

EDICT OF THE PRESIDENT OF THE REPUBLIC OF BELARUS

December 22, 2020

No. 481

Minsk

On the Approval of the Republic of Belarus
Monetary Policy Guidelines for 2021

1. To approve the Republic of Belarus Monetary Policy Guidelines for 2021 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 2021.
3. This Edict shall come into force on January 1, 2021.

A. LUKASHENKO
President of the Republic of Belarus

APPROVED

Edict of the President
of the Republic of Belarus
No. 481 dated December 22, 2020

REPUBLIC OF BELARUS MONETARY POLICY GUIDELINES FOR 2021

CHAPTER 1 BASIC PROVISIONS

1. In 2021, the monetary policy will remain focused on maintaining price and financial stability, thereby contributing to the formation of conditions conducive to sustainable economic development of the Republic of Belarus.

2. The main objective of the monetary policy will be preserving a low inflation rate in the country.

3. The maintenance of financial stability will be carried out by dint of implementing measures aimed at limiting systemic risks, ensuring secure and safe functioning of banks, non-bank financial institutions, JSC “Development Bank of the Republic of Belarus”, non-credit financial organizations¹, as well the payment system.

4. Financial services and the financial market infrastructure will be further developed, that will contribute to increasing the efficiency of the distribution of monetary resources and reducing risks in the economy.

5. The conduct of active communication policy by the National Bank and enhancement of transparency of its activities will be conducive to strengthening the confidence in the regulator, reducing inflationary expectations and, consequently, increasing the financial system stability.

6. The National Bank will continue to cooperate with other central banks and international financial institutions in the area of improving monetary policy, including technical assistance programs.

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

CHAPTER 2

MAINTAINING PRICE STABILITY

7. The monetary policy in 2021 will be aimed at curbing the inflation, measured by the consumer price index, at the level of no more than 5% (December 2021 to December 2020).

8. In 2021, the National Bank will continue to apply the monetary targeting regime using broad money supply as an intermediate target and ruble money base as an operational one. The growth in average broad money supply is forecasted at the level of 7-10% (December 2021 to December 2020), average ruble money supply – 11-14% (December 2021 to December 2020). The ruble money supply will increase by 10-13% in 2021.

9. The exchange rate policy, as before, will be conducted in the floating regime, which allows for foreign exchange interventions to smooth out sharp fluctuations in the Belarusian ruble exchange rate, as well as the purchase of foreign currency to replenish gold and foreign exchange reserves.

10. The exchange rate policy will continue to be directed towards preserving interest rates in the economy at a positive level in real terms.

Auction transactions in the open market, which are carried out in line with the approved schedule, will remain the main instrument of the banking sector's current liquidity regulation. The volume of auctions will be determined based on the necessity of meeting the operational target on ruble money base.

CHAPTER 3

ENSURING SUSTAINABLE FUNCTIONING OF BANKS, NON-BANK CREDIT INSTITUTIONS, JSC “DEVELOPMENT BANK OF THE REPUBLIC OF BELARUS”, AND NON-CREDIT FINANCIAL ORGANISATIONS

11. In 2021, the improvement of the early warning system and identification of risks to financial stability and their sources will be continued. The National Bank will establish the conditions for maintaining the growth of lending at the level, which does not lead to the strengthening of systemic risks. For this purpose, it intends to use the debt-to-income ratio and the loan-to-value ratio, the parameters of which will be defined based on the regular assessment of the households sector sustainability and the risk level related to lending to natural persons. Attention will be given to limiting the level of systemic risk generated by the business models of banks with risk appetite.

12. In 2021, the National Bank will continue its work on further implementation of international standards in the sphere of secure functioning of banks, non-bank financial institutions, and JSC “Development Bank of the Republic of Belarus”.

It is planned to improve approaches to assessing credit risk, taking into account the recommendations received during the technical assistance of the International Monetary Fund’s experts. Attention will be still paid to the banks’ activities aimed at maintaining the share of non-performing assets in the assets exposed to credit risk at the level that does not exceed 10%.

Based on the results of an independent audit of banks’ information technologies (IT audit), it is planned to prepare and submit recommendations to the banking sector on improvement of approaches to operational risk management.

13. In the process of carrying out supervision of banks, non-bank financial institutions, and JSC “Development Bank of the Republic of Belarus”, and control and monitoring of secure functioning requirements, the National Bank will apply the principles of risk-oriented supervision given the implementation of new approaches to its performance in line with international standards in the field of banking supervision. For this purpose, the assessment of banks’ activities will be conducted with regard to the countercyclical measures adopted by the National Bank in 2020, which are aimed at supporting the real sector of the economy, as well as the necessity of increased attention to the activities of systemically important banks by dint of monitoring early warning indicators, performing the overall supervisory assessment of banks, and taking early and (or) supervisory response measures.

The improvement of prudential requirements to banks is envisaged with account of the principle of proportional regulation, which implies a differentiated amount of requirements depending on the systemic importance, risk profile of the bank, and the nature and volume of banking operations and other activities carried out thereby.

The audits will be focused on studying problem issues of banks’ activities and adequate risk assessment in order to determine the real financial condition and stability of the business model. The progressive development of the auditing process, including its methodological component, will be aimed at reducing the regulatory burden and improving the quality of risk assessment. The interaction with banks will be carried out with the use of digital communication channels.

14. In 2021, the National Bank will take additional measures to combat money laundering, terrorism financing and financing the proliferation of weapons of mass destruction, aimed at improving the efficiency of the internal control system at banks, non-bank financial institutions, JSC “Development Bank of the Republic of Belarus”, and non-credit financial organizations.

A sectoral assessment of risks related to money laundering, terrorism financing and financing the proliferation of weapons of mass destruction is planned to be performed within the banking sector and non-credit financial organizations' sector.

CHAPTER 4

ENSURING STABLE FUNCTIONING OF THE FINANCIAL MARKET

15. With a view to improving economic security of the country and ensuring financial stability, in 2021, the National Bank in concert with the Government of the Republic of Belarus will continue the work designed to maintain the level of international reserve assets of the Republic of Belarus and improve their quality as related to the reduction of debt constituent.

16. The National Bank's actions will be aimed at ensuring conditions encouraging safekeeping and attractiveness of deposits, as well as attraction of the natural persons' funds in Belarusian rubles by banks, mainly, on the irrevocable basis.

The banks' work on building up a resource base on the long-term basis, including at the expense of attracting funds in the external markets, will be continued.

The actions designed to stimulate the economic agents to carry out transactions, preferably in the national currency, will be continued, contributing to reduction in the level of dollarization of the credit and deposit market.

17. A special attention will be paid to the issues related to improving protection of the financial services consumers' rights, including, provision of these services with the use of information technologies.

Further improvement of the legislation with a view to ensuring the functioning of the efficient system of the financial services consumers' rights protection, as well as implementation of measures designed to ensure the honest and socially responsible practice of financial services provision, is envisaged.

18. In 2021, the work on digitalization of the financial market and build up of legal framework and transparent conditions of activities on payment services provision to the entities other than banks will be continued.

19. The National Bank will consistently take the measures aimed at implementing the international standards of financial reporting as the primary and single standards of accounting and financial reporting in the banking sector, including by means of preparing the methodological basis for switching to regulation of accounting in the banking sector on the basis of the above-mentioned standards.

20. The National Bank's activities designed to improve cybersecurity of the banking sector of the Republic of Belarus will remain topical. The

legislation will be further improved, including as relates to the information security standards implementation in the banking sector and assignment of the binding status thereto, collaboration in the exchange of information on incidents and the facts of unauthorized transfer of monetary funds, and change in the mechanisms of suspension of transactions and repayment of monetary funds credited to the beneficiaries' accounts with banks and non-bank financial institutions as a result of fraud.

Further measures on automatization of processing of incidents, accumulation of data base on the facts of frauds, and creation of automated interaction of the information protection systems of banks, the National Bank and other participants of information exchange will be taken.

21. In 2021, the National Bank's actions will be still directed towards maintenance of stability and restriction of risks of the non-bank segment of the financial market by means of improving current legal conditions of the non-credit financial organizations' activities and establishing legal conditions required for emergence of new segments in the financial market.

The National Bank will exercise effective control over compliance with legislation on leasing activities, activities of microfinance organizations and other participants of the non-bank segment of the financial market.

CHAPTER 5

DEVELOPMENT OF FINANCIAL SERVICES AND FINANCIAL MARKET INFRASTRUCTURE

22. The National Bank will continue its work in the area of liberalization of foreign exchange relations. It is planned to build up a complex regulatory legal base on establishment of the comprehensive system of foreign exchange regulation and control. Laying the groundwork for the full-fledged functioning of the foreign exchange monitoring system, which will make it possible to monitor the flows of foreign exchange receipts and payments in foreign economic activities, as well as foreign exchange transactions of the Belarusian residents, will be of a special importance.

The policy of dedollarization of the economy will be further developed in line with the Strategy of Improving Confidence in the National Currency Till 2035, approved by Resolution of the Council of Ministers of the Republic of Belarus and the National Bank of the Republic of Belarus No. 1/1 on January 3, 2020. The measures envisaging the use of the national currency only as a means of settlements, measure of value, as well as in setting prices, tariffs and executing other payments will be implemented in concert with the involved

government agencies. By the end of 2021, the share of credits² in the national currency in the aggregate structure of credits must be no less than 50%.

23. In 2021, the National Bank's actions will be aimed at further developing investment banking, including creation of conditions to increase the volume of services provided by banks and non-bank financial institutions within activities on trust management of assets.

A build up of the system of assignment and use of ratings based on the national scale will be still topical. Creation of such system will contribute to improvement of the financial market transparency, as well as provision of information on the condition of legal persons and financial instruments issued (granted) thereby to the unlimited range of users, that will facilitate taking of managerial and investment decisions.

24. The National Bank will continue to work on improving conditions for effecting credit and deposit operations, operations involving current (settlement) bank accounts, including with regard to introduction and use of new technologies, as well as improving procedures for carrying out bank and money transfers, documentary operations, and creating environment that makes it possible for various categories of customers to receive banking services in the most comfortable way.

Partner programs between banks and trade (service) organizations, including those aimed at stimulating economic agents to consume domestic goods (works, services), will be further developed.

Improving the quality of banking services, ensuring entirety of information disclosure and transparency of conditions of banking services related to lending, attracting monetary funds into deposits, and operations involving current (settlement) bank accounts continue to be the priorities in streamlining the legislation and working out relevant recommendations to banks.

Legal conditions of carrying out non-cash settlements in the process of execution of monetary obligations by payers, including with account of unification of priority of payments, will be further developed. Besides, holding of events designed to improve the procedures for effecting bank operations using bank instruments of trade financing (letter of credit, bank guarantee, and bank payment obligation) is planned. It is also planned to improve the legislation regulating non-cash settlements involving the use of special accounts (sub-accounts) during the implementation of projects and activities of high national significance, as well as escrow accounts.

² The credits mean the claims of banks and JSC "Development Bank of the Republic of Belarus" on the economy.

The National Bank will retain its priorities of ensuring proportionality of sanctions for non-fulfillment or inappropriate fulfillment of liabilities under the loan agreements and avoiding excessive debt burden on customers.

The National Bank will continue to work on revealing and preventing the use by banks of unfair practices and unfair conditions of loan agreements and agreements on attracting monetary funds into deposits.

25. Developing the non-bank segment of the financial market and broadening the scope of the financing instruments offered thereby will contribute to a decline in concentration of risks in the banking sector and achievement of objectives on creation of new workplaces in the segment of SMEs.

Development of the new types of microfinancing with the use of financial technologies, establishment of legal conditions for increasing the list of instruments of non-bank financing, including those for financing against the assignment of the monetary claim (factoring) by the entities other than banks, as well as widening access of natural and legal persons to the borrowed funds via services of online borrowing, are planned.

CHAPTER 6

ENSURING STABLE AND SAFE FUNCTIONING OF THE PAYMENT SYSTEM

26. In 2021, 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 oversight.

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 services will be elaborated. This will make it possible to perform payments directly from users accounts to the accounts of trade (service) organizations and reduce the cost of payment services.

27. The development of remote banking systems, the introduction of new secure and accessible digital banking technologies to render 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.

28. With the purpose of ensuring the straight-through processing of data transferred between the systems incorporated in the payment system of the Republic of Belarus and other automated banking systems, including those of government agencies, in 2021, the National Bank will continue to introduce the international methodology of ISO 20022 standard into these systems.

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

CHAPTER 7

FINAL PROVISIONS

29. In 2021, the implementation by the National Bank of the measures designed to ensure price and financial stability, development of financial services and the payment system will become an important condition of establishment of the favourable business environment, growth of long-term investments and improvement of the population's well-being.

Key monetary policy indicators of the Republic of Belarus for 2021 are given in the Appendix hereto.

Appendix
to the Republic of Belarus
Monetary Policy Guidelines for 2021

KEY INDICATORS
of the monetary policy
of the Republic of Belarus for 2021

Indicators title	Forecast for January 1, 2022
Growth in consumer prices, % (December 2021 to December 2020)	No more than 5
Growth in average broad money supply, % (December 2021 to December 2020)	7 – 10
International reserve assets of the Republic of Belarus according to the IMF's methodology, USD billion	No less than 6
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