



Bank of Russia



# REPORT ON THE ACTIVITIES OF THE RUONIA OVERSIGHT COMMITTEE IN H2 2020

Moscow  
2021

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Compiled by the Bank of Russia Executive Office and the Statistics Department.

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## PREFACE

This Report of the Bank of Russia RUONIA Oversight Committee (the “Report”) presents an overview of RUONIA’s administration from July 2020 to December 2020. Given that drafts of such public documents require prior approval of the RUONIA Oversight Committee, the Report is published no earlier than a month after the end of the period covered. Information on the rate’s administration is also available under section [“RUONIA”](#) of the Bank of Russia official website.

The **bolded** terms used in the Report are defined in the Glossary hereof.

If you have any comments or proposals regarding the content or presentation of the Report, please contact us via the [page for RUONIA inquiries](#) at the Bank of Russia official website.

## I. RUONIA OVERSIGHT COMMITTEE

**Ruble OverNight Index Average (RUONIA)** is the weighted average interest rate on overnight interbank ruble loans (deposits) reflecting the cost of unsecured overnight borrowing. Up-to-date methodology of RUONIA's determination and publication (applied since 23 December 2020) is [available](#) at the Bank of Russia website.

RUONIA is a risk-free **interest-rate benchmark** used to monitor and analyse the effectiveness in achieving the operational objective of the Bank of Russia's monetary policy. The pricing of several financial instruments, such as loans, bonds and derivatives, is linked to RUONIA.

The Bank of Russia is RUONIA's **administrator** and is in charge of all the stages of the **administration** process, including RUONIA's methodology, compilation of **the RUONIA List**, data collection, as well as calculation and publication of the interest rate.

On 22 June 2020, the Bank of Russia established the **RUONIA Oversight Committee** (the "Committee"), which oversees the administering of RUONIA in terms of its compliance with the [IOSCO Principles for Financial Benchmarks](#).

The Committee is tasked with:

- overseeing the implementation of the RUONIA administration functions;
- approving the documents and procedures related to administering RUONIA;
- working with RUONIA users and other stakeholders, including the Self-Regulatory Organisation "National Finance Association" (SRO NFA) Expert Council on Benchmarks and Rates.

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

Members of the Committee as of 1 January 2021:

**Ksenia Yudaeva** – First Deputy Governor of the Bank of Russia, Chair of the Committee

**Nadezhda Ivanova** – Adviser to First Deputy Governor of the Bank of Russia

**Sergey Moiseyev** – Adviser to First Deputy Governor of the Bank of Russia

**Irina Melnikova** – Deputy Director of the Bank of Russia Financial Market Strategy Department, Chief of the Division for Implementing Strategic Initiatives on the Financial Market

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

**Ivan Shevchuk** – Chief of the Division for Managing Financial Market Risks and Stress Testing at the Bank of Russia Financial Stability Department

**Vasiliy Zablotskiy** – President of Self-Regulatory Organisation "National Finance Association"

**Oleg Gorlinskiy** – Representative of Self-Regulatory Organisation "National Finance Association"

The Committee's Executive Secretary is Yelena Yershova, Deputy Chief of the Division for Lending and Interest-Rate Statistics and Distributing Statistical Information at the Bank of Russia Statistics Department.

As of 1 January 2021, four meetings of the Committee have been held.

The Bank of Russia publishes the Report in order to ensure transparent administration of RUONIA, maintain its high standards and assure financial market participants using RUONIA in financial instruments' pricing that RUONIA is a reliable high-quality benchmark that complies with applicable international norms. In accordance with the Regulation on the Committee, the Report is published semi-annually on the Bank of Russia official website.

## II. THE COMMITTEE'S ACTIVITIES

### Administration procedures in the Bank of Russia

The Committee's primary tasks for 2020 were to establish the administration procedures in the Bank of Russia and to follow up on the implementation of the administrative decisions made. In accordance with the IOSCO Principles for Financial Benchmarks, an administrator is in charge of all the aspects of determining the benchmark. In particular, an administrator is responsible for:

- defining the benchmark and its methodology;
- collecting and compiling data, as well as calculating and publishing the benchmark;
- ensuring transparency over significant decisions affecting the data compilation and the benchmark's calculation, including contingency measures in the event of absence or insufficiency of inputs, failure of critical infrastructure, etc.; and
- establishing credible and transparent administration procedures.

Special attention is devoted to the policy for managing conflicts of interest. The administrator is to mitigate any present or potential conflicts arising from the administrator's interests connected to its other activities and affiliates. For the purposes of mitigating such conflicts of interest, the Committee was established as the Bank of Russia's independent collegial body in charge of overseeing the performance of RUONIA administration functions. The Committee's Chair is Ms Ksenia Yudaeva, Bank of Russia First Deputy Governor in charge of monetary statistics. The Committee includes Bank of Russia employees not involved in determining and distributing the benchmark. Besides, the Committee may not include the employees of Bank of Russia functions, the key business processes of which involve RUONIA, including design and implementation of the monetary policy.

During its first meeting in July 2020, the Committee reviewed and approved the procedure for administering RUONIA at the Bank of Russia, and decided on distributing the responsibilities in respect of preparing Bank of Russia documents for external audit (please see the "International Audit" section hereof). In July 2020, Bank of Russia Governor Elvira Nabiullina signed Order "On Organising the Administration of Ruble OverNight Index Average (RUONIA) at the Bank of Russia".

The Bank of Russia Statistics Department is in charge of methodological support for the administration in terms of determining the benchmark calculation methodology, the RUONIA List, and the procedures for organising the RUONIA administration processes. Besides, the Statistics Department is responsible for examining and ensuring the correctness of the data used for RUONIA calculation, for calculating and publishing RUONIA, and for providing administrative support to the Committee's activities. The Information Technology Department supports the software and hardware used for calculating and publishing RUONIA, and stores the data used for calculating RUONIA. The Financial Market Strategy Department is responsible for the Committee's communications with international institutions and regulators with regard to administering and using RUONIA, as well as communications with foreign benchmark administrators. Moreover, the Financial Market Strategy Department supports the Bank of Russia's cooperation with the SRO NFA Expert Council on Benchmarks and Rates. Finally, the Internal Audit Department has been in charge of the internal audit of RUONIA's administration at the Bank of Russia since 2021.

Developing the administration procedures also involved creating new protocols for communication between Bank of Russia functions in the context of implementing controls over and compiling data used to calculate RUONIA, and of calculation and publication of RUONIA, as well as communication with third parties. The protocols have determined the distribution of responsibilities and functions between the departments with regard to maintaining RUONIA's quality. Besides, organising the administration procedures ran concurrently with the redesign of business processes at the Statistics

Department, which has ensured the independence of (1) quality control of RUONIA's data, calculation and publication, and (2) methodological support of the administration process.

## Improving the methodology

Pursuant to the IOSCO Principles for Financial Benchmarks, an administrator is in charge of the methodology for the benchmark's calculation. Its structure should ensure an accurate and reliable representation of the economic activities measured by the benchmark. Therefore, the methodology should aim to eliminate factors that could distort the benchmark's value, and the administrator should conduct a regular methodological review of the benchmark. No methodological reviews of RUONIA were performed from the benchmark's launch in 2010 until 2020. During the July 2020 meeting, the Committee tasked the Statistics Department with preparing proposals for improving the methodology for determining and publishing RUONIA.

In August 2020, the Committee reviewed the proposals for updating the benchmark's methodology based on the following approaches:

- confirming the benchmark's definition as an interest rate measuring the pricing conditions in the interbank market;
- maintaining RUONIA's methodological basis as a weighted average benchmark reflecting the transaction volumes prevalent in the market;
- further smoothing RUONIA's values by excluding transactions with the lowest and highest interest rates;
- abandoning statistical filters that excluded certain high value transactions from RUONIA on the grounds of those being non-market transactions;
- replacing the MosPrime RUONIA Fallback Value with a combined RUONIA value for the current day and the previous day;
- expanding the publication format by adding information on the number of RUONIA transactions and participants, on the minimum and maximum interest rates, 25th and 75th percentiles of interest rates, and the calculation's status.

The key proposals were devoted to (1) abandoning the filtering of high value transactions, since backtesting had shown that such filters were ineffective, (2) replacing the MosPrime indicator due to its non-compliance with international standards, and (3) amending the publication format in accordance with the IOSCO requirements.

In order to evaluate the proposals objectively, the Committee launched independent internal testing of the RUONIA methodologies as of 2010 and 2020, the results of which were presented at the Committee's meeting in August 2020:

- RUONIA's 2010 and 2020 iterations share the same methodological basis, and therefore the benchmark's value is identical according to both versions.
- RUONIA's 2020 iteration does not create any statistically significant long-term shifts in the interest rate.
- RUONIA's 2020 iteration has symmetrical distribution characteristics.
- RUONIA's volatility characteristics remain unchanged in the 2020 iteration.
- The 2020 version of RUONIA is more representative as it provides a greater market coverage in terms of trading volume.
- Statistical filters utilised in RUONIA's 2010 version did not play any role since the calculation excluded transactions in average market rates, so the volumes used for calculating RUONIA declined; however, the benchmark's value remained the same.
- There were no indications of manipulations involving excluded transactions in RUONIA's 2010 iteration, since the operations in question did not affect the benchmark's value.

The draft of the updated methodology was compiled in accordance with international standards and ensured methodological continuity of the benchmark's calculation and statistical characteristics.

Empirical analysis confirmed that the updated methodology provided statistical neutrality and continuity. Moreover, statistical backtesting showed that the benchmark's value and volatility remained the same. Therefore, there was no need to review RUONIA's historical data series.

In October 2020, the Committee once again considered the draft of the updated methodology as well as the opinion of an external auditor, who noted that the proposal did not contradict the IOSCO requirements. During the same meeting, the Committee gave its approval to the updated RUONIA methodology, after which the Committee Chair submitted it for the consideration of Ms Elvira Nabiullina, the Bank of Russia Governor.

The updated RUONIA methodology was approved by the Governor's order of 1 December 2020, to be applied as of 23 December 2020. Thus, by the time the organising of administration and external audit was finalised, the benchmark's structure and publication had been put in line with international standards.

Continuing its efforts in the area of methodology, in November 2020 the Committee made arrangements to prepare a formalised and methodology-informed procedure for choosing credit institutions that would become RUONIA Participants. It is expected that the respective criteria will be finalised in H1 2021.

## Public consultations

The Bank of Russia communicates with RUONIA users and other stakeholders. Pursuant to the IOSCO Principles for Financial Benchmarks, administrators should publish or make available a justification for any significant amendments to the benchmark's methodology. Information disclosure should involve holding consultations or notifying the benchmark's users and other stakeholders accordingly. Administrators should specify the consequences of the methodological amendments and when those are entering into force.

In July 2020, after the Committee requested proposals on improving the methodology for determining and publishing RUONIA, the Bank of Russia first presented its proposals at a session of the SRO NFA Expert Council on Benchmarks and Rates. The presentation mostly covered the issue of abandoning statistical filters that exclude certain high value transactions from the RUONIA calculation. Some of the discussion participants suggested that large transactions could be non-market or not overnight in nature.

The issue was brought up again at the Committee's meeting in August 2020, and it was decided that a microeconomic analysis of high value transactions was required. The RUONIA Participants were sent requests to provide information on the characteristics of certain interbank transactions previously excluded from the RUONIA calculation. The respondents noted that the excluded transactions were of market nature and did not distort the indicator in any way. Additional empirical analysis confirmed that certain high value transactions were completed on average market conditions, so their exclusion did not affect RUONIA's value. Besides, similar statistical filters are not used in foreign benchmarks administered by central banks since data on high value transactions is important for monetary analysis of interbank markets' liquidity.

In August 2020, the Committee once again reviewed the proposed amendments to the methodology as well as the respective position of SRO NFA representatives, and decided that public consultations should be held on the matter. In September 2020, the Bank of Russia organised a public discussion of the draft of the updated methodology at the Forum Analytical Center. The discussion featured representatives of the Russian Ministry of Finance, the Federal State Statistics Service, the Moscow Exchange and the Russian academic community. The Bank of Russia presented a comparison of RUONIA calculation results for the 2014–2020 period using the then-current and the updated methodologies. Independent experts discussed the methodological continuity of the RUONIA calculation and the benchmark's statistical characteristics. The proposed amendments were generally approved by external experts with experience in developing and calculating benchmark indicators.

In November 2020, the Committee decided to continue its research on high value transactions, taking into consideration the purview of the Bank of Russia functions in charge of the monetary policy and supervising financial institutions. The Committee decided to study all the alternative proposals on selecting transactions to be factored into the RUONIA calculation by 1 March 2021, and to prepare respective amendments to the methodology, if necessary.

## International audit

Before organising the administration, the Bank of Russia's executives decided to hold an external audit of the Bank of Russia in its capacity as RUONIA's administrator. Under the IOSCO Principles for Financial Benchmarks, an administrator should appoint an independent external auditor with appropriate experience and capability to periodically review and report on the administrator's adherence to the IOSCO Principles. The frequency of audits should be proportionate to the size and complexity of the administrator's operations. No external audits of RUONIA's administration had been performed until 2020. The Bank of Russia executives determined that they needed an independent verification of whether the administration is organised correctly, so as to provide RUONIA users and other stakeholders with proof of the administration's high quality. Internationally, external audit is common for key benchmarks, such as SONIA (UK) or EURIBOR (EU).

In Q2 2020, the Bank of Russia held an open tender to choose the auditor. Since both Russian and foreign market participants invest in RUONIA-linked instruments, preference was given to international auditors as well as those experienced in auditing financial benchmarks. The bidding was won by Ernst & Young LLC, which had the experience and expertise required by the Bank of Russia: Ernst & Young, its parent company, audited the Bank of England in its capacity as SONIA's administrator in 2017–2018. In July 2020, the Bank of Russia and Ernst & Young LLC signed a contract on assessing the compliance of RUONIA and its administration with the IOSCO Principles for Financial Benchmarks. The assessment's methodology was based on International Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information".

Pursuant to the contract, the auditor has:

- analysed the gaps between the administration procedures and the IOSCO's requirements;
- assessed the potential risks and operational issues that may arise if the Bank of Russia does not secure the rights for the RUONIA trademark;
- provided preliminary analysis and consultations on improving the RUONIA administration;
- performed the final evaluation of the RUONIA administration;
- released an Independent Practitioner's Assurance Report with regard to the Bank of Russia's Statement on compliance with the IOSCO Principles for Financial Benchmarks in administering RUONIA.

The auditing procedures included surveying of Bank of Russia employees, reviewing documents and evaluating the validity of the policies and principles used to ensure compliance with the IOSCO Principles. The audit paid the most attention to the Bank of Russia's control environment, introducing extra measures to prevent conflicts of interest, and information security.

The audit's preliminary results were reviewed by the Committee in October 2020, and were generally well received. The auditor recommended transferring the rights for the RUONIA trademark to the Bank of Russia, because whenever administration rights for a benchmark were transferred to a central bank, the trademark rights were transferred as well; failure to do so could create legal and reputational risks for the Bank of Russia. Besides, the auditor paid special attention to making regulations devoted to control environment and anti-corruption administration publicly available to stakeholders.

In November 2020, the Committee collaborated with the auditor's representatives to consider and approve the Bank of Russia Statement on compliance with the IOSCO Principles for Financial Indicators in administering RUONIA draft. Similar statements (i.e. compliance reports including

self-assessment of compliance with international standards) have been issued by other central banks administering benchmarks: the FRS, ECB, Bank of England, Bank of Canada, Reserve Bank of Australia, etc.

The Bank of Russia's Statement discloses information on the organisational structure of the RUONIA administration as well as applicable regulations and procedures. The Bank of Russia complies with the IOSCO standards with regard to collecting and processing RUONIA data, as well as the methodological support, calculation and publication of RUONIA. This ensures that the administration is transparent, consistent and independent. The [Statement's full text](#) is available on the official website of the Bank of Russia. The Independent Practitioner's Assurance Report released by Ernst & Young LLC has confirmed all major aspects of the Bank of Russia Statement. The auditor's conclusion and detailed comments are included in the Bank of Russia Statement.

## Plans for 2021

The Committee's plans for 2021 include:

- discussing the transfer of rights to the RUONIA trademark from SRO NFA to the Bank of Russia following the external auditor's recommendations;
- holding public consultations on the procedure for selecting credit institutions for the RUONIA List;
- collaborating with SRO NFA to analyse alternative criteria for selecting interbank transactions included in the RUONIA calculation.

### III. REVIEW OF RUONIA IN H2 2020

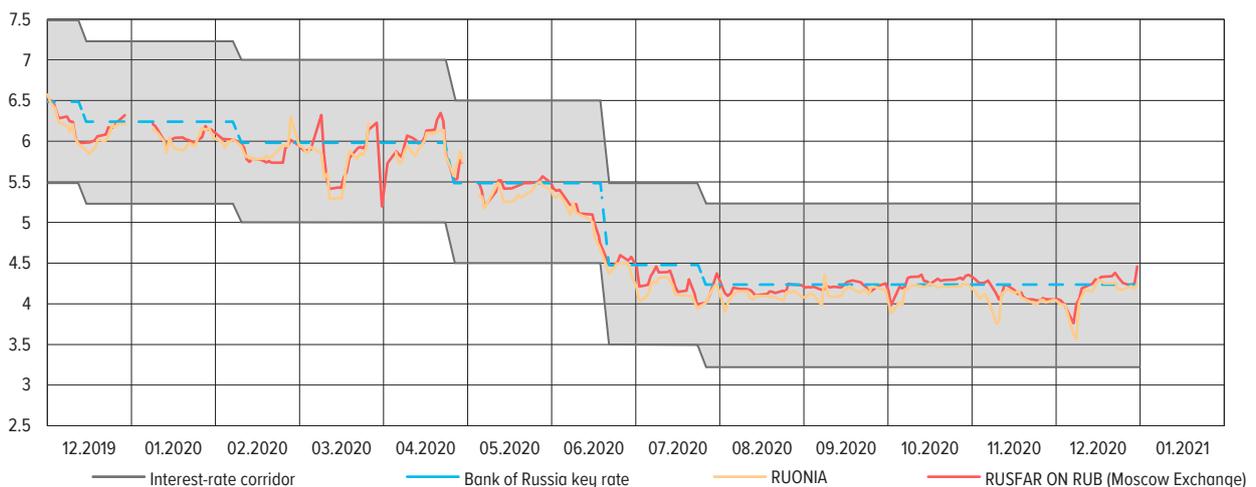
#### RUONIA as an IBL market indicator

In the second half of 2020, following the decision of the Bank of Russia Board of Directors to alter the key rate (dated 27 July 2020), RUONIA adapted to the new level of the money market's sideways trend quite quickly. In general, RUONIA was moving alongside RUSFAR, another overnight borrowing indicator (see Fig. 1).

RUONIA's dynamics for 2020 were quite representative of the supply and demand in the interbank market, highlighting the structural surplus of the banking sector liquidity. Overall, in 2020 the transactions' volume exhibited a horizontal pattern, hovering around 130 billion rubles (see Fig. 2). In H2 2020, the average daily volume of operations was at 132 billion rubles.

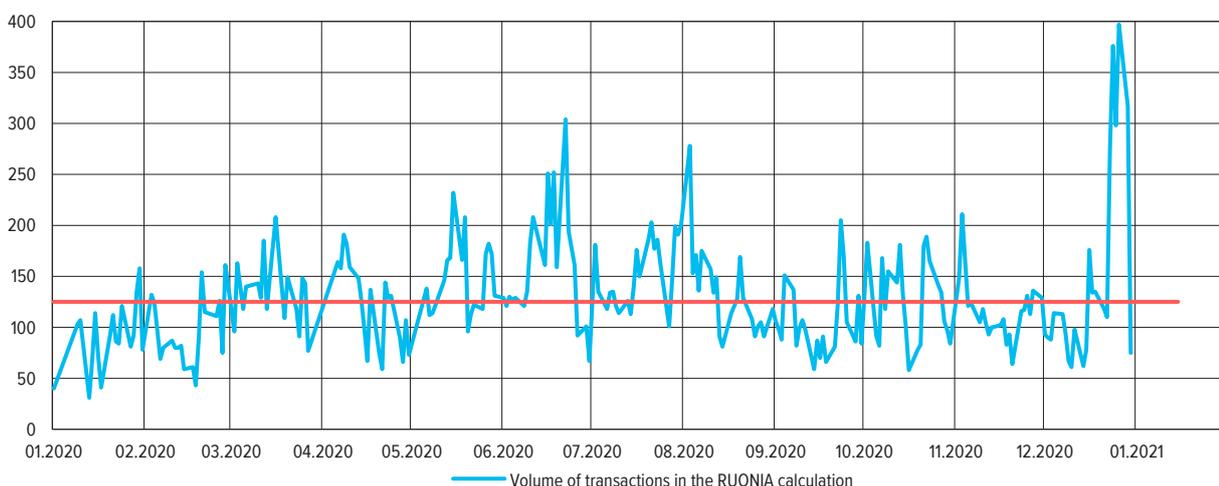
DYNAMICS OF RUONIA, INTEREST-RATE CORRIDOR AND THE RUSFAR RATE (%)

Chart 1



DYNAMICS OF RUONIA VOLUMES IN 2020 (BILLION RUBLES)

Chart 2

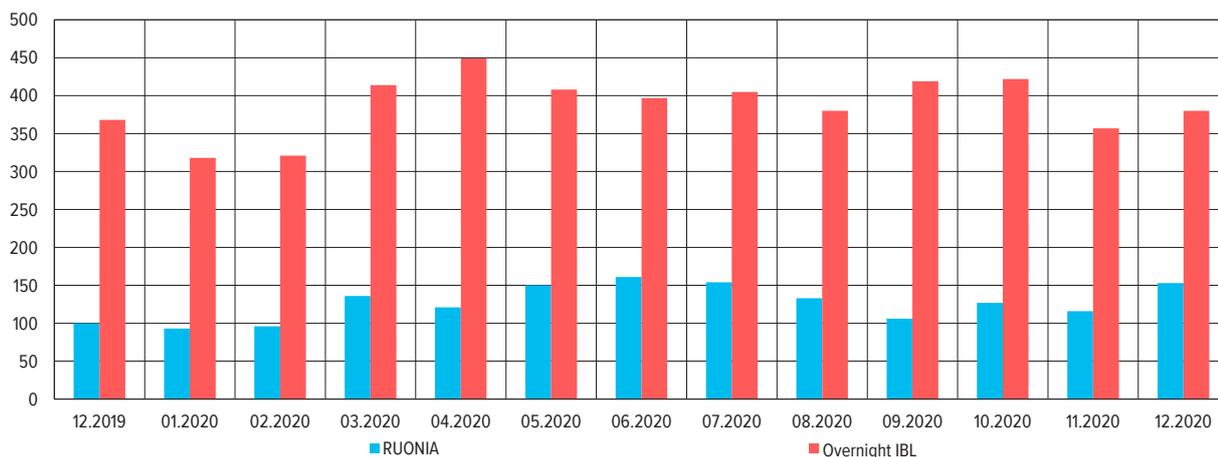


RUONIA's value represented a significant share of the average daily turnover of the overnight interbank lending market<sup>1</sup> (over 30%), owing to the market activities of the RUONIA Participants (see Fig. 3).

The network structure graph confirms that the RUONIA Participants' operations represented the "core" of overnight interbank lending operations (see Fig. 4).

DYNAMICS OF AVERAGE DAILY TURNOVER FOR RUBLE OVERNIGHT INTERBANK LENDING WITH RESIDENTS AND RUONIA'S AVERAGE DAILY VOLUME\* IN 2020  
(BILLION RUBLES)

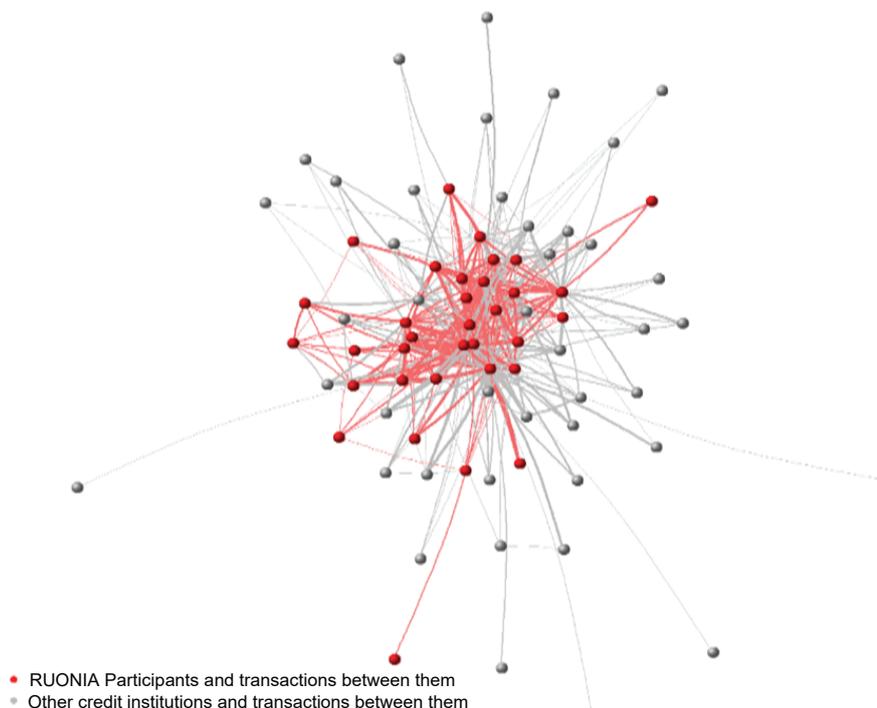
Chart 3



\* RUONIA's average daily turnover is calculated as a total of RUONIA's volumes for a month, divided by the number of publication days in the month.

NETWORK STRUCTURE OF OPERATIONS IN THE OVERNIGHT IBL MARKET IN H2 2020

Chart 4



<sup>1</sup> Average daily turnover of the overnight interbank lending market comprises transactions between resident credit institutions, including transactions with credit institutions not authorised to provide the Bank of Russia with reporting under Reporting Form 0409701 "Reporting on FX and Money Market Operations" as introduced by Bank of Russia Ordinance No. 4927-U, dated 8 October 2018, "On the list, forms and procedure for compiling and submitting credit institutions' reporting forms to the Central Bank of the Russian Federation" ("Ordinance No. 4927-U"), and transactions between credit institutions belonging to the same banking group according to reporting submitted under Reporting Form 0409801 "Reporting on Banking Group's Membership and Credit Institution's Investments in Units of Mutual Investment Funds", as introduced by Ordinance No. 4927-U.

DYNAMICS OF THE SHARE OF RUONIA PARTICIPANTS EXECUTING TRANSACTIONS IN THE TOTAL NUMBER OF RUONIA PARTICIPANTS IN 2020 Chart 5

(%)

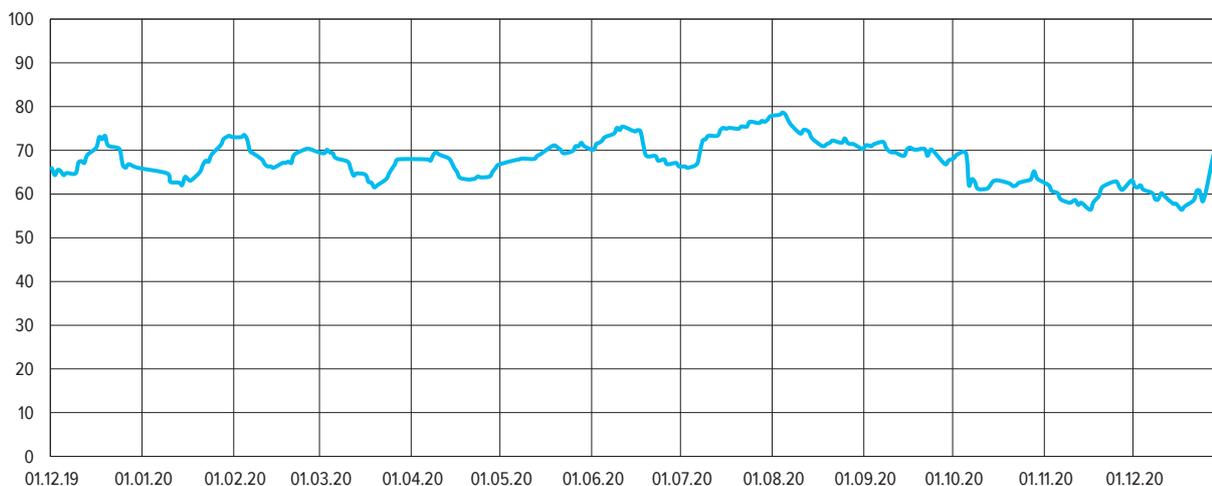


Fig. 5 shows the share of RUONIA Participants conducting transactions included in the RUONIA calculation among the total number of RUONIA Participants. In H2 2020, over two thirds of RUONIA Participants performed transactions between themselves in the overnight ruble IBL market, which, along with the above-listed factors, shows that RUONIA Participants' operations are sufficiently representative of the market measured.

## Use of RUONIA in financial instruments

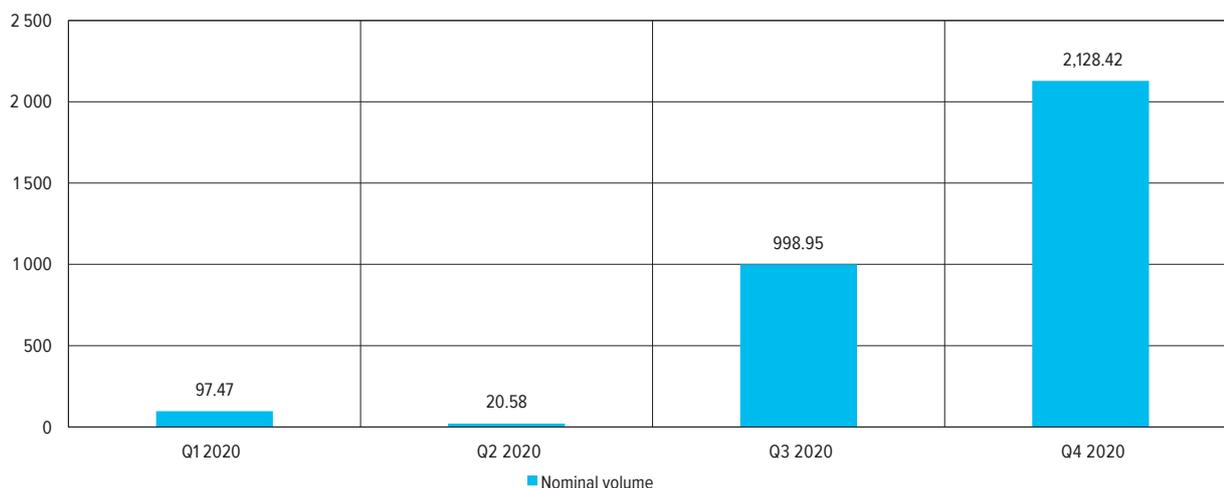
RUONIA is used in a variety of financial instruments, most importantly in RUONIA-linked Variable Coupon OFZ Federal Bonds (OFZ-PK Bonds), which were subject to an increased demand in H2 2020 (see Fig. 6).

The total nominal volume of RUONIA-linked OFZ-PK Bonds in circulation was at **4.7 trillion rubles** as of 1 January 2021.

Starting from Q2 2020, there was an upward trend of using RUONIA in currency / interest rate swaps, which reflected a growing interest in the benchmark (see Fig. 7).

NOMINAL VOLUME OF OFZ-PK BONDS WITH RUONIA-BASED COUPONS  
(BILLION RUBLES)

Chart 6



TURNOVER OF OTC DERIVATIVES USING RUONIA, BY CURRENCY, IN Q1–Q4 2020  
(MILLION US DOLLARS)

Chart 7

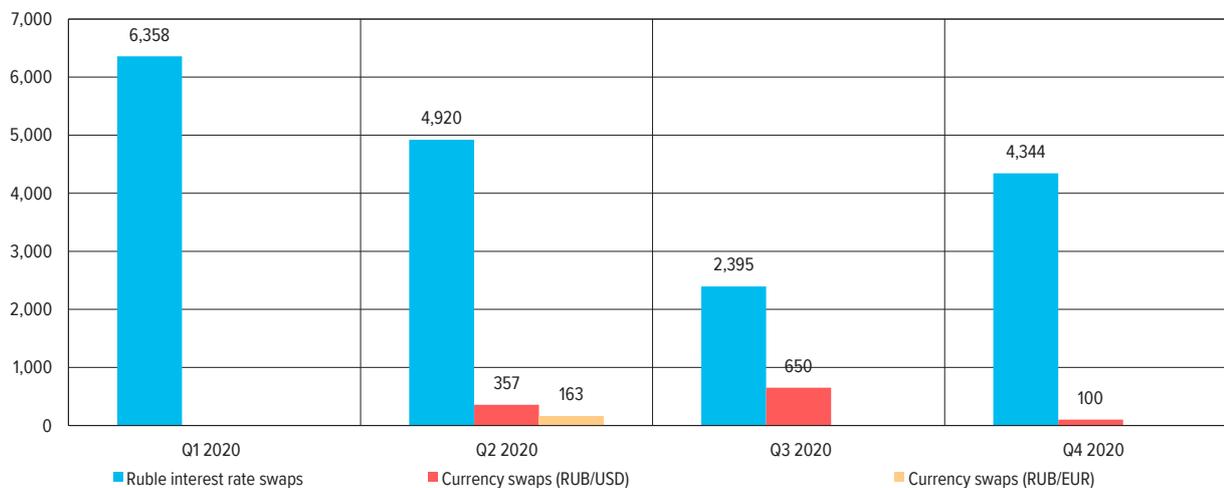
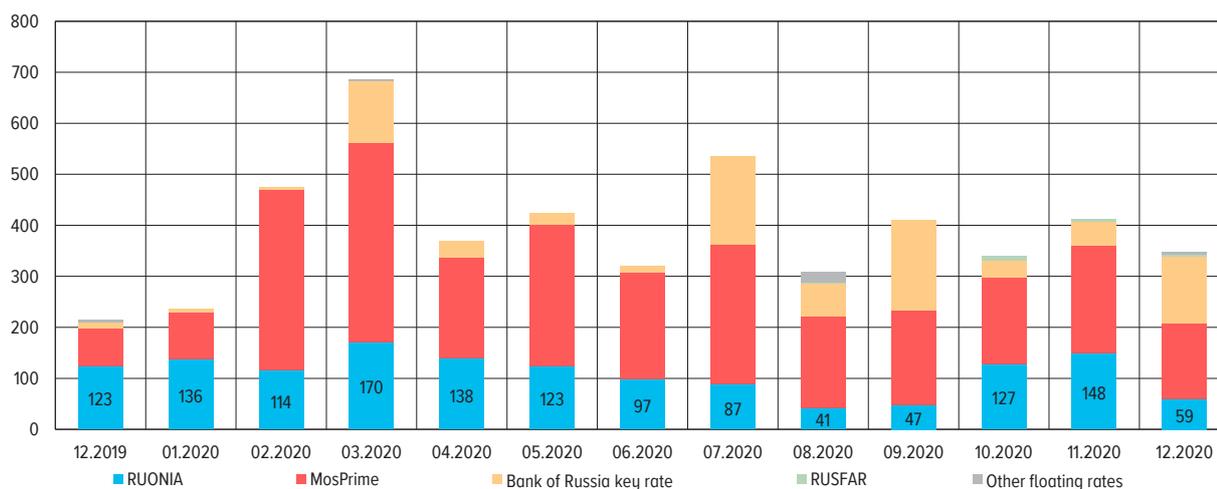
COMPARED DYNAMICS OF THE USE OF RUONIA AND OTHER FLOATING RATES IN RUBLE INTEREST RATE SWAPS IN THE  
SAME CURRENCY  
(BILLION RUBLES)

Chart 8



Comparative dynamics of the use of RUONIA and other floating rates in the OTC market in ruble interest rates in the same currency reflected a significant decline of the share of RUONIA-linked interest rate swaps in Q3 2020, when RUONIA ceded part of its market share to the Bank of Russia key rate. However, October and November 2020 showed a renewed high demand for RUONIA-linked ruble interest rate swaps (see Fig. 8).

## Summary on the errors affecting the published RUONIA value and on calculating RUONIA's Fallback Value

No errors emerged in calculating RUONIA in H2 2020.

RUONIA's Fallback Value was not calculated because there were no situations requiring its calculation for the purposes of ensuring uninterrupted calculation of RUONIA.

## Expanding the list of information types published

As the methodology for calculating and publishing RUONIA was updated, the Bank of Russia also expanded the list of types of information relating to transactions included in the published RUONIA calculation. Starting from 23 December 2020, information published on the Bank of Russia official website also includes the 25<sup>th</sup> and 75<sup>th</sup> percentiles of interest rates, the lowest and highest interest rate values, the number of RUONIA Participants executing transactions, and the number of transactions. The Bank of Russia expects that expanding the list of data types published would contribute to both quality and number of analytical materials issued.

## GLOSSARY

**RUONIA (Ruble Overnight Index Average)** is an interest rate index that represents a weighted average of interest rates used by credit institutions on the RUONIA List to execute unsecured ruble lending transactions overnight among themselves.

**Administrator** is an institution in charge of a benchmark's administration.

**Administration** is the combination of functions related to the production and dissemination of a benchmark, in particular determining the benchmark, developing its methodology, collecting and processing data inputs, calculating the benchmark and distributing/publishing it.

**Benchmark** is an aggregated indicator in the form of an index, an interest rate or a currency rate, allowing to analyse the dynamics of the underlying assets' value over time, and to assess the situation in the underlying assets' market, entirely or partially.

**The RUONIA Supervision Committee** is the Bank of Russia collegial body in charge of overseeing the implementation of RUONIA administration functions in accordance with the IOSCO Principles for Financial Indicators.

**IBL** is interbank lending.

**Oversight** is a function of an administrator, namely an obligation to review and provide challenge to all important administration processes, including intended, expected or known use of the indicator, as well as any existing or potential significant conflict of interests.

**RUONIA's Fallback Value** is the value of RUONIA calculated for the purpose of ensuring RUONIA's continuous calculation if it is impossible to use the standard calculation procedure.

**The RUONIA List** is the list of Russian credit institutions whose transactions are used to calculate RUONIA; the RUONIA List is approved by the Bank of Russia under the established procedure.

**RUONIA Participant** is a credit institution on the RUONIA List.