



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

October 31, 2019

No. 402

Minsk

On the Approval of the Republic of Belarus
Monetary Policy Guidelines for 2020

1. To approve the Republic of Belarus Monetary Policy Guidelines for 2020 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 2020.
3. This Edict shall come into force on January 1, 2020.

A. LUKASHENKO
President of the Republic of Belarus

APPROVED

Edict of the President
of the Republic of Belarus
No. 402 dated October 31, 2019

REPUBLIC OF BELARUS MONETARY POLICY GUIDELINES FOR 2020

CHAPTER 1 BASIC PROVISIONS

1. In 2020, the monetary policy will preserve continuity and contribute to the sustainable and balanced development of the economy of the Republic of Belarus by dint of ensuring price and financial stability.

2. The main objective of monetary policy is to slow down inflationary processes. The implementation of monetary policy will be continued in the monetary targeting regime.

3. With a view to maintaining financial stability, the work designed to limit systemic risks, maintain the level of gold and foreign exchange reserves, ensure secure and efficient functioning of banks, non-bank financial and non-credit financial institutions¹, the JSC “Development Bank of the Republic of Belarus”, as well as the payment system, will be continued.

4. The diversification and strengthening of the financial market structure, including the development of its non-banking segment, and dedollarization of the economy will contribute to addressing the issue of ensuring price and financial stability.

5. With a view to strengthening confidence in the National Bank, its communication policy will be aimed at increasing the openness and transparency of the monetary policy in the Republic of Belarus.

CHAPTER 2 MAINTAINING PRICE STABILITY

6. The monetary policy in 2020 will be aimed at stabilizing inflation, measured by the consumer price index, at the level of no more than 5% (December 2020 to December 2019).

¹ Non-credit financial institutions mean leasing, microfinancial and other non-credit financial organizations, the regulation of which is entrusted to the National Bank in accordance with the legislation.

7. The growth of the average broad money supply will remain as an intermediate target. Given the need to ensure price stability, an increase in the average broad money supply is forecasted at the level of 8-11% (December 2020 to December 2019). The maintenance of a positive level of interest rates (in real terms) in the economy will contribute to the balanced growth in money supply.

The interest rate on intraday interbank credits in the national currency will still be used as the monetary policy operational target.

8. The work will continue to strengthen the significance of the interest rate channel of the monetary policy transmission mechanism in order to increase the efficiency of impact of the National Bank's decisions on economic activity and inflation, including the measures designed to dedollarize the economy, as well as the actions that stimulate economic entities to work with financial instruments in Belarusian rubles.

9. 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. The National Bank's standing facilities will limit the interest rate fluctuations on intraday interbank credits.

The refinancing rate, as before, will play a key role in regulating money supply in the economy. It will remain the marginal cut-off rate for the National Bank's 7-day auction operations, as well as the center of the corridor set by the interest rates on standing facilities designed to regulate liquidity.

At the same time, a gradual narrowing of the interest rate corridor for standing facilities designed to regulate liquidity is envisaged in order to reduce the volatility of the cost of resources in the interbank market.

10. The National Bank will continue to pursue a floating exchange rate policy. This regime provides for the use of foreign exchange interventions to smooth sharp fluctuations of the Belarusian ruble exchange rate.

For the purpose of diminishing the level of the National Bank's participation in trading in the domestic foreign exchange market, it is planned to expand the boundaries of the operational interval and the neutral range, as well as reduce the daily limit of the National Bank's interventions.

The National Bank will conduct operations involving the purchase of foreign exchange to replenish gold and foreign exchange reserves with a steady excess of its supply over demand in the domestic foreign exchange market.

CHAPTER 3

ENSURING FINANCIAL STABILITY

11. In 2020, the work will continue aimed at enshrining in legislation of responsibility and authority of the National Bank and the Government of the Republic of Belarus in terms of ensuring financial stability. The mechanisms and tools for preserving financial stability, authorities, responsibility and the method

of interaction between the government agencies involved in tackling this task will be clarified.

The National Bank will create conditions for maintaining the pace of lending, including the consumer one, at the level that does not lead to an increase in systemic risks.

Further improvement of macroprudential policy instruments and supervision in all segments of the financial market is envisaged. Considerable attention will be paid to limiting systemic risks using the debt burden ratio, loan security indicator, and a system of measures based on the estimated standard risk value.

12. With a view to enhancing the country's economic security and ensuring financial stability, the National Bank in concert with the Government of the Republic of Belarus will continue to maintain the level of international reserve assets and improve their structure by dint of repaying the part of foreign exchange liabilities through the use of non-debt sources.

Full and timely fulfillment of the National Bank's obligations, as well as a reduction in the volume of refinancing of its domestic obligations in foreign exchange, is envisaged. At the same time, the National Bank does not plan to attract external loans and credits.

13. In 2020, the National Bank will continue to work on the further implementation of international standards in the sphere of secure functioning of banks, non-bank financial institutions, and the JSC "Development Bank of the Republic of Belarus".

In order to carry out a comprehensive assessment of the state of banks, non-bank financial institutions and the JSC "Development Bank of the Republic of Belarus", an overall supervisory assessment is envisaged in accordance with the established procedure. For the purpose of identifying negative trends in the activities of banks, non-bank financial institutions and the JSC "Development Bank of the Republic of Belarus", the early warning indicators will be monitored at an early stage.

The improvement of approaches to assessing credit risk in compliance with international standards will continue. In 2020, a significant attention will be paid to the banks' activities aimed at maintaining the share of banks' non-performing assets in the assets exposed to credit risk at a safe level not exceeding 10%.

It is also planned to improve approaches to assessing operational risk taking into account international standards of the Basel Committee on Banking Supervision Basel III, develop and submit recommendations on enhancing cyber risk management and recommendations based on the results of the audit of banks' information technologies.

14. The activities of the National Bank in the field of preventing legalization of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction will be aimed at improving the requirements for internal control rules for banks, non-bank financial and non-

credit financial institutions and the JSC “Development Bank of the Republic Belarus”.

15. In 2020, the efficient, reliable and secure functioning of the payment system will be ensured by dint of improving the legal framework, developing the software and hardware infrastructure, electronic document management, introducing international standards, as well as limiting risks and improving the payment system supervision.

The implementation of these measures will make it possible to achieve a coefficient of accessibility of the automated system by each participant of the payment system of the Republic of Belarus, through which the settlements are carried out under payments accepted in the payment system of this participant, at the level of no less than 99.8%.

Alternative methods of payment for goods and services using innovative convenient services will be explored. This will make it possible to perform payments directly from user accounts to the accounts of trade (service) organizations and reduce the cost of payment services.

16. The development of remote banking systems, the introduction of new secure and accessible digital banking technologies to provide financial services to bank customers and the active use of new types of payment instruments and means of payment, as well as provision of remote access to products and services in 24/7/365 mode will be continued.

CHAPTER 4 DEVELOPMENT OF FINANCIAL SERVICES AND FINANCIAL MARKET INFRASTRUCTURE

17. The National Bank’s actions will be aimed at further developing the investment banking, including creating conditions for the increase of the volume of services rendered by banks within the framework of the broker activities and activities on trust management. Also, the National Bank plans to carry out the work on generating the system of assignment and use of ratings according to the national scale.

18. Development of the non-banking segment of the financial market will be continued in 2020 with the aim of improving legal conditions of carrying out activities by non-credit financial institutions, including the activities of mobile operators on providing loans to natural persons.

At the same time, it is planned to create a comprehensive legal framework for the development of new financial institutions and instruments in the segment of non-credit financial institutions.

19. In 2020, the work on digitalization of the financial market and formation of the legal framework and transparent conditions for the provision of payment services by non-bank economic entities will be continued.

The actions of the National Bank will be aimed at ensuring the high competitiveness of the national payment market, creating a favourable investment climate, optimizing costs and maximizing the availability of payment services and payment instruments and guaranteeing strict observance of the rights and legitimate interests of users of payment services.

The attainment of these goals will be facilitated by development of innovative technologies, as well as creation of the basis for the export of payment services with effective monitoring of payments.

20. The National Bank will continue to work on improving banking operations, including the procedures for carrying out bank and money transfers, documentary operations, taking into account the introduction and use of new technologies, creating conditions for ensuring equal access of the population to banking products and services, as well as their adaptability to the needs of customers.

The focus will still be made on ensuring clear and high-quality communication of information about products and services to customers at all stages of their rendering and provision, a responsible and customer-oriented approach, proportionality of liability for failure to fulfill obligations under contracts and avoiding excessive debt burden on customers.

With the purpose of developing cashless payments, the National Bank plans to carry out activities aimed at creating legal and methodological conditions for the use of digital technologies in the process of conducting money transfers.

The National Bank, in concert with other government agencies, will continue to improve the legal conditions for making cashless settlements in the sequence of payments established by law, including those made via an automated system for the fulfillment of monetary obligations.

It is also planned to improve the legislation regarding the use of special accounts (accumulation of funds, control over their use and protection against encumbrances) during the implementation of projects and activities, including those of high national significance, as well as escrow accounts for settlements in the Republic of Belarus.

The National Bank implements measures aimed at preventing the use of unfair practices and unfair terms of credit agreements, raising funds in deposits, including the determination of the possibility of placing the revealed examples of unfair banking practices in the public domain in order to educate and inform the consumers of banking services.

21. The National Bank's actions will continue to encourage banks to increase their long-term resource base by means of attracting funds from the natural and legal persons for the long term and using these monetary funds as an effective internal source of investment resources.

Creating conditions conducive to the safety and attractiveness of deposits on a long-term basis, primarily in the national currency, will contribute to

increasing the stability of the banking system, ensuring the balance of assets and liabilities, and will become one of the factors of further dedollarization of the country's economy.

22. In 2020, the National Bank will continue to liberalize foreign exchange, that will become a factor of improving the investment climate in the Republic of Belarus and the conditions for doing business, including simplifying administrative procedures, as well as putting at ease the business initiative of citizens.

The National Bank will further focus on the formation of a new legal framework that provides for the removal of restrictions on conducting foreign exchange transactions involving capital flows by resident natural persons, as well as the opening by resident legal persons of accounts outside the Republic of Belarus, the abolishment of restrictions on the terms of return of foreign exchange earnings and their stipulation in foreign trade agreements.

At the same time, the measures designed to increase the effectiveness of control over compliance with the procedure for conducting foreign exchange transactions are envisaged. The solution of this problem will be facilitated by the formation of a foreign exchange monitoring system that provides the National Bank with operational and objective information about the state of the domestic foreign exchange market, as well as making it possible to exercise control over cash flows in the course of conduct of foreign exchange transactions.

23. The National Bank's activities will still be focused on formation of effective and workable protection of the financial services consumers' rights, including by means of improvement of the regulatory legal base with regard to the mechanisms of implementation of the rights and legal interests of consumers of specific financial services.

24. In 2020, the transition to a new system of regulating cash circulation in the Republic of Belarus will continue. The banks will transfer their functions of collection, transportation and storage of cash to the OJSC "Non-Bank Credit and Financial Organization Belinkasgroup", that will reduce the total expenses of the National Bank and banks associated with servicing cash circulation and increase the efficiency of the banking system, with the centralized cash management functions being still fulfilled by the National Bank.

25. The National Bank will continue to implement the measures aimed at applying international financial reporting standards as the primary and only standards of accounting and financial reporting of banks.

With the purpose of ensuring the straight-through processing of data transferred between the systems that are integral parts of the payment system of the Republic of Belarus, including automated banking systems and the systems of all government agencies participating in the automated system for the fulfillment of monetary obligations, in 2020, the National Bank will continue to

introduce the international methodology of ISO 20022 standard into these systems.

CHAPTER 5

FINAL PROVISIONS

26. In 2020, the implementation of monetary policy will result in ensuring price and financial stability and maintaining macroeconomic stability.

The main indicators of the monetary policy of the Republic of Belarus for 2020 are given in the appendix hereto.

Appendix
to the Republic of Belarus
Monetary Policy Guidelines for 2020

KEY INDICATORS
of the monetary policy
of the Republic of Belarus for 2020

Indicators title	Forecast for January 1, 2021
Growth in consumer prices, % (December 2020 to December 2019)	No more than 5%
Growth in average broad money supply, % (December 2020 to December 2019)	8 – 11
International reserve assets of the Republic of Belarus according to the IMF's methodology, USD billion	No less than 7.3
The share of the NPL in the assets exposed to credit risk, %	no more than 10
Coefficient of availability of the automated system of the Belarusian payment system participant by means of which settlements are ensured under payments accepted in the payment system of the given participant, %	no less than 99.8