



Mongolia

MONGOLIA

Mongolia is bordered by Russia to the north and China to the south. Covering an area of 1,564,116 square kilometres, Mongolia is the world's second-largest landlocked country with a total population of 2.7 million in 2009. It has one of the world's lowest population densities at 1.6 persons per square kilometre. The majority of the citizens are of the Mongol ethnicity and approximately thirty percent of the 2.7 million people are nomadic or semi-nomadic. The predominant religion is Tibetan Buddhism. The capital and largest city is Ulaanbaatar (population is 1 million). The official language is Mongolian. Mongolia's political system is parliamentary democracy. The official monetary unit is the Togrog, the exchange rate of which was 1442.84 Togrog against US dollar as of 31 December 2009.

THE BANK OF MONGOLIA

As the Central Bank, The Bank of Mongolia (BoM) ensures the stability of the national currency – Togrog. Within this main objective, The BoM promotes balanced and sustained development of the national economy, through maintaining the stability of money, financial markets, and the banking system. In order to implement its objectives, The BoM conducts activities such as issuing currencies in circulation, formulation and implementation of monetary policy; acting as the Government's fiscal intermediary; supervision of banking activities; organisation of inter-bank payments and settlements; management of the official foreign exchange reserves.

Policy-Making Body	The supreme policy-making body of The BoM is the Board of Directors. The current Board of Directors consists of the Governor of the Central Bank who is Chairman, the First Deputy Governor, Deputy Governor, 9 directors and 2 non-voting members.
Frequency of Meeting	The Board of Directors has regularly scheduled meetings every Thursday once a week to assess underlying economic developments, monitor progress toward achieving its monetary policy objectives, and formulate policy for the period ahead.

Degree of Independence The BoM is operationally independent from the Government though the Parliament of Mongolia monitors whether the Bank's activities are consistent with the legislation. However, neither the Government, nor the Parliament is to interfere in activities relating to the implementation of State monetary policy by The BoM. The independence of The BoM is empowered under the Law on Central Bank approved in 1996. The Governor of The BoM may attend Cabinet meetings and consult on issues relating to The BoM and banking activities.

Release of Policy Information Information on monetary policy is released in the form of press releases and statements. Monetary and financial statistics can be found in monthly bulletins and annual reports. Their electronic versions as well as key information about The BoM and major activities in the financial system are also available at www.mongolbank.mn.

MONETARY POLICY IMPLEMENTATION

Policy Targets According to the State Monetary Policy Guidelines approved by the Parliament, the primary objective of the monetary policy for the year of 2009-2011 is to facilitate economic growth by containing the annual inflation at a level of 9.5¹% and achieving stability in the financial and banking sectors. The Guidelines call for The BoM to start making preparations for a shift from monetary policy based on reserve money targets to adopting a new framework of monetary policy of inflation targeting in the next few years. This is motivated by difficulties in conducting monetary aggregate targeting due to the ongoing re-monetisation process in the Mongolian economy and the volatility of the money multiplier.

The Monetary Policy Guidelines also stipulates other supporting measures such as contributing to the development of appropriate financial instruments of the Mongolia Mortgage Corporation and a secondary market for mortgage securities, as well as taking actions jointly with the Government to step up Mongolian government sovereign bonds by attracting long-term, low interest financial resources from the international market and establishing a legal framework for deposit insurance etc.

Policy Instruments The main monetary policy instruments used to achieve above-mentioned targets are the Central Policy Rate (1 week CBB rate), Central Bank Bills (12-weeks and 28-weeks), Standing Facilities (overnight, repo) and Reserve Requirements.

¹ 12 percent in 2009, 10 percent in 2010, 6.5 percent in 2011.

FINANCIAL STABILITY

Authorities Responsible for Financial Stability and Institutional Coverage

The BoM, Financial Stability Council (jointly established by the BoM, Ministry of Finance (MoF) and Financial Regulatory Committee on 9 May 2007) and Financial Regulatory Commission are responsible for financial stability and supervision of the financial sector in Mongolia.

The BoM, the Central Bank, is responsible for supervision of banks while the Financial Regulatory Commission is responsible for supervision of other financial institutions including insurance companies, security companies, credit and savings unions and non-banking financial institutions. The mission of the Council is to contribute to sustainable economic growth by developing sound and competitive financial infrastructure and improving financial services in terms of quality and access.

Strategy for Supervision

The Supervision Department's objective in 2009 was reducing financial risks of the banking sector and adding risk capacity. Within the framework, a new banking law was submitted to the Government and is in the process of discussion. The Supervision Department has accomplished preparatory work for the establishing arrangements of consolidated supervision, information technology inspection, proper management monitoring and amendments on supervisory regulations.

CURRENT MONETARY OFFICIALS *(as of 31 December 2009)*

Governor Dr. L. Purevdorj

**First Deputy
Governor** Mr. B. Javkhlan *(w.e.f. from 4 Feb. 2010)*

**Deputy
Governor** Mr. N. Zoljargal *(w.e.f. from 4 Feb. 2010)*

Directors Mr. G. Tserenpurev
Administration Department

Mr. D. Boldbaatar
Monetary Policy and Research Department

Mrs. G. Delgermaa
International Economic Department

Mr. B. Lhagvasuren
Supervision Department

Mr. G. Togtokhbaatar
Internal Audit Department

Mrs. M. Amgalan
Payment settlement and Accounting Department

Mr. D. Dovchinbazar
Information Technology Department

Mr. N. Batsaikhan
Risk Management Unit

Mr. G. Erdenebayar
Legal Division

MINISTRY OF FINANCE

Minister Mr. S. Bayartsogt

**Deputy
Minister** Mr. T. Ochirkhuu

**State
Secretary** Mr. D. Battur

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