



Bank of Russia



2023 H1 REPORT ON THE RUONIA OVERSIGHT COMMITTEE'S ACTIVITY

Moscow
2023

CONTENTS

Preface	2
I. Ruonia oversight committee	3
II. Activity of the Committee	5
Updating the RUONIA List	5
Information support of the RUONIA Averages	5
Rotation of the Committee members.....	5
Plans for 2023 H2.....	6
III. Review of RUONIA in 2023 H1	7
RUONIA as an IBL market benchmark.....	7
RUONIA in financial instruments	9
Detailed information on the indicators for RUONIA calculation.....	12
Summary on errors in reporting affecting the published RUONIA value and the RUONIA Fallback Value calculation.....	13
Glossary	14

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PREFACE

This Report by the RUONIA Oversight Committee of the Bank of Russia (hereinafter, the Report) provides a review of the RUONIA administration over the period from January through June 2023. As a draft public document shall be approved by the RUONIA Oversight Committee, the Report is released no earlier than one month after the end of the period under review. Information on the RUONIA administration is also available in the section [RUONIA](#) on the Bank of Russia website.

The terms in bold are defined in the Glossary.

Please send your feedback on the content or structure of the Report through the [inquiries about RUONIA](#) on the Bank of Russia website.

I. RUONIA OVERSIGHT COMMITTEE

Ruble OverNight Index Average (RUONIA) is the weighted average interest rate on overnight interbank ruble loans (deposits) reflecting a **RUONIA panel bank's** estimated cost of unsecured overnight borrowing. The up-to-date version of the Methodology for Calculating and Publishing RUONIA (hereinafter, the Methodology), effective from 29 November 2021, is [available](#) on the Bank of Russia website.

RUONIA is a risk-free **benchmark** used to monitor and analyse the efficiency of pursuing the operational objective of the Bank of Russia's monetary policy. RUONIA is a benchmark rate used in pricing of a number of financial instruments, including loans, bonds, and derivatives.

In addition to RUONIA overnight, the Bank of Russia also publishes the [RUONIA Averages and the RUONIA Index](#). The RUONIA Averages measure returns on investment for a certain period earned from daily interest capitalisation at RUONIA rates. The RUONIA Index is a value that is equal to the value of one ruble capitalised on a daily basis at RUONIA rates, beginning from the first day for which RUONIA overnight was calculated.

The Bank of Russia is the **administrator** of RUONIA and is in charge of all the stages of its **administration**, including the Methodology, the formation of the **RUONIA List**, data collection, and the calculation and publication of the interest rate benchmark.

On 22 June 2020, the Bank of Russia established the **RUONIA Oversight Committee** (hereinafter, the Committee). The Committee oversees the RUONIA administration in terms of its compliance with the [Principles for Financial Benchmarks of the International Organization of Securities Commissions \(IOSCO\)](#).

The Committee's tasks are as follows:

- oversight over the RUONIA administration process;
- coordination of the documents and procedures related to the RUONIA administration;
- intercommunication with RUONIA users and other stakeholders.

The Regulation on the RUONIA Oversight Committee is [available](#) on the Bank of Russia website.

Members of the Committee as of 1 July 2023:

Ksenia Yudaeva, First Deputy Governor of the Bank of Russia, Chairperson of the Committee;

Sergey Moiseev, Adviser to First Deputy Governor of the Bank of Russia;

Nadezhda Ivanova, Economic Adviser at the Research and Forecasting Department of the Bank of Russia;

Ekaterina Lozgacheva, acting Director of the Financial Market Strategy Department of the Bank of Russia;

Roman Mukhlynov, Deputy Director of the Department for Countering Misconduct – Chief of the Division for the Regulation of Countering Misconduct of the Bank of Russia;

Ivan Shevchuk, Deputy Director of the Financial Stability Department – Chief of the Division for Managing Financial Market Risks and Stress Testing of the Bank of Russia;

Vasily Zablotsky, President of the National Finance Association (as agreed);

Sergey Golovanev, Head of the Moscow Exchange's Index and Market Data Department (as agreed).

The Committee's Executive Secretary is **Elena Ershova**, Deputy Chief of the Division for Lending and Interest Rates Statistics and Statistics Communication at the Statistics Department of the Bank of Russia.

The Committee held two meetings in 2023 H1.

To ensure the transparency of the RUONIA administration, maintain its high standards, and assure the financial market participants using RUONIA in financial instrument pricing of the reliability and high quality of RUONIA and compliance with the international standards, the Bank of Russia releases the Report on the Committee's activity. In accordance with the Regulation on the Committee, the Bank of Russia publishes the Report on the Committee's activity every six months on the Bank of Russia website.

II. ACTIVITY OF THE COMMITTEE

Updating the RUONIA List

The Bank of Russia reviews the **RUONIA List** at least every six months to ensure that the benchmark is representative. Based on the analysis of the structure of the interbank market, the Bank of Russia may decide to update the list or keep it unchanged.

Credit institutions are selected according to the Methodology approved by [Bank of Russia Order No. OD-1795, dated 24 August 2021](#). Having analysed the current market structure, the Committee excluded one organisation from the List of RUONIA Panel Banks in June 2023.

The Committee plans to update again the RUONIA List or confirm its current version in 2023 H2.

Information support of the RUONIA Averages

The Bank of Russia continues to implement measures promoting the RUONIA benchmark among financial market participants. In the course of the meetings with them, the Bank of Russia reiterates that the methodology for calculating the RUONIA Averages is in line with the calculation procedures established for similar risk-free interest rates used by foreign financial market regulators. Its use helps smooth out interest expenses, and the RUONIA Averages can thus be considered as a protection against interest rate shocks of the money and foreign exchange markets. The Bank of Russia emphasises that the RUONIA Averages are reliable interest rates and, in line with best international practices, recommends the use of RUONIA and the RUONIA Averages when developing financial products. In this regard, it is important to mention the meeting held by the Bank of Russia with representatives of the most active credit market participants in March to discuss the issues related to the transition from the key rate to the RUONIA Averages in loan agreements and the ways to address these issues.

At the meeting in June, the Bank of Russia and representatives of the Ministry of Finance of the Russian Federation discussed the reasonableness of using the RUONIA Averages in subsidised programmes and the transition from the RUONIA median to the RUONIA Averages when setting coupon rates on federal government bonds. After the calculations following the meeting, the Bank of Russia sent its proposals to the Ministry of Finance of the Russian Federation.

In July 2022, the Bank of Russia held a meeting with market participants to discuss the cancellation of the MosPrime Rate. The participants in the meeting confirmed the need to abandon MosPrime as soon as possible due to a small number of contributors, which involved risks of manipulation of this benchmark. Pursuant to the decision made at the said meeting, the publication of this rate was terminated on 30 June 2023. In effective MosPrime-based contracts, market participants will use the RUONIA Averages adjusted for the [five-year median spread](#) of these two benchmarks fixed as of 30 December 2022.

Rotation of the Committee members

The composition of the Committee remained unchanged over the period under review.

Plans for 2023 H2

In 2023 H2, the Committee plans to:

- update the List of RUONIA Panel Banks or confirm its current version every six months;
- carry out monitoring of the interbank market and relevance of the RUONIA Methodology for its structure;
- continue providing information support of the RUONIA Averages;
- form the long-term curve of interest rates based on the RUONIA Averages;
- publish explanatory materials on RUONIA on the Bank of Russia website to enhance the accessibility of the information about RUONIA and the RUONIA Averages.

III. REVIEW OF RUONIA IN 2023 H1

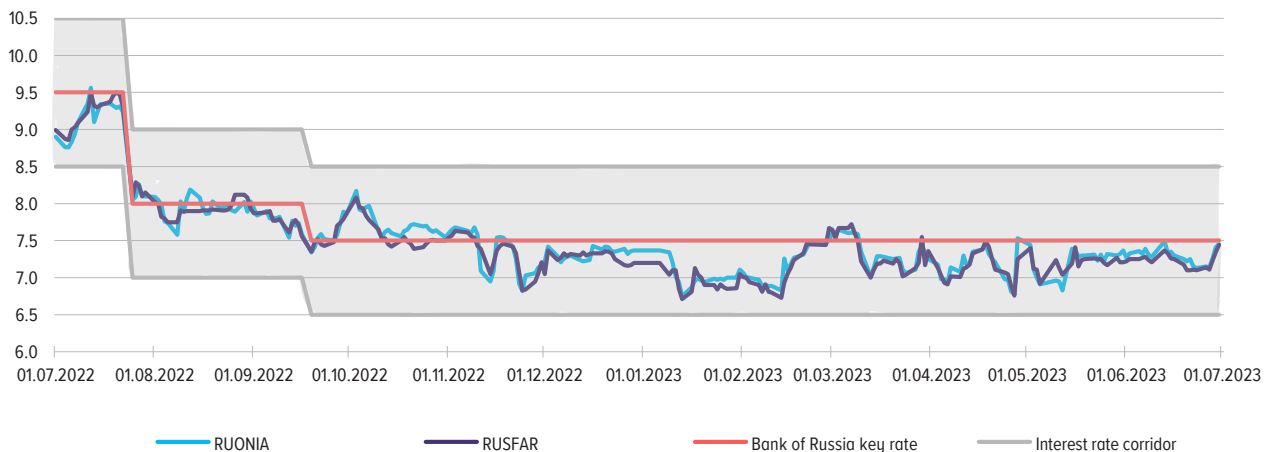
RUONIA as an IBL market benchmark

The Bank of Russia key rate remained unchanged throughout 2023 H1. As before, RUONIA values stayed below the key rate during this period, demonstrating a sideways trend. The RUONIA movements were generally consistent with changes in RUSFAR, an indicator of the cost of overnight borrowing (Chart 1).

In 2023 H1, the RUONIA movements were representative of the demand and supply in the interbank market. The amount of transactions increased notably. Specifically, the total amount of transactions averaged ₴412 billion in 2023 H1, which was 53% more than in 2022 H2 (₴269 billion) (Chart 2).

MOVEMENTS OF RUONIA, INTEREST RATE CORRIDOR, AND RUSFAR (%)

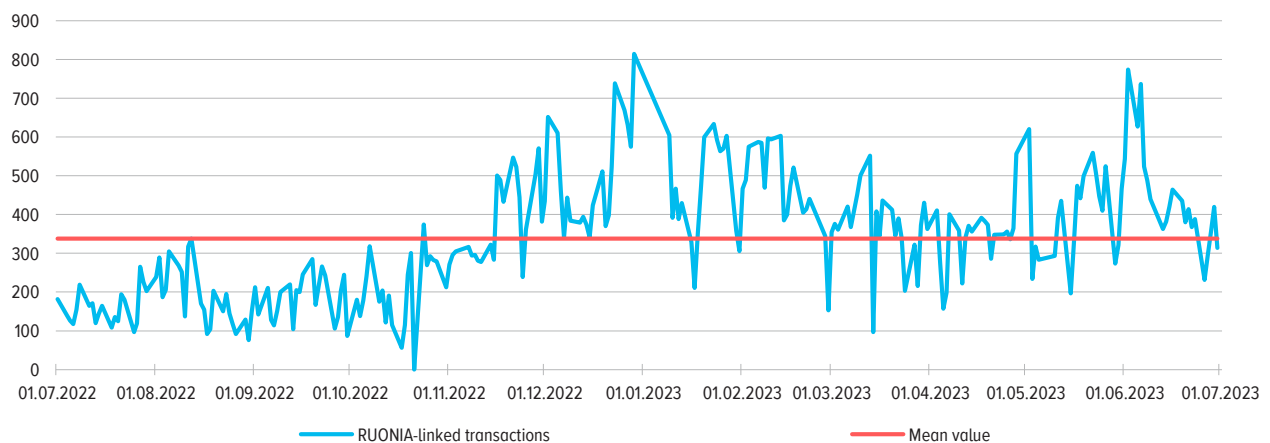
Chart 1



Sources: Bank of Russia, PJSC Moscow Exchange.

AMOUNT OF TRANSACTIONS TAKEN INTO ACCOUNT IN THE RUONIA CALCULATION (₴ BN)

Chart 2



Source: Bank of Russia.

Activity in the **IBL** market, especially among RUONIA panel banks, significantly increased. The amount of transactions in the IBL market rose by 83.4% over 2023 H1, as compared to 2022 H2, to reach ₺5,181 billion, while the amount of RUONIA-linked transactions surged by 54.0% over this period to total ₺2,492 billion. Accordingly, RUONIA market participants' turnover accounted for 48.0% in the IBL market (Chart 3).

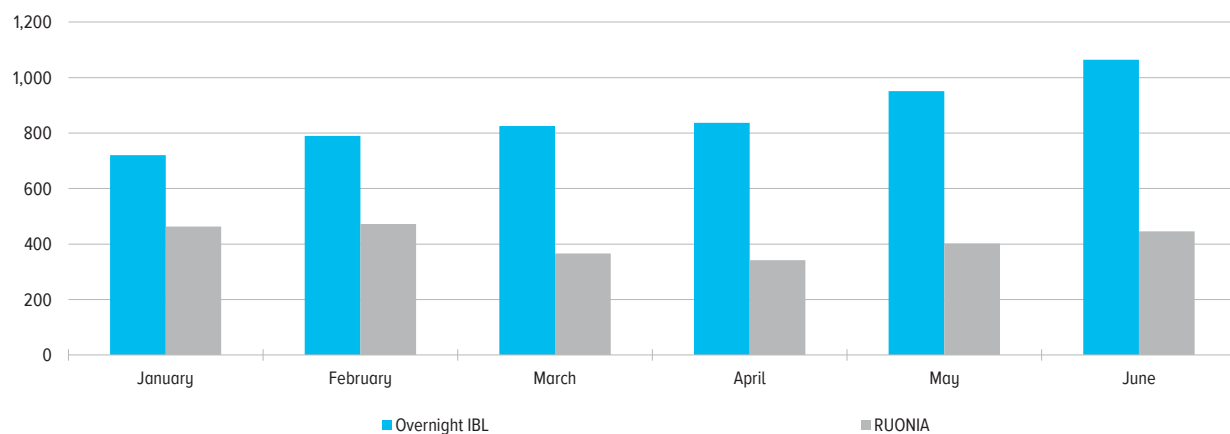
The diagram of the network structure (Chart 4) shows that the RUONIA panel banks' transactions over the period under review represented the transactions of the core of overnight IBL.

Chart 5 shows the portion of the RUONIA panel banks who conducted transactions taken into account in the RUONIA calculation to the total number of the RUONIA panel banks over the period under review.

The six-month average percentage of the RUONIA panel banks increased by 13.4 pp from 48.1% in 2022 H2 to 61.5% in 2023 H1, which is another evidence of higher activity among the RUONIA panel banks.

AVERAGE DAILY TURNOVER OF RUBLE-DENOMINATED OVERNIGHT INTERBANK LOANS WITH RESIDENTS
AND AVERAGE DAILY RUONIA VOLUME* OVER THE YEAR
(P BN)

Chart 3



* The average daily volume of RUONIA is calculated as a total of RUONIA volumes over a month divided by the number of the days of publication over the month.
Source: Bank of Russia.

NETWORK STRUCTURE OF TRANSACTIONS IN THE OVERNIGHT IBL MARKET OVER 2023 H1

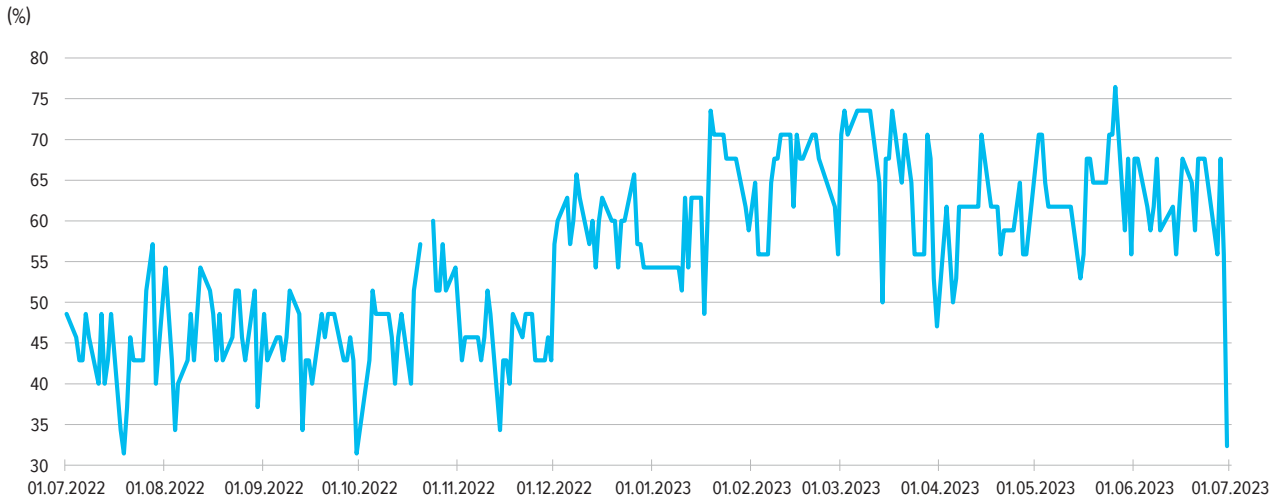
Chart 4



Source: Bank of Russia.

PROPORTION OF THE PANEL BANKS WHO CONDUCTED TRANSACTIONS IN THE TOTAL NUMBER OF THE RUONIA PANEL BANKS (%)

Chart 5



Source: Bank of Russia.

RUONIA in financial instruments

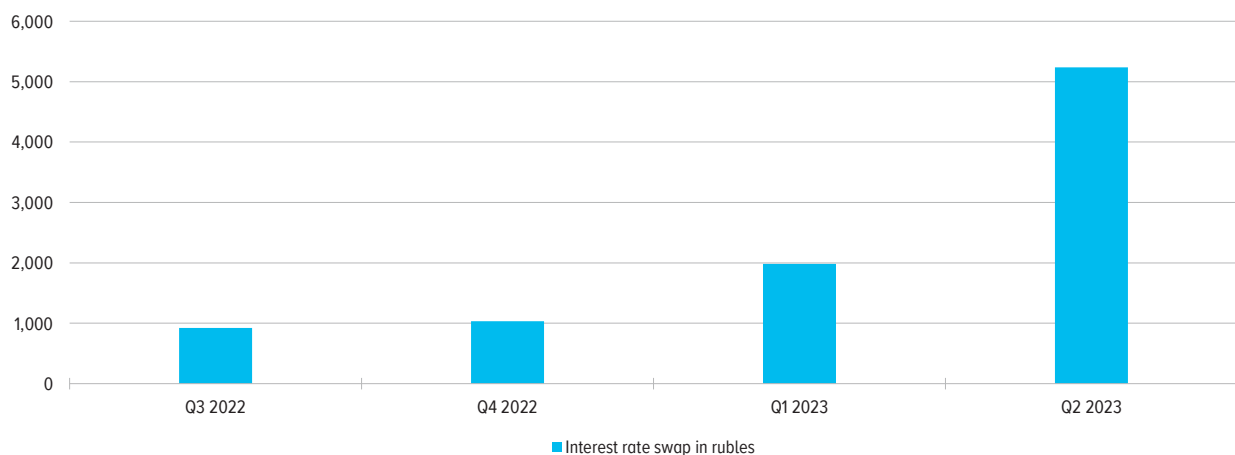
Compared to the previous six months, the turnover of over-the-counter derivatives linked to RUONIA surged 2.7 times in 2023 H1, which proved that market participants were more interested in using RUONIA in interest rate swaps (Chart 6).

In 2023 H1, market participants primarily applied two floating rates in ruble-denominated interest rate swaps – RUONIA and the Bank of Russia key rate. As compared to 2022 H2, the proportion of RUONIA-linked transactions edged up by 11.5 pp from 21.0% to 32.5%, while that of transactions linked to the Bank of Russia key rate was up by 8.2 pp from 54.5% to 62.7% (Chart 7), which was due to a lower percentage of MosPrime-based transactions.

In April 2023, after the one-quarter period of voluntary conversion ended, the MOEX completed the transition to RUONIA in the standardised derivatives market,¹ having changed the terms of the remaining transactions unilaterally.

TURNOVER OF OVER-THE-COUNTER DERIVATIVES LINKED TO RUONIA FROM 2022 H2 THROUGH 2023 H1 (\$ MM)

Chart 6

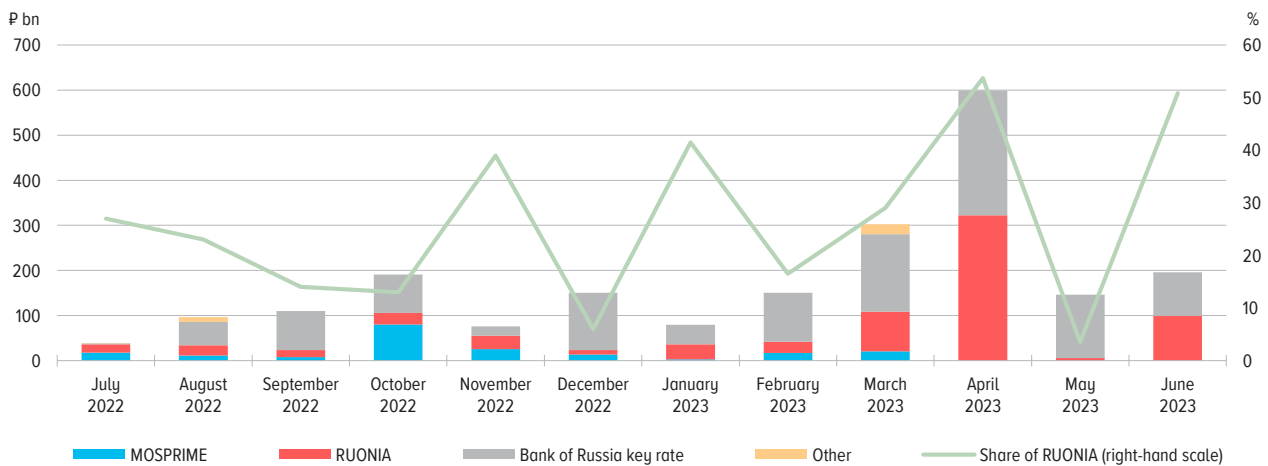


Source: Bank of Russia.

¹ <https://www.moex.com/n55736>.

COMPARISON OF THE USE OF RUONIA AND OTHER FLOATING RATES IN RUBLE INTEREST RATE SWAPS IN THE SAME CURRENCY

Chart 7



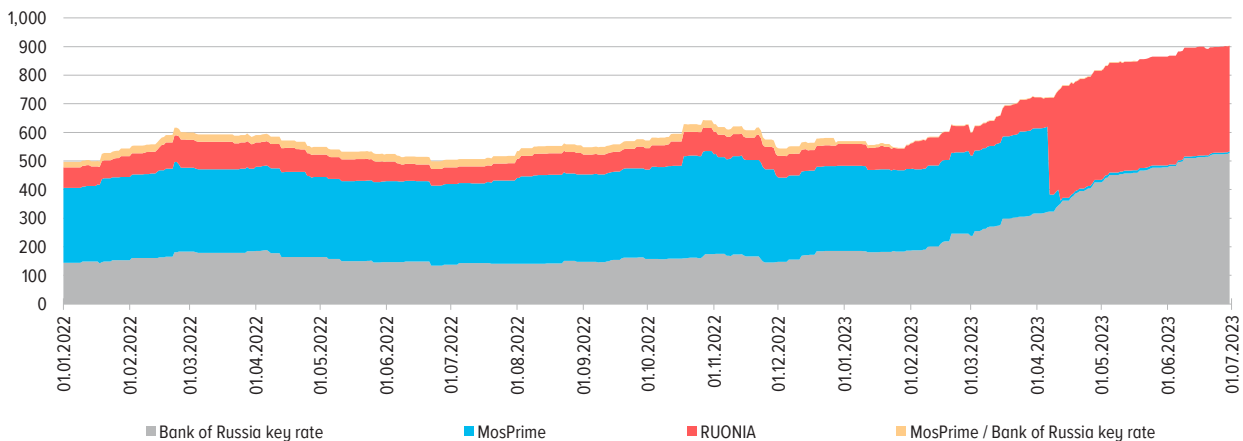
Source: Bank of Russia.

After the replacement of the benchmarks, the standardised derivatives market participants preferred to use only overnight RUONIA and the Bank of Russia key rate. As of 1 July 2023, most ruble-denominated interest rate swaps (64%) were linked to the Bank of Russia key rate (Chart 8). Besides, the demand for this instrument had been steadily growing beginning from February 2023. Over February–July 2023, the amount of open positions surged 2.3 times to ₴618 billion. Thus, the market for RUONIA-linked standardised derivatives will develop further in the conditions of the competition between RUONIA as the key benchmark of standardised derivatives and the Bank of Russia key rate.

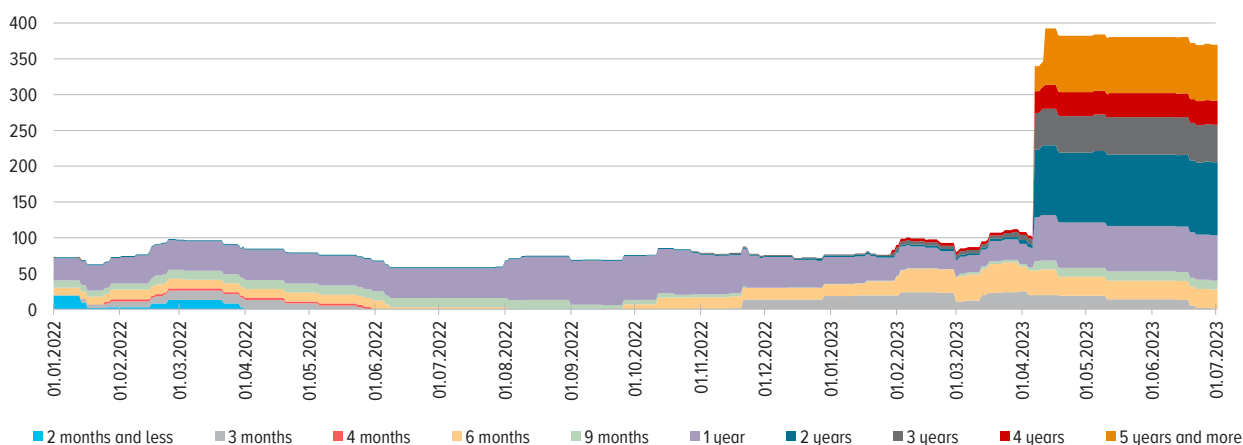
Both rates are short-term benchmarks and, accordingly, do not necessarily reflect the cost of borrowings for longer investment periods. The periods of RUONIA values used in derivatives can be expected to become longer over time. Currently, the Bank of Russia publishes, on a daily basis, overnight RUONIA, the RUONIA Averages calculated for one, three and six months, and the RUONIA Compounded Index that market participants can use to calculate interest rates for any (non-standard) maturity on their own. These benchmarks reflect the state of the Russian financial market during various periods. Liquidity in long-term RUONIA-linked derivatives will provide hedging instruments to market participants and make them more interested in RUONIA as a benchmark.

AMOUNTS OUTSTANDING IN THE EXCHANGE MARKET OF RUBLE INTEREST RATE SWAPS, BY BASE RATE (P BN)

Chart 8



Source: PJSC Moscow Exchange.

STRUCTURE OF AMOUNTS OUTSTANDING IN THE EXCHANGE MARKET OF RUBLE INTEREST RATE SWAPS, BY MATURITY *Chart 9*
(P BN)

Source: PJSC Moscow Exchange.

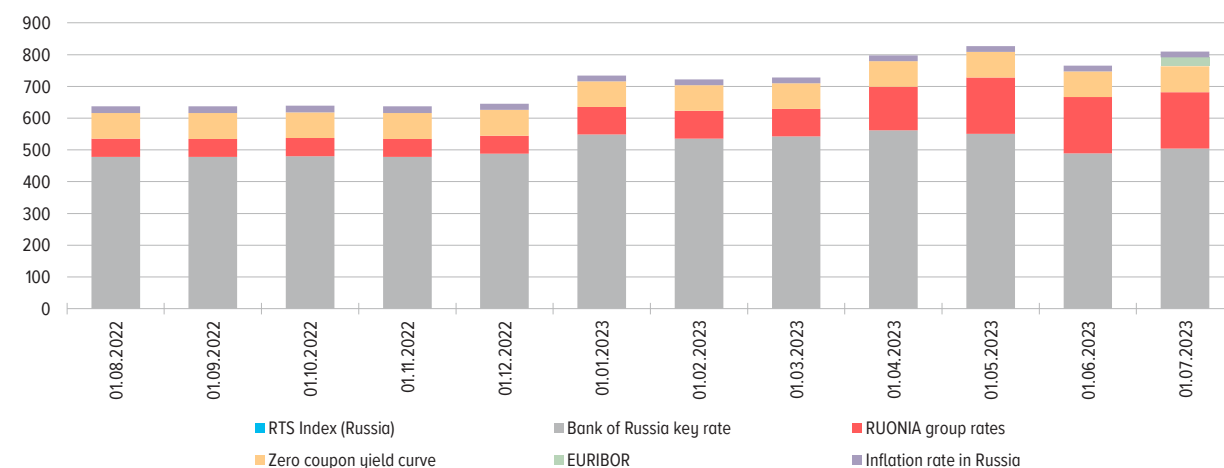
At the beginning of April 2023, amounts outstanding in ruble-denominated interest rate swaps linked to RUONIA surged 2.8 times to P343 billion and the maturities of these transactions became longer (Chart 9), which in turn was associated with the reform of interbank benchmarks. Previously, most ruble-denominated interest rate swaps with maturities of over one year were linked to MosPrime.

Chart 10.1 shows the issue of variable-coupon debt securities in rubles by financial institutions classified as 'other financial institutions', broken down by the benchmark type.

Of the six instruments, debt on issued bond loans linked to the Bank of Russia key rate decreased by 7.9% over 2023 H1 compared to 2022 H2, whereas debt on RUONIA-linked securities surged 2.04 times (Chart 10.1). The issue of the other instruments declined.

In addition, it is worth noting the fact of the issue of variable-coupon debt securities linked to RUONIA by a non-resident issuer and resident non-financial organisations (Chart 10.2).

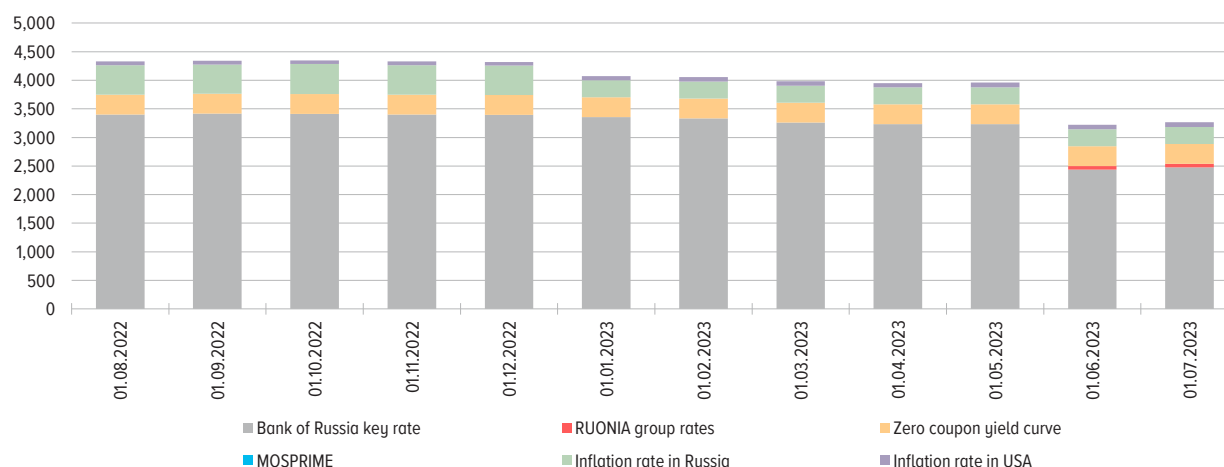
The Eurasian Development Bank started to issue bonds with interest rates linked to RUONIA group rates, which is an important event of the period under review. In addition, such companies as RESO-LEASING and NORILSK NICKEL issue bonds linked to RUONIA group rates.

VARIABLE-COUPON DEBT SECURITIES ISSUED BY THE SECTOR 'OTHER FINANCIAL INSTITUTIONS',
BY THE BENCHMARK RATE TYPE *Chart 10.1*
(P BN)

Source: Bank of Russia.

VARIABLE-COUPON DEBT SECURITIES ISSUED BY NON-FINANCIAL ORGANISATIONS, BY THE BENCHMARK TYPE (P BN)

Chart 10.2



Source: Bank of Russia.

The market for RUONIA-linked instruments was developing in 2023 H1, being influenced by, among other factors, the transition from the MosPrime Rate which was last published on 30 June 2023. The transition from MosPrime to RUONIA in current transactions using the above adjustment for the spread published by the Bank of Russia comprised two stages: the conversion upon agreement between the parties from 1 January 2023 through 30 March 2023 and the mandatory conversion of all remaining MosPrime-linked transactions based on the NCC's decision on 31 March 2023. From 1 April 2023, new MosPrime-linked transactions in the standardised derivatives market became impossible.

The transition procedure implied the replacement of MosPrime for RUONIA in effective transactions using the adjustment for the spread published by the Bank of Russia² in compliance with the adapted ISDA Fallback Methodology.

Detailed information on the indicators for RUONIA calculation

Chart 11 shows the dynamics of the range (difference between the maximum and minimum values) and the interquartile range (IQR, H-spread) of the RUONIA panel banks' interest rates over 2023 H1.

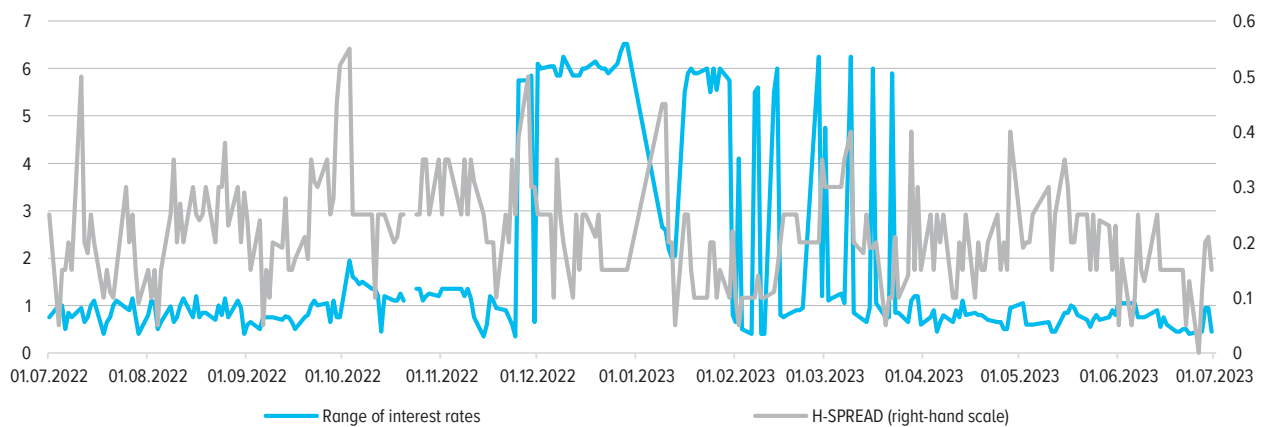
In 2023 H1, the IQR of interest rates returned to its usual values. Besides, there was no correlation between these indicators: the coefficient of their correlation was -0.06 with the t-criterion equalling -0.61.

The data published statistically confirm the correlation between the amount of RUONIA-linked transactions and the number of the panel banks: the coefficient of their correlation was sufficiently high reaching 0.77, with the t-criterion equalling 13.08. Based on the data provided, it is possible to conclude that transactions of similar amounts prevail in the transactions conducted between the RUONIA panel banks and that a rise in the amount is often achieved through an increase in the number of conducted transactions.

² http://www.cbr.ru/hd_base/mosprime-spread.

THE RANGE AND THE H-SPREAD OF THE RUONIA PANEL BANKS' INTEREST RATES
(PP)

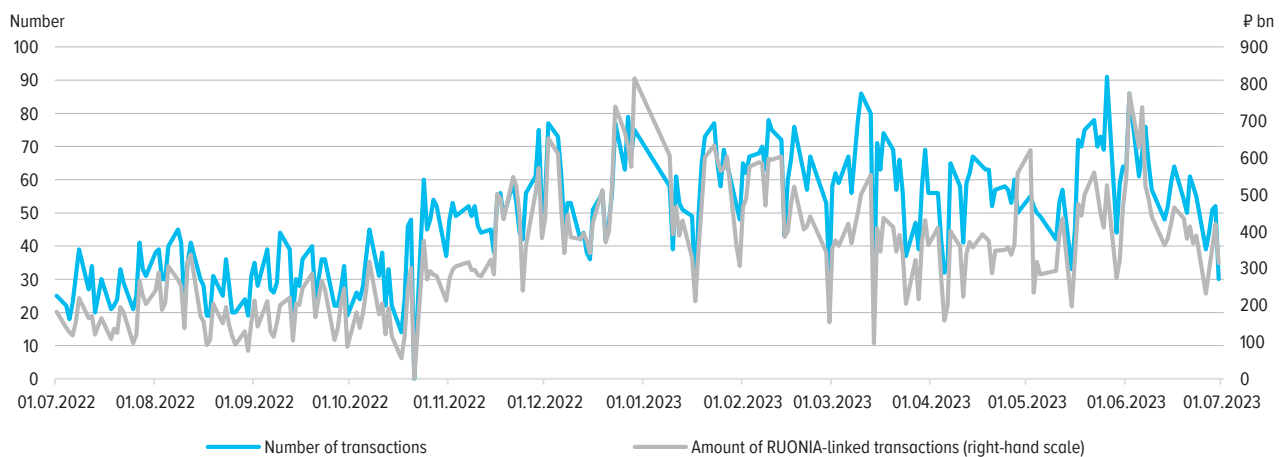
Chart 11



Source: Bank of Russia.

AMOUNT AND NUMBER OF THE RUONIA PANEL BANKS' TRANSACTIONS

Chart 12



Source: Bank of Russia.

Chart 12 shows changes in the number and amount of the RUONIA panel banks' transactions.

The average amount of a transaction in 2023 H1 reached $\text{₽}7.02$ billion, increasing by 5.9% as compared to $\text{₽}6.63$ billion in 2022 H2.

Summary on errors in reporting affecting the published RUONIA value and the RUONIA Fallback Value calculation

The calculation of RUONIA covering unmatched transactions in the benchmark calculation base was not made in 2023 H1. The RUONIA Fallback Value was not calculated either.

GLOSSARY

Administration – the set of functions for developing and communicating the benchmark, including the definition of the benchmark, elaboration of its methodology, collection and processing of source data, and calculation and communication (publication) of the benchmark.

Administrator – the organisation responsible for the benchmark administration.

Benchmark – an aggregated indicator in the form of an index, an interest rate, or an exchange rate enabling the analysis of changes in the value of underlying assets over time and the assessment of the situation in the market of underlying assets both as a whole and of its individual segments.

IBL – interbank lending.

Oversight – one of the functions of the administrator who should control the revision and change of important administration processes, including the intended, expected, or known use of the benchmark, as well as any significant actual or potential conflict of interest.

RUONIA Average – an interest rate benchmark measuring returns on investment for a certain period (term) earned from daily interest capitalisation at RUONIA rates. RUONIA Averages are calculated and published by the Bank of Russia for one, three, and six months.

RUONIA Fallback Value – a RUONIA value calculated to ensure the continuity of the calculation of this benchmark where it cannot be calculated according to the standard procedure.

RUONIA Index – a value that is equal to the value of one ruble capitalised on a daily basis at RUONIA rates, beginning from 11 January 2010 (the first day for which RUONIA was calculated). Using the RUONIA Index, every market participant can calculate interest rates for any (non-standard) reference periods.

RUONIA List – the list of Russian credit institutions which transactions are used to calculate RUONIA; this list is approved by the Bank of Russia according to the established procedure.

Ruble OverNight Index Average (RUONIA) – an interest rate benchmark which is the weighted average interest rate on unsecured overnight ruble lending transactions carried out between the credit institutions put on the RUONIA list.

RUONIA Oversight Committee (Committee) – the Bank of Russia's collegial body responsible for overseeing the RUONIA administration process to be performed in compliance with the IOSCO Principles for Financial Benchmarks).

RUONIA Panel Bank – a credit institution put on the RUONIA List.