part of preparations for establishing and implementing a long-term, sustainable housing financing framework, fully transfer subsidized mortgage loan program from the BOM to the Government by end-2023, have the BOM continue implementing the program until end-2023;

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2.5/ To achieve the implementation of the Interest Rate Reduction Strategy adopted under parliament resolution No. 21 from 2020, intensify efforts to simplify the procedure for resolving contract related disputes and reduce the loan loss provisioning cost;

2.6/ Examine the impact of climate change on the economy and financial sector, and outline and implement a sustainable finance policy and strategy that is consistent with recommendations and initiatives of regional and international organizations;

2.7/ Extend the purpose of the “MNT 10 (ten) trillion Comprehensive Plan for Health Protection and Economic Recovery” approved by Cabinet Resolution No. 42 from 2021 to bolster investments, relax some loan conditions and requirements for borrowers and continue the implementation and monitoring of the employment support loan, agriculture support loan, herder support loan, mortgage loan, repo financing loan and other projects and activities under this plan;

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3/ measures to coordinate budget and monetary policy, eliminate disruptions in supply chain caused by the pandemic, and increase the inventories under the framework of meeting the inflation target in the Monetary Policy Guidelines.

4/ support the Government measures within the framework of maintaining the inflation target, without compromising macroeconomic stability, external and internal balances.

I. Cooperative measures to be implemented by the Government of Mongolia, BoM and FRC

2.1. Develop a strategic plan to promote export-oriented and value-added industries through assuring macroeconomic stability and improving the business environment and competitiveness; and implement the plan in line with the fiscal, monetary, and financial policies aimed at supporting economic recovery and growth inclusiveness;

- ❖ Inclusive growth
 - Income inequality
 - Quality of education and health system, their inclusiveness
 - Тэгш боломж, оролцоо
- ❖ Central bank participation
 - Macroeconomic stability
 - To prevent economic downturn and crisis
 - Business environment and competitiveness stability
 - Financial inclusiveness
 - Savings and investments of everyone
 - Promotes productivity and capital accumulation
 - Resource allocation into productive projects

I. Mortgages

2.4. As part of preparations for establishing and implementing a long-term, sustainable housing financing framework, **fully transfer subsidized mortgage loan program from the BOM to the Government by end-2023, have the BOM continue implementing the program until end-2023;**



Interest rate

2.5. To achieve the implementation of the **Interest Rate Reduction Strategy** adopted under parliament resolution No. 21 from 2020, intensify efforts to **simplify the procedure for resolving contract related disputes** and reduce the loan loss provisioning cost;

Intensify legal reforms to expedite settlement of contract related disputes and non-performing claims.

- It will contribute to decrease lending rates
- It is more essential during Covid-19 and periods when Non-performing loans are elevated

Bank loan interest rates are decomposed as follows:

- around 60% - cost of funds
- 17% - operating expenses
- 11% - loan loss provisions
- 12% - profits and other expenses

Economic Recovery plan

2.7. Extend the purpose of the “MNT 10 (ten) trillion Comprehensive Plan for Health Protection and Economic Recovery” approved by Cabinet Resolution No. 42 from 2021 to bolster investments, relax some loan conditions and requirements for borrowers and continue the implementation and monitoring of the employment support loan, agriculture support loan, herder support loan, mortgage loan, repo financing loan and other projects and activities under this plan;



Inflation

3/ Encharge the duty to the Government of Mongolia /L.Oyun-Erdene/ to implement measures to coordinate budget and monetary policy, eliminate disruptions in supply chain caused by the pandemic, and increase the inventories under the framework of meeting the inflation target in the Monetary Policy Guidelines.

Monetary policy objectives:

1.1. Stabilize CPI-inflation at around 6% with an interval of ± 2 percentage points during 2022-2024. Monetary policy decisions aimed at stabilizing inflation shall be guided by the principle of scrutinizing the indirect impact of supply-driven price increases and not decelerating the economic recovery.

1.2. Implement a mix of monetary policy and macroprudential policy that focuses on overcoming difficulties posed by the COVID-19 pandemic, ensuring stable credit growth conducive to macro-stability in the medium term, and preventing from the build-up of risks in the banking system.

1.3. Enhance the central bank's public relations and maintain a policy transparency.

Banking sector stability:

2.1. Taking into account the economic condition, continue actions to align the banking sector supervisory and regulatory instruments with international standards and implement a sequenced plan to end forbearance measures introduced as part of efforts to reduce the negative impact of the pandemic on the economy.

2.2. Enforce enhanced supervisory and regulatory frameworks as part of the legal requirement to list bank shares on the stock exchange.

2.3. Eliminate legal overlaps and gaps based on findings of surveys conducted as part of the banking sector legal reform, ensure integrity of the laws and regulations, and enhance the legal framework for credit information, financial derivatives, and collateralized repo financing contracts.

Financial market infrastructure and institutional development:

3.1. Examine and develop the possibility for issuing a central bank virtual money.

3.2. Support the fintech services by improving the legal framework of the national payments system, and implement the supervisory function in the payments system.

3.3. Support financial literacy of individuals and micro, small and medium-sized enterprises as part of the protection of interests of financial consumers.

3.4. Start the sequenced build-up of technical and professional skills for the use of big data in macroeconomic and financial market analysis.