



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

December 31, 2017

No. 470

Minsk

On the Approval of the Republic of Belarus
Monetary Policy Guidelines for 2018

1. To approve the Republic of Belarus Monetary Policy Guidelines for 2018 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 2018.
3. This Edict shall come into force on January 1, 2018.

A. LUKASHENKO
President of the Republic of Belarus

APPROVED

Edict of the President
of the Republic of Belarus
No. 470 dated December 31, 2017

REPUBLIC OF BELARUS MONETARY POLICY GUIDELINES FOR 2018

CHAPTER 1 MONETARY POLICY OBJECTIVE

1. The monetary policy will continue to follow the strategic objective of maintaining price stability as the basis of sustainable and well-balanced development of the economy of the Republic of Belarus.

The main objective of the monetary policy in 2018 will be curbing of inflation, measured by the consumer price index, at the level of no more than 6% (December 2018 to December 2017).

CHAPTER 2 MONETARY POLICY IMPLEMENTATION

2. In 2018, the monetary policy will be still implemented in the monetary targeting regime. Broad money supply will continue to be used as an intermediate monetary policy target. The increment of the average broad money supply is forecasted at the level of 9-12% (December 2018 to December 2017).

In the context of transfer to the inflation targeting regime in the medium-term period, the operational target will be changed: since 2018 the interest rate on intraday interbank credits in the national currency will be used in lieu of a ruble monetary base.

3. The interest rate policy will be conducted with due regard to the need of attaining the inflation target. The interest rate policy will be still focused on gradual decrease in the nominal interest rates in the economy so far as the corresponding favourable conditions are formed. The interest rates will be maintained at the positive level in real terms, which facilitates the growth of

savings in the national currency and ensures financial stability and sustainable development of the economy.

The work designed to improve efficient functioning of the interest rate channel of the transmission monetary policy mechanism by means of streamlining approaches to managing banks' liquidity and strengthening monetary and budgetary policy will be continued.

4. Regular auction transactions in the open market, the parameters of which are established having regard to the need to attain operational target and which are carried out in line with the approved schedule, will be the main instrument of the banking system's current liquidity regulation.

5. Improvement of the exchange rate policy will be harmonized with transition to the inflation targeting regime. Further growth in flexibility of the national currency exchange rate, the dynamics of which will continue to be formed under the impact of fundamental macroeconomic factors and measures of the economic, fiscal and monetary policies, will form the basis of this process.

6. Having regard to the repayment of domestic and external liabilities in foreign exchange by the Government and the National Bank of the Republic of Belarus, the international reserve assets will amount to no less than USD6 billion as at the end of 2018.

The structure of international reserve assets will be improved by means of decreasing the volume of foreign exchange liabilities and purchasing foreign exchange by the National Bank under the conditions of a stable excess of foreign exchange supply in the domestic foreign exchange market over a demand therefor.

CHAPTER 3 ENSURING STABILITY OF THE BANKING SYSTEM

7. In 2018, the National Bank will continue to carry out control over the banks' compliance with the regulatory capital volume and adequacy, including, by means of implementation and gradual increase in the conservation buffer value. Sustainability of the banking sector will be assessed with account of results of independent review of the banks' assets quality and measures taken by banks in followup thereof.

With a view to decreasing the level of the banking sector's systemic risks and avoiding their occurrence, the implementation of practice of setting separate prudential requirements to banks assigned to the core ones,

including an increase in their regulatory capital adequacy ratio (buffer of system importance), is provided for. For the purpose of limiting systemic risk occurring as a result of worsening of major debtors' (systemically important borrowers') financial condition, the heightened degree of risk will be applied to their debt under credit and securities when calculating a bank's regulatory capital adequacy.

8. A special attention should be paid to ensuring secure and stable functioning of the banking sector, including stabilization of situation with banks' problem assets. With a view to decreasing the credit risk accepted by banks, the National Bank's efforts will be directed towards an increase by banks in coverage of assets exposed to credit risk by special reserves.

9. The implementation of international standards of regulating and supervising banks' activities will be continued. With a view to improving liquidity management of the banking system aimed at limiting a liquidity risk, it is envisaged to use the Basel III liquidity indicators as secure functioning requirements.

For the purpose of improving risk management at banks, the recommendations on managing the banking portfolio's interest rate risk based on the updated Basel II standard will be developed.

It is planned to develop new approaches to the organization of an integrated risk-based process of supervisory review and evaluation of banks (SREP), including an internal capital assessment (ICAAP) and liquidity analysis. The introduction of modern approaches will make it possible to assess the ability of banks to maintain economic capital and liquidity at the level corresponding to their risk profile, and therefore, to resist internal and external shocks.

10. Inspections conducted within the framework of supervision of banking activities will be focused on the timely identification of problematic aspects in the activities of banks in order to take prompt measures to minimize their negative impact.

CHAPTER 4 PAYMENT SYSTEM

11. In 2018, 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 thereof.

12. The development of the remote channels of banking services, 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 5 DEVELOPMENT OF FINANCIAL MARKET AND FINANCIAL SERVICES

13. In 2018, the National Bank in concert with the Government of the Republic of Belarus will continue to build up a stable, efficient and transparent financial market by improving its instruments and increasing their liquidity, developing infrastructure and creating a favourable investment climate.

Priority areas for the financial market development will be the development of investment banking and the market of bank bonds, introduction of restructuring and securitization mechanisms, activization of use of financial instruments of forward transactions, as well as creation of conditions for the banks' activities in the field of collective investments.

Monitoring of financial stability will be continued. The financial stability will be ensured by means of implementing measures aimed at limiting systemic risks, reducing the volume and optimizing the forms of government financial support, and improving supervision in all segments of the financial market.

14. With a view to developing and ensuring full-fledged functioning of the non-banking segment of the financial market, it is envisaged to further improve the legislation regulating the activities of leasing and microfinance organizations. The formation of an integrated regulatory legal framework on creating a comprehensive system for protecting the rights of consumers of financial services will be continued.

Control of compliance with the legislation on leasing activities, the activities of microfinance organizations and other participants of the non-banking segment of the financial market will be carried out in an efficient manner.

15. In 2018, the general trend towards liberalization of the foreign exchange system as far as appropriate favorable conditions are formed will be continued. The National Bank in concert with the Government of the Republic of Belarus provides for the implementation of measures aimed at reducing the level of dollarization of the economy. At the same time, the National Bank's actions will be aimed at abolishing the mandatory sale of foreign exchange earnings and the purpose-oriented purchase of foreign currency in the domestic foreign exchange market.

16. The National Bank's activities will be still focused on stimulating banks to attract savings of the population and legal persons in the national currency, mainly on a long-term basis, due to more attractive conditions.

17. The National Bank jointly with the involved government agencies will continue to implement the measures aimed at establishing conditions for developing the mortgage lending environment. The policy of consequent reduction of the banks' participation in directed lending and its replacement with available credit resources based on market mechanisms and designed to meet the needs of the economy and the population will be further developed.

The implementation of measures aimed at introducing and developing new mechanisms for granting state support to citizens when lending for housing construction is envisaged. One of such mechanisms is the system of housing construction savings.

18. In 2018, the work on regulating banking transactions in terms of streamlining procedures for carrying out bank and money transfers, as well as documentary transactions, will be continued.

Within the framework of regulation of non-cash settlements the organizational measures aimed at providing the entrepreneurial entities of the Republic of Belarus with the opportunity to carry out settlements using bank payment obligation and direct debit of account will be carried out.

In the area of improving non-cash settlements, implementation of measures on developing electronic bank guarantees segment will be continued.

With a view to executing the payment demand orders of the enforcement agencies in a timely manner and mitigating the risks of growth in debt owed to the budget, the National Bank will carry out the work on

streamlining the enforcement mechanism in concert with the involved government agencies.

With the purpose of ensuring the use of monetary funds according to the designated purpose when implementing different projects and carrying out events, including those of great state importance, the legislation regulating the issues of special accounts application will be further improved.

19. The National Bank will conduct the work on implementing the measures aimed at applying the International Financial Reporting Standards (IFRS) as primary and single standards of accounting and financial reporting of banks.

20. In 2018, with a view to enhancing its operational independence and financial potential, the National Bank in concert with the Government of the Republic of Belarus will continue to implement the measures aimed at functioning in a loss-free manner and accumulating the capital.

21. With the purpose of strengthening the public confidence in the conducted monetary policy and improving transparency of the decisions taken by the National Bank, the communication policy of the National Bank provides for the development of the inflationary expectations evaluation practice, preparation and publication of statistical and analytical materials on the official website of the National Bank, as well as provision of information on the conducted monetary policy to a wide public.

22. In 2018, issues relating to the functioning of the Eurasian Economic Union (EEU), development of contractual and legislation framework, and harmonization of financial and foreign exchange legislation of the EEU member states will be given a special attention.

The work on expanding cooperation between the banking systems of the Republic of Belarus and the Russian Federation within the framework of the Union State will be continued.

23. In 2018, the National Bank in concert with the Government of the Republic of Belarus will continue the work aimed at upgrading the country category of the Republic of Belarus under the OECD's classification, expanding cooperation with international financial organizations on the issues of attracting financial resources and economic development, determining directions of technical support, coordinating the terms of access

to the Belarusian financial and banking services market with the WTO member states, as well as joining the WTO by the Republic of Belarus.

CHAPTER 6 FINAL PROVISIONS

24. In 2018, 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 2018 are given in the Appendix hereto.

Appendix
to the Republic of
Belarus
Monetary Policy
Guidelines for 2018

Key forecast performance indicators of the banking system of the Republic of Belarus for 2018

Indicators	Forecast for January 1, 2019
Growth in consumer prices, % (December 2018 to December 2017)	no more than 6
Growth in average broad money supply, % (December 2018 to December 2017)	9 – 12
International reserve assets of the Republic of Belarus according to the IMF's methodology, USD billion	no less than 6