



In 1997 and 1998 the Bank of Russia continued to attach priority to measures to ensure stability of the domestic currency and that was the objective of its monetary policy.

The principal role in curbing inflation was accorded to the so-called “inclining currency band”, which was introduced in 1995 and justified itself until the financial crisis of November 1997. Taking into consideration Russia’s increased integration with the world’s financial markets, the Bank of Russia on January 1, 1998, switched from the practice of setting short-term limits on ruble exchange rate variations to the policy of establishing medium-term orientations for the ruble rate dynamics. For the period of 1998-2000 the Bank of Russia set the central rate at 6.2 rubles to the US dollar, allowing the rate to fluctuate by 15% both ways. However, as the situation in the Russian financial markets became destabilised owing to both internal and external factors, demand for US dollars in the domestic foreign exchange market began to rise steadily.

In that situation, implementing its monetary policy, the Bank of Russia focused attention on the foreign exchange sector.

As yields grew in the domestic government debt market and pressure on the ruble increased, the Bank of Russia repeatedly raised its refinancing rate, which reached its high of 150% in late May and early June, lombard credit rates and the rates of deposits kept in the Central Bank.

As a result of the measures taken, in the first half of 1998 the Bank of Russia managed to keep the ruble exchange rate dynamics within the limits it had declared. In the first six months of this year the ruble rate fell by 4.03% while inflation grew by 4.06%. However, during that period Russia’s international reserves sharply decreased owing to massive foreign currency interventions conducted by the Bank of Russia. The money supply increased at a lower rate than expected. In the first half of 1998 the M2 aggregate decreased by 0.3% in absolute terms, while broad money (money supply including foreign exchange deposits) declined by 3%.

The situation in the domestic foreign exchange market became critical in July-August 1998. In that period the Bank of Russia spent nearly US \$9 billion to prop up the ruble. However, by September 1 the upper limit of the ruble allowable deviations had been surpassed on the Moscow Interbank Currency Exchange (MICEX) and the Bank of Russia had to announce its decision to abandon the policy of artificially backing up the exchange rate of the ruble by

foreign exchange interventions and switch to a floating exchange rate.

As the situation in the various sectors of the financial market remains volatile, the Bank of Russia is making efforts to tighten foreign exchange control. On October 1 it enforced the decision requiring exporters to sell 50% of their foreign exchange earnings at a special trading session on MICEX. The new procedure allows the Bank of Russia to increase control over the demand and supply of foreign exchange in the domestic market, counter speculative operations and thus reduce pressure on the ruble rate.

To improve the situation in the banking sector, the Bank of Russia has conducted a step-by-step operation to clear the log-jam of banks' nonpayments to clients, using funds from required reserves, set special reserve ratios for banks with a large proportion of government securities (GKO-OFZ) in their assets and is now considering the possibility of using a differentiated approach to banks when setting required reserve ratios for them.

Latest update on October 26, 1998

January 1, 1991	the refinancing rate was set at 20%.
June 1, 1991	commercial banks were required to transfer 2% of the funds they attracted to the compulsory reserves fund.
July 24, 1991	Gosbank of the USSR took a decision on introducing a "tourist" ruble of 32 rubles to dollar which actually became the official exchange rate.
December 2, 1991	The "tourist" ruble rate was abolished; commercial banks were given the right to set a foreign currency buy/sale rate in operations with individuals.
February 1, 1992	the reserve requirement rates for demand accounts and time accounts with terms shorter than 1 year were set at 10%, and the rates for liabilities falling due after 1 year were set at 5%.
March 1, 1992	the reserve requirement rates for demand accounts and time accounts with terms shorter than 1 year were set at 15%, and the rates for liabilities falling due after 1 year were set at 10%.
March 30, 1992	the refinancing rate was raised to 50%.
April 1, 1992	the reserve requirement rates were set at 20% for demand accounts and accounts with terms under 1 year and 15% for liabilities falling due after 1 year. These rates were effective until February 1, 1995.
May 23, 1992	the refinancing rate was raised to 80%.
June 8, 1992	the Bank of Russia started setting the official ruble/foreign currencies exchange rate on a weekly basis. Besides the official rate, there was a market rate which was fixed by the results of trading sessions on MICEX.

March 30, 1993	the refinancing rate was raised to 100%.
June 2, 1993	the refinancing rate was raised to 110%.
June 22, 1993	the refinancing rate was raised to 120%.
June 29, 1993	the refinancing rate was raised to 140%.
July 15, 1993	the refinancing rate was raised to 170%.
September 22, 1993	the refinancing rate was raised to 180%.
October 15, 1993	the refinancing rate was raised to 210%.
April 29, 1994	the refinancing rate was reduced to 205%.
May 17, 1994	the refinancing rate was reduced to 200%.
June 2, 1994	the refinancing rate was reduced to 185%.
June 22, 1994	the refinancing rate was reduced to 170%.
June 30, 1994	the refinancing rate was reduced to 155%.
August 1, 1994	the refinancing rate was reduced to 150%.
August 24, 1994	the refinancing rate was reduced to 130%.
October 12, 1994	the refinancing rate was raised to 170%.
November 17, 1994	the refinancing rate was raised to 180%.
January 6, 1995	the refinancing rate was raised to 200%.
February 1, 1995	reserve requirement rates were differentiated: 22% for demand accounts and commercial bank liabilities falling due after 30 days or less; 15% for liabilities falling due after more than 30 days up to 90 days, inclusive; 10% for liabilities falling due after more than 90 days; 2% for current accounts in foreign currency.
May 1, 1995	reserve requirement rates on demand accounts and commercial bank liabilities falling due after 30 days or less were reduced to 20%; the rates on liabilities falling due after more than 30 days up to 90 days, inclusive, were reduced to 14%; for time liabilities falling due after 90 days the rates did not change (10%); the rates on current accounts in foreign currency were cut down to 1.5%.
May 16, 1995	the Bank of Russia refinancing rate was reduced to 195%.
June 19, 1995	the Bank of Russia refinancing rate was reduced to 180%.
July 6, 1995	the rouble exchange rate fluctuations were limited and set at 4.300 roubles to 4.900 roubles for one US dollar for the period from July 6 to October 1, 1995.
October 1, 1995	the rouble exchange rate fluctuations were limited to 4.300-4.900 roubles per US dollar for the period from October 1 to December 31, 1995.
October 24, 1995	the Bank of Russia refinancing rate was reduced to 170%.
November 30, 1995	the rouble exchange rate fluctuations were limited to 4.550-5.150 roubles per US dollar for the period from January 1 to June 30, 1996.
December 1, 1995	the Bank of Russia refinancing rate was reduced to

- 160%.
- February 10, 1996 the refinancing rate was reduced to 120%.
- May 1, 1996 the reserve requirement rates on demand accounts and commercial bank liabilities falling due after 30 days or less were reduced to 18%; the reserve rates on liabilities falling due after more than 30 days up to 90 days, inclusive, were not changed (14%), the rates on liabilities falling due after 90 days remained unchanged (10%) and the rates on current accounts in foreign currency were reduced to 1.25%.
- May 16, 1996 the rouble exchange rate fluctuations were limited for the period from July 1 to December 31, 1996, to 5.000-5.600 roubles for 1 US dollar as of July 1, 1996, and 5.500-6.100 roubles as of December 31, 1996.
- June 11, 1996 the reserve requirement rates were hiked to 20% on demand and time accounts of commercial banks falling due after 30 days or less, to 16% on liabilities falling due after more than 30 days up to 90 days, inclusive, to 12% on liabilities falling due after 90 days, and to 2.5% on foreign-currency current accounts.
- July 24, 1996 the Bank of Russia refinancing rate was reduced to 110%.
- August 1, 1996 the reserve requirement rates were reduced to 18% on demand accounts and commercial banks' liabilities falling due after 30 days or less, to 14% on liabilities falling due after more than 30 days up to 90 days, inclusive, and to 10% on liabilities falling due after 90 days, and the reserve requirement rates on current accounts in foreign currency were raised to 5%.
- August 19, 1996 the Bank of Russia refinancing rate was reduced to 80%.
- October 21, 1996 the Bank of Russia refinancing rate was reduced to 60%.
- November 1, 1996 the reserve requirement rates on demand accounts and commercial bank liabilities falling due after 30 days or less were reduced to 16%, the rates on liabilities falling due after more than 30 days up to 90 days, inclusive, were cut down to 13%, the rates on liabilities falling due after 90 days did not change (10%) and the rates on foreign currency current accounts remained unchanged (5%).
- November 26, 1996 the rouble exchange rate band was set from 5.500 roubles to 6.100 roubles per US dollar as of January 1, 1997, and from 5.750 roubles to 6.350 roubles as of December 31, 1997.
- December 2, 1996 the Bank of Russia refinancing rate was reduced to 48%.
- February 10, 1997 the Bank of Russia refinancing rate was reduced to

	42%.
April 28, 1997	the Bank of Russia refinancing rate was reduced to 36%.
May 1, 1997	the compulsory reserve requirements on demand accounts and fixed-term liabilities of commercial banks under 30 days were cut down to 14%, on fixed-term liabilities with terms from 30 to 90 days to 11%, on fixed-term liabilities in excess of 90 days to 8%, and on current accounts in foreign currency the compulsory reserve requirements were raised to 6%.
June 16, 1997	the Bank of Russia refinancing rate was reduced to 24%.
October 6, 1997	the Bank of Russia refinancing rate was reduced to 21%.
November 11, 1997	the Bank of Russia refinancing rate raised to 28%.
November 11, 1997	reserve requirement for foreign-exchange borrowings made by banks is raised to 9%.
November 11, 1997	after January 1, 1998, the Bank of Russia central exchange rate for a three-year period (1998-2000) will be 6.2 roubles to the dollar (after denomination) and its possible fluctuations will not be allowed to exceed 15%.
February 1, 1998	a single reserve requirements ratio of 11% was set on banks' attracted funds in roubles and foreign currency.
February 2, 1998	the Bank of Russia refinancing rate was raised to 42%.
February 17, 1998	the Bank of Russia refinancing rate was reduced to 39%.
March 2, 1998	the Bank of Russia refinancing rate was reduced to 36%.
March 16, 1998	the Bank of Russia refinancing rate was reduced to 30%.
May 19, 1998	the Bank of Russia refinancing rate was raised to 50%.
May 27, 1998	the Bank of Russia refinancing rate was raised to 150%.
May 27, 1998	Lombard credit auctions are resumed from June 1 to August 1, 1998.
June 5, 1998	the Bank of Russia refinancing rate was reduced to 60%.
June 29, 1998	the Bank of Russia refinancing rate was raised to 80%.
July 24, 1998	the Bank of Russia refinancing rate was reduced to 60%.
August 17, 1998	the Bank of Russia switched to the floating exchange rate of the ruble within new limits of the currency band: 6-9.5 RUR/\$.
August 24, 1998	A single ratio of 10% for required reserves on

attracted funds in rubles and foreign currency was introduced; for Russia's Sberbank the ratio of required reserves on attracted funds was lowered to 7%.

- September 1, 1998 Ratios to the tune of 5% were set for required reserves on attracted funds in rubles and foreign currency for Sberbank and credit institutions whose share of investment in government securities (GKO - OFZ) in operating assets was 40% and above. The ratio of 7.5% was set for required reserves on attracted funds in rubles and foreign currency for credit institutions whose share of investment in government securities (GKO -OFZ) in operating assets was in the range of 20-40%.
- September 2, 1998 the Bank of Russia cancelled the upper limit of changes in the official ruble exchange rate of 9.5 RUR/\$.
- October 6, 1998 Two trading sessions were introduced on MICEX: a special morning trading session where the compulsory sale of 50% of export earnings is effected along with foreign currency purchases by authorised banks which submit clients' applications; and an evening session where banks buy and sell foreign currency on their behalf and for their own account.
- December 1, 1998 A single ratio of 5% for required reserves on attracted funds in rubles and foreign currency was set.

Latest update on November 24, 1998.



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