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### Monetary policy of the Central Bank of Russia Tomsk Polytechnic University

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#### Abstract

The banking system has great importance for effective implementation of monetary policy and for the whole economy in general. The banking system provides transition of investments and capital turnover. If there is a failure, it will bring to crisis, inflation and fiscal system and population downtrend. In the banking system the part link is the Central bank of the country. Central Bank of the Russian Federation is center of the country credit system. Now performance of the Central Bank of Russia is essential because stability and further economic capacity of the country and also consolidation the position on the international market depend on it.

*Keywords:* Central Bank of the Russian, credit system, monetary policy, instruments of monetary policy, internal and external stability;

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#### 1. Introduction

The principles of the organization and the performance of the Central bank of Russian Federation, its status, tasks, functions and powers are defined by the Constitution of the Russian Federation, the Federal Law on the Central Bank and other federal laws.

Status of the Central bank of the Russian Federation is defined by Law on the Central Bank as legal entity. According to the Federal Law ‘On the Central Bank of the Russian Federation [1], the goals of the Bank of Russia are:

- to protect the rouble and ensure its stability;
- promote the development and strengthen the Russian banking system;
- ensure the stability and development of the national payment system;
- develop the financial market of the Russian Federation and ensure its stability.

The Central Bank of Russia carries out a large number of functions which are specified in the Law on the Central Bank. Main functions are

- Provides a credit policy;
- it is the sole issuer of cash and organiser of cash circulation;
- it exercises supervision and oversight of the national payment system;
- it organises the credit institution refinance system;
- it efficiently manages the Bank of Russia international reserves;
- it takes the decision on the state registration of credit institutions, issues banking licences to credit institutions and suspends and revokes them;
- it supervises the activities of credit institutions and banking groups;

- it organises and exercises foreign exchange regulation and foreign exchange control;
- it sets and publishes official exchange rates of foreign currencies against the rouble.[ About the Central Bank of Russia (Bank of Russia)] Monetary Policy is the policy of the state, which influences the quantity of in circulation for the purpose of ensuring stability of the prices, a full employment of the population and growth of real business capacity [2].

## 2. Discussion

The monetary policy of the Central Bank usually corresponds to economic policy of the country. In the countries where the market system is developed, general objectives are ensuring economic growth, decrease in unemployment and inflation. The central bank achieves these goals by providing the economy with necessary money supply and regulation of availability of the credit.

The main objective of the Central Bank is ensuring stability of rouble, control of inflation and control of activity of commercial establishments especially large holding companies [3] that are economically strong and successful. In this regard the Bank of Russia develops a monetary policy which implementation is enabled by means of certain tools, such as:

**Reserve requirements:** regulation of the level of reserves that lending institutions must keep in the reserve account at the central bank of the country. The disadvantage of this method is that main institutions are specialized banks which have small deposits and are in better position compared with commercial banks, with large resources.

**Interest rate policy:** If there is a need to reduce the money supply (currency in circulation) the central bank increases the size of the refinancing rate thus rising interest rates on credit operations of commercial banks, and vice versa.

**Open-market transactions:** it is purchase and sale by the central bank treasury bills, government bonds and consolidated stock.

**Repo operation or repurchase agreement:** is the sale of securities together with an agreement for the seller to buy back the securities at a later date. The repurchase price should be greater than the original sale price, the difference effectively representing interest, sometimes called the repo rate. The party that originally buys the securities effectively acts as a lender. The original seller is effectively acting as a borrower, using their security as collateral for a secured cash loan at a fixed rate of interest.

**Commercial finance “overnight”** are allowed for 1 calendar day [4].

Thus, we can draw a conclusion about the performance of the Central Bank of Russia for the 2013 - 2014:

1. At the end of 2013 - beginning of 2014 was high price variability on the world market. In February 2014 there was a problem for Russia, which was coming from the geopolitical risk - it is a crisis in the Ukraine and the imposition of sanctions by the US and the European Union (EU). As a result of the Russian financial experienced stress market in March 2014.

2. In March-April 2014 decreased output mix of Eurobonds and credits from foreign banks.

3. CB RF key interest rate improving was a stabilizing factor for the rouble.

4. Growth of deposit rates of the population favoured to the normalization population tendency to save, i.e. a decrease in pressure of the demand side.

5. In the last six months there was a perceptible acceleration of mortgage lending growth - up to 31% at an annual rate.

The conduct of monetary policy by the Bank of Russia in the instability of the external and internal conditions of the country's economy is inevitably a number of new problems. The main

problems are the stabilization rate of the exchange, the geopolitical situation, as well as the impact of external economic processes.

Monetary policy, which is carried out in Russia, is focused on ensuring internal and external stability of the national currency. The main problem is inflation. Low inflation rate is a prerequisite for the stability of the rouble and the achievement of sustainable economic growth that will improve the social standard of living.

In Russia, there is open economy that is more dependent on external economic and financial conditions; it does not have the ability to go to the free floating exchange rate.

Now Russia's economy responds to changes in foreign interest rates. When the Central Bank of Russia holds the interest and exchange rate policy, it takes into account the difference between the interest rates in the country and abroad.

Another problem is lending to the real sector of the economy. If the Bank does not have any information on the credit history of borrowers, it holds back lending ranges, and slows the development of entire sectors.

### **3. Conclusion**

Hard Banking Supervision and Regulation of commercial banks activity is required or there may be cyclical fluctuations in economic activity, which means that in a period of inflation banks are interested in the increase of the money supply, and during a recession in the reduce, worsening the crisis.

With monetary policy, the state government wants to defuse the crisis, reduce inflation, improve the circulation of money, to support the situation the state uses a credit to stimulate investments in various sectors of the economy.

The role of the Central Bank in the national economy increases, because it develops through the mechanism of monetary regulation. Providing the necessary conditions for the functioning of the monetary system of the country, the Bank of Russia organizes the economic life of society.

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