



**EDICT
OF THE PRESIDENT OF THE REPUBLIC OF BELARUS**

October 3, 2016

No. 359

Minsk

On the Approval of the Republic of Belarus
Monetary Policy Guidelines for 2017

1. To approve the Republic of Belarus Monetary Policy Guidelines for 2017 enclosed herewith.
2. The National Bank, in concert with the Council of Ministers of the Republic of Belarus, shall ensure execution of the Republic of Belarus Monetary Policy Guidelines for 2017.
3. This Edict shall come into force on January 1, 2017.

A. LUKASHENKO
President of the Republic of Belarus

APPROVED

Edict of the President
of the Republic of Belarus
No. 359 dated October 3, 2016

REPUBLIC OF BELARUS MONETARY POLICY GUIDELINES FOR 2017

CHAPTER 1 MONETARY POLICY OBJECTIVE

1. The monetary policy in 2017 will continue to support sustainable and well-balanced development of the country's economy through the maintenance of price stability.

The main objective of the monetary policy in 2017 will be bringing of inflation, measured by the consumer price index, down to 9% (December 2017 to December 2016).

CHAPTER 2 MONETARY POLICY IMPLEMENTATION

2. In 2017, the monetary policy will be still implemented in the monetary targeting regime, which implies control over money supply. Broad money supply will continue to be used as an intermediate monetary policy target and the ruble monetary base – as an operational one. The increment of the average broad money supply is forecasted at the level of 14% plus/minus two percentage points (December 2017 to December 2016).

3. Implementation of the exchange rate policy, which involves limited participation of the National Bank in the process of setting the national currency exchange rate, will be continued. Its dynamics will be formed under the influence of the fundamental macroeconomic factors and the measures of the

economic, fiscal, and monetary policies.

The general focus of the interest rate policy on gradual decrease in the interest rates in the economy so far as the corresponding favourable conditions are formed will be preserved. The interest rates will be maintained at the positive level in real terms, which adequately reflects the inherent macroeconomic risks.

4. Regular auction transactions in the open market with standard terms, which are carried out in line with the approved schedule in the form of interest rates competition with the preannounced volume of transactions, will be the main instrument of the banking system's liquidity regulation. The volume of auctions will be established having regard to the operational target on the ruble monetary base.

The National Bank's standing facilities are designed to narrow the fluctuations of liquidity and the interest rate in the interbank market. The National Bank may make an adjusting impact on the banks' liquidity by means of carrying out bilateral liquidity support transactions and additional auctions.

5. With a view to ensuring macroeconomic stability in 2017 the Government and the National Bank of the Republic of Belarus will take measures designed to maintain and accumulate gold and foreign exchange reserves of the country, as well as improve their structure.

One of the sources of replenishing international reserve assets of the Republic of Belarus will be purchase of foreign exchange by the National Bank, which will be carried out under the conditions of a stable excess of foreign exchange supply in the domestic foreign exchange market over a demand therefor.

CHAPTER 3

FINANCIAL MARKET AND PAYMENT SYSTEM DEVELOPMENT

6. In 2017, the National Bank will continue the work on developing the financial market and payment system, strengthening confidence in the national monetary unit, reducing dollarization of the economy, and creating conditions for further improvement of standards and quality of the banking services.

7. The work aimed at ensuring secure and stable functioning of the banking sector on the basis of developing risk-based methods of banking supervision will be continued.

In 2017, significant attention will be given to the stabilization of situation with the banks' problem assets. The National bank's actions will be directed towards tightening the requirements to the quality of credit risk management by banks, including by means of carrying out an adequate assessment of the potential borrowers' solvency, quality and adequacy of collateral for the execution of their obligations by dint of the timely reveal of insolvent borrowers and prompt response to the changes in their financial state, as well as by means of applying a more conservative approach to the assessment of the borrowers' foreign exchange risk when providing financing thereto. The activity of the Assets Management Agency, which was established in 2016, will contribute to a decrease in the share of bad assets in the banking sector. The practice of performing independent reviews of the banks' assets quality with participation of the international audit companies will be continued.

With regard to the adequacy of coverage by banks of accepted risks a special attention will be given to their compliance with the regulatory capital requirements.

For the purpose of improving the management of the banking system's liquidity, designed to decrease the liquidity risk, the National Bank will continue to implement the international liquidity ratios Basel III, which are focused on maintaining the stock of highly liquid assets.

8. In 2017, the banks will be further encouraged to involve to the fullest extent the households' and legal persons' funds on a long-term basis to the development of the economy with the use of different financial instruments.

The National Bank in concert with the involved government agencies will continue to implement the measures aimed at establishing conditions for developing the mortgage lending environment and forms of housing construction financing.

9. At the same time, the work on regulating banking transactions in terms of streamlining procedures for carrying out bank and monetary transfers, as well as documentary transactions will be continued.

With a view to improving procedure of granting bank guarantees the implementation of measures aimed at establishing the Registry of Bank Guarantees will continue.

In the area of improving non-cash settlements the measures aimed at implementing a new bank instrument – “Bank payment obligation” – into circulation will be carried out.

With a view to executing the payment demand orders of the enforcement agencies in time and mitigating the risks of growth in debt owed to the budget, the work on streamlining the enforcement mechanism will be carried out in concert with the involved government agencies.

10. In 2017, the National Bank’s actions will be focused on developing the securities market, investment banking, investment funds, and microfinance organizations and leasing companies.

The National Bank will provide assistance to the Government of the Republic of Belarus in promoting attraction of capital to the real sector of the economy through the use of the securities market instruments (shares and bonds).

The work on improving regulation of the activities of the non-profit microfinance organizations established in the organizational and legal form of a consumer cooperative and promoting awareness of the representatives of the small and medium business on the possibilities of microfinancing will be carried out.

The regulation of the leasing activities, including residential accommodation, will be further improved. For this purpose, it is planned to pay special attention to the increase in the leasing organizations’ resource base and transparency of the carried out activities.

An effective control over the non-bank segment of the financial market will be executed, in particular, over compliance with legislation on leasing activities, compliance of microfinance institutions with legislation regulating the procedures for granting and attracting microloans, and compliance with legislation regulating procedures for and conditions of carrying out activities on improving transactions with non-delivered over-the-counter financial instruments, which are initiated by the natural and legal persons.

For the purpose of insuring a full-fledged functioning of the financial market a comprehensive regulatory legal base will be further build up, including establishment of the integrated system of protecting the rights of the consumers of services provided by banks and non-bank financial institutions while carrying out banking transactions, as well as leasing companies and microfinance organizations.

11. For the purpose of establishing conditions for attracting foreign investments the National Bank's actions will be directed towards implementing measures on liberalizing foreign exchange relations and decreasing the rate of the mandatory sale of foreign exchange.

12. The work on developing the system of monitoring and ensuring financial stability, streamlining analytical and instrumental means of macroprudential regulation and raising the quality of anti-crisis management and the system of supervision of the financial market participants will be carried out.

13. In 2017, an efficient, sound, and safe functioning of the payment system will be ensured by dint of improving regulatory legal framework, tariff policy for settlement services, developing software and hardware infrastructure and electronic document management, introducing international standards, limiting (reducing) risks in the payment system, and carrying out supervision of the payment system.

Implementation of the above-mentioned measures will make it possible to ensure the ratio of banks' accessibility to the ASIS in the amount of no less than 99.7% of its daily production time.

14. The development of the remote channels of bank servicing, the single settlement and information space, digital bank technologies on the basis of implementing international system of identification for the provision of financial services to banks' customers and efficient use of electronic payment instruments and means of payment will be continued.

CHAPTER 4

INTERNATIONAL COOPERATION

15. In 2017, issues relating to the further development of integration and improvement of the contractual and legal basis of the Eurasian Economic Union member states in the financial and foreign exchange spheres will be given a special attention.

16. In 2017, the National Bank will continue the work aimed at promoting the assignment of the Republic of Belarus to a more high country category under the OECD's classification, cooperation with international financial organizations on the issues of attracting financial resources, economic development, determining required directions of technical support, coordination of the terms of access to the Belarusian financial and banking services market

with the WTO member states, as well as discussion of systemic issues in the process of joining the WTO by the Republic of Belarus.

CHAPTER 5 FINAL PROVISIONS

17. In 2017, implementation of the monetary policy will result in the slowdown of the inflationary processes and assurance of macroeconomic and financial stability.

Key forecast performance indicators of the banking system of the Republic of Belarus for 2017 are given in the Appendix hereto.

Appendix
to the Republic of Belarus
Monetary Policy Guidelines for 2017

Key forecast performance indicators of the banking system of the Republic of Belarus for 2017

Indicators	Forecast for January 1, 2017
Growth in average broad money supply, % (December 2017 to December 2016)	12 – 16
Change, as at January 1, 2017, in international reserve assets of the Republic of Belarus according to the IMF's methodology, USD billion	0.5