

EDICT

OF THE PRESIDENT OF THE REPUBLIC OF BELARUS

November 19, 2010

No. 597

Minsk

On the Approval of the Republic of Belarus
Monetary Policy Guidelines for 2011

1. To approve the Republic of Belarus Monetary Policy Guidelines for 2011.
2. To ensure the execution by the National Bank, in concert with the Council of Ministers of the Republic of Belarus, of the Republic of Belarus Monetary Policy Guidelines for 2011.
3. This Edict shall come into force on January 1, 2011.

A. LUKASHENKO
President of the Republic of Belarus

REPUBLIC OF BELARUS MONETARY POLICY GUIDELINES FOR 2011

CHAPTER 1 BASIC PROVISIONS

1. In 2011, monetary policy of the Republic of Belarus aims to create conditions for stable economic development of the country, to meet the targets of social and economic development, and to enhance the well-being of the people, primarily, through the protection and assurance of the stability of the Belarusian ruble, including its purchasing power and the exchange rate against foreign currencies, the development of the banking system and maintenance of its stability, and the enhancement of reliability and safety of the payment system functioning.

CHAPTER 2 FORECAST OF ECONOMIC SITUATION IN 2011

2. Social and economic development of the Republic of Belarus in 2011 will be determined, for the most part, by the dynamics of the impact of foreign economic conditions and measures being taken in the field of structural reforms and modernization of the economy on the basis of its transition to the innovation-based development.

3. In accordance with the key indicators of the projection of social and economic development for 2011, real gross domestic product (hereinafter—“GDP”) will grow by 109-110%, households’ real disposable incomes by 108-109.5%, and investments in fixed capital by 116-117%. The consumer price index is projected to be 107.5-108.5%. Increase in exports will be 116-116.4%; the deficit of foreign trade will amount to 8.9-9% of GDP. In 2011, the main sources of ensuring the surplus of the balance of payment at the level of no less than USD1.2 billion will be direct foreign investments in the economy on a net basis (excluding debt owed to the direct investor for goods, works, and services) in the amount of USD6.4 billion.

CHAPTER 3

MONETARY POLICY OBJECTIVES AND INSTRUMENTS

4. In 2011, monetary policy will be aimed at creating conditions for the well-balanced economic development of the Republic of Belarus.

Monetary policy priority is to ensure the Belarusian ruble stability, including its purchasing power and the exchange rate against foreign currencies, as an important factor of maintenance of a stable economic growth.

5. The exchange rate of the Belarusian ruble will continue to play a major role in the monetary policy implementation ensuring adaptation of the economy to the possible external shocks, as well as curbing growth of consumer prices.

In 2011, the National Bank will continue to peg the Belarusian ruble to the cost of the currency basket within the band of $\pm 8\%$ of its central value equal to the cost of the basket as at the beginning of 2011, according to the Appendix.

Improvement of the exchange rate flexibility within the regime of its pegging to the currency basket at the expense of increase in everyday fluctuations will make it possible to respond to the changes in the demand and supply in the foreign exchange market more promptly.

6. The use and development of monetary policy instruments will be aimed at achieving the monetary policy priority.

Interest rate policy will be focused on ensuring sustainable functioning of the financial system through the maintenance of interest rates in real terms at a positive level ensuring the safety and attractiveness of deposits in the national currency, as well as banking credit availability to the non-financial sector of the economy.

As the inflationary processes slow down and sustainable situation in the foreign exchange market continues, the interest rates will be further decreased. Provided the inflation level meets the forecast, by the end of 2011 the refinance rate will be 8-10% per annum, the interest rates on fresh ruble credits to the non-financial sector will amount to 11-13% per annum and on fresh time bank deposits in Belarusian rubles to 9-11% per annum.

For the purpose of market regulation of the rate in the interbank credit market, the National Bank will continue to use the system of interest rates band the limits of which are determined by the rates on standing facilities (credit, SWAP operations, and overnight fixed interest rate deposits with the National Bank).

The National Bank will ensure, through its operations in the money market, the fluctuation of the rate in the interbank market within the stipulated band bringing it closer to the refinance rate and at the same time facilitating smoothening of its everyday fluctuations. In addition, the refinance rate will determine the minimal level of interest rates on auction operations designed to

maintain the current liquidity and the maximal level on auction operations designed to withdraw the banks' liquidity.

Liquidity provision as a whole will be performed both by means of issuance of the National Bank's credits and, in equal measure, through operations involving purchasing of foreign exchange.

Further enhancement of the liquidity regulation system based on the market principles will make it possible to improve the interest rate policy efficiency, as well as to reduce interest rate risks for the banking system.

7. In 2011, the parameters of monetary indicators will be formed based on the economy's demand for money and the borrowers' paying capacity under the influence of production, investment, and financial activities of economic entities, as well as the changes in the natural persons' monetary incomes, spending, and savings. The increase in the ruble monetary base is assessed at 24-26%, the ruble money supply at 27-29%, and broad money at 25-28%. At the same time, natural persons' deposits will grow by 6.4-7.2 trillion Belarusian rubles and legal persons' deposits by 3.8-4.4 trillion Belarusian rubles.

The implementation of monetary, fiscal, and economic policies will be conducive to increasing the economy's monetization ratio with respect to the ruble money supply up to 14.4% and with respect to the broad money up to 26.7%.

The improvement of external sector balancing and the state of the balance of payments will be the basis for further growth of international reserve assets of the Republic of Belarus. In 2011, international reserve assets are projected to increase, on the IMF's SDDS definition, by no less than USD1.2 billion.

Monetary policy indicators have been calculated on the basis of the projection about the key parameters of social and economic development of the Republic of Belarus for 2011. In cases where the macroeconomic parameters are changed, monetary indicators will be formed in corresponding proportions.

CHAPTER 4 BANKING SECTOR, FINANCIAL MARKET, AND PAYMENT SYSTEM DEVELOPMENT

8. Ensuring the sustainability of the banking sector of Belarus and increasing its financial potential, improving competitiveness at the expense of implementation of more efficient systems and management methods and new banking technologies, as well as maintaining the size of capital at the level ensuring an adequate risk coverage will have priority in the development of the banking sector in 2011.

In 2011, the banking sector will develop under the conditions of further qualitative improvement of the financial sector's structure related to the change in the system of financing of the projects included in the governmental programs. In creating conditions for the banks' activities, primarily controlled

by the state, the role of market mechanisms will increase, that will require improvement of the relevant systems and methods of management in such banks.

Steps being taken will positively influence the banking sector sustainability and will make it possible to increase the efficiency of regulation of the banks' activities.

It is expected that under the conditions of achieving high rates of economic growth and maintaining macroeconomic stability in 2011, the key indicators of the banking sector's financial stability will be characterized by the overall positive dynamics.

Regulatory capital in the banking sector will grow in the whole of 2011 by 15-21% and the share of bad assets in the assets exposed to credit risk will not exceed 8%.

The scope of the banking sector's credit operations will be determined by the actual demand of non-financial institutions and households. At the same time, the access to the loans provided to the private sector of the economy will be expanded.

Banks' assets are planned to increase by 21-22%, amounting to 72% of GDP. Banks' claims on the economy will grow by 24-25%, reaching 58% of GDP.

9. The National Bank will continue to hold activities aimed at further liberalization of the currency legislation and improvement of the banks' activities in the field of preventing money laundering and terrorism financing.

10. In 2011, for the purposes of creating a stable, competitive, and liquid financial market the work on improving the already existing and creating new instruments and mechanisms of attracting external and domestic investments will be continued.

11. The development of the national payment system will be aimed at further enhancing its efficiency, reliability, and security. In 2011, these tasks will be tackled based on the improvement of the regulatory legal base, pricing policy, organizational and program-technical infrastructure of the payment system, implementation of recent information technologies and banking services, development of non-cash settlement system based on electronic payment instruments, with an increase in the share of non-cash settlements in the retail payment turnover, improvement of standardization and certification systems, as well as supervision over the payment system.

CHAPTER 5

INTERNATIONAL COOPERATION

12. In 2011, the implementation of measures designed to integrate the

banking systems of the Republic of Belarus with the countries of the Customs Union and EurAsEC, as well as other countries—CIS member states will be continued.

13. The National Bank and the banking sector of the country will continue to cooperate with the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, the International Financial Corporation, as well as with foreign central (national) banks as regards the topical issues of bilateral cooperation.

CHAPTER 6 FINAL PROVISIONS

14. In 2011, monetary policy will be conducive to maintaining financial stability, lowering external imbalances, and ensuring on this basis a sustainable economic growth.

The attainment of the stated objectives of the monetary policy and fulfillment of its tasks adequate to the development of the economy will ensure a significant support to the economic policy implemented by the Government of the Republic of Belarus.

Appendix
to the Republic of Belarus
Monetary Policy Guidelines
for 2011

KEY PERFORMANCE INDICATORS
of the National Bank and Banks for 2011

Indicators	Forecast as at January 1, 2012
Changes in the cost of foreign currency basket, %	plus 8-minus 8
The refinance rate, %	8-10
Growth	
of international reserve assets of the Republic of Belarus by the IMF's Special Data Dissemination Standard methodology, billion US dollars	no less than 1.2
of ruble monetary base, %	24-26
of banks' regulatory capital, %	15-21
of banks' claims on the economy, %	24-25
Share of banks' impaired assets in the assets subject to credit risk, %	not to exceed 8
Parameter of clients' access to the automated system of interbank settlements, % of its daily working hours fund	not lower than 99.5