

Procedure for Selecting Credit Institutions for the List of RUONIA Panel Banks

Chapter 1. Key definitions and abbreviations

RUONIA (Ruble OverNight Index Average) is interest rate indicator representing the weighted average interest rate used by Russian credit institutions, included on RUONIA list to conduct unsecured overnight ruble lending operations.

CI is a credit institution.

Selection Procedure is this Procedure for selecting credit institutions for RUONIA panel banks list.

List is a list of Russian credit institutions, whose transactions are used in calculating RUONIA, approved by the Bank of Russia on the basis of the Selection Procedure.

Active List is the List approved as of the moment of the analysis of the List's conformity to the situation of the interbank lending market.

Alternative Lists are lists compiled in the process of analysing the conformity of the Active List to the situation in the interbank lending market.

RUONIA panel bank is a credit institution (head office or branch) that is a Respondent to Form 0409701 and is included on the List.

Bank of Russia Ordinance No. 4927-U is 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'.

Form 0409701 is reporting under Form 0409701 'The foreign exchange and money markets transactions report' submitted by credit institutions in line with Bank of Russia Ordinance No. 4927-U.

Respondent to Form 0409701 is a credit institution (head office or branch) submitting Form 0409701.

Form 0409801 is reporting under Form 0409801 'Report on the composition of banking group members and credit institution investments in the units of unit investment funds' submitted by credit institutions in line with Bank of Russia Ordinance No. 4927-U.

IBL Transactions are overnight interbank lending transactions, with the exception of transactions between a parent credit institution and its branch, between branches of one credit institution and between credit institutions that are members of the same banking group, according to the information provided in the reporting under Form 0409801. Data on IBL Transactions are submitted to the Bank of Russia as part of Form 0409701.

Calculation Base is data on credit institutions' IBL transactions determined in accordance with the provisions of the Selection Procedure.

Chapter 2. General Provisions

The Bank of Russia's structural unit tasked with the provision of methodological support for activities linked to the selection of credit institutions for the list of RUONIA panel banks:

conducts an ongoing analysis of the situation in the interbank lending market in order to identify its structural changes, which may lead to a change in the list of RUONIA panel banks;

assesses the possibility of raising the level of RUONIA representativeness by changing the List;

at least once every six months, compiles materials containing a conclusion about the conformity of the List to the current situation in the interbank lending market or proposals on the need to introduce amendments if RUONIA does not conform to the changed market situation;

submits reports with information on indicators received during the calculation according to the Selection Procedure for consideration by the RUONIA Oversight Committee.

The Selection Procedure with all amendments is published on the Bank of Russia website.

Chapter 3. Preparation of the calculation base

The calculation base for the generation of the List includes the data of CIs included on the Active List and of Respondents to Form 0409701 who performed IBL Transactions during the period of analysis and who satisfy at least one of the following conditions:

1. CI has been assigned a credit rating of ACRA Analytical Credit Rating Agency.
2. CI has been assigned a credit rating of Expert RA.
3. CI has not been assigned ACRA or Expert RA credit ratings and is a Russian subsidiary of a foreign legal entity rated in accordance with the Annex to the Selection Procedure.

Chapter 4. Calculation of CI selection indicators

4.1. Description of the calculation of indicators.

CIs are selected in the process of the List generation using software-based tools and indicators calculated for CIs whose data on IBL transactions are included in the calculation base. The period of observation is three months.

The indicators are calculated as follows:

4.1.1. $\Pi 1_i$ is an average daily number of RUONIA panel banks for the observed period with which CI i concluded IBL transactions:

$$\Pi 1_i = \frac{1}{T} \times \sum_{t=1}^T C_{ti},$$

where T is the number of days of RUONIA calculation for the observed period;

t is the day number when an IBL transaction is concluded;

C_{ti} is the number of counterparties of RUONIA Panel Banks with which CI t concluded IBL transaction on day t ;

i is the registration number of the CI for which the indicator is calculated.

4.1.2. $\Pi 2_i$ is the volume of transactions made by CI i with RUONIA Panel Banks over the observed period:

$$\Pi 2_i = \sum_{t=1}^T V_{ti},$$

where T is the number of days of RUONIA calculation for the observed period;

t is the day number when an IBL transaction is concluded;

V_{ti} is the volume of transactions made by CI i with RUONIA Panel Banks on day t ;

i is the registration number of the CI for which the indicator is calculated.

4.1.3. $\Pi 3_i$ is the eigen-vector based centrality of a CI i :

$$\Pi 3_i = X_i,$$

where X_i is normalised indicator of the eigen-vector based centrality, calculated for IBL transactions of every CI $_i$ for the observed period;

i is the registration number of the CI for which the indicator is calculated.

4.1.4. $\Pi 4_i$ is the rating of CI i , on the empirical rating scale given in the Appendix to the Selection Procedure;

$$\Pi 4_i = R_i,$$

where R_i is numerical value of the rating of CI i on the empirical rating scale (Appendix to the Selection Procedure);

i is the registration number of the CI for which the indicator is calculated.

The indicator $\Pi 4_i$ is determined as follows:

1) if a CI has a credit rating assigned by ACRA, the CI is characterised by the corresponding numerical value of this rating, as indicated in the 'Empirical rating scale' column of the conformity table given in the Appendix to the Selection Procedure;

2) if a CI does not have an ACRA rating, but has a rating assigned by Expert RA, the CI is characterised by the corresponding numerical value of Expert RA rating, as indicated in the 'Empirical rating scale' column of the conformity table given in the Appendix to the Selection Procedure;

3) if a Russian CI, which is a subsidiary of a foreign legal entity, does not have credit ratings assigned by the mentioned agencies, it is characterised by the corresponding numerical value of such foreign legal entity, as indicated in the 'Empirical rating scale' column of the conformity table given in the Appendix to the Selection Procedure.

Chapter 5. Amending procedure of the List

5.1. Generation of Alternative Lists

The sample for the generation of Alternative Lists is compiled by CIs included in the calculation base.

The generation of Alternative Lists is based on software tools and on identifying CIs with a higher numerical value of one of the indicators Π_1 , Π_2 , Π_3 , Π_4 , provided the values of other CI indicators are not lower.

The following algorithm is used to determine the Alternative Lists:

5.1.1. CIs from the calculation base are distributed based on the number of exceeded indicators obtained as a result of the pairwise comparison of all CIs of the calculation base. Each CI is assigned a rank corresponding to a place in a harmonised row (hereinafter, the rank estimate). The smaller the numerical value of the rank estimate, the higher is the position of the CI for the inclusion on the list.

5.1.2. Based on rank estimates, several Alternative Lists are generated. The number of these lists depends on the extent to which the Active List has decreased since its last approval. The number of lists is determined as follows:

1) if the number of CIs on the Active List since the moment of approval has reduced by three or less CIs, then no more than four Alternative Lists are generated: List 0, List 1, List 2 and List 3, where List 0 is identical to the Active List, and the compositions of other lists exceed the composition of the Active List by 1 CI, 2 CIs or 3 CIs, respectively;

2) if the composition of the Active List has reduced (due to the exclusion of CI from the number of the Respondents to Form 0409701) by more than three CIs, then the number of generated lists equals $K + 1$, where K is the

difference between the number of CIs on the List as of the moment of its last approval and the composition of the Active List. If this is the case, Alternative Lists are generated: List 0, List 1, ..., List K.

5.1.3. List 1 is generated by adding to the Active List of CIs with the smallest numerical value of the rank estimate among CIs not included on the List. List 2 is generated by adding to List 1 of CIs with the smallest numerical value of the rank estimate among remaining CIs not included on the List, and so on.

5.1.4. If CIs to be included on the Alternative List have identical rank estimates and if their number exceeds the number of CIs added to the List, then CIs are included on the Alternative List according to the following algorithm:

1) CIs with high value of Π_4 indicator are included; if CIs under consideration have Π_4 indicators with the same value, then the order of inclusion and the selection of CIs are performed according of Π_3 indicator; if CIs under consideration have Π_3 indicators with the same value, then the order of inclusion and the selection of CIs are performed according of Π_2 indicator; if CIs under consideration have Π_2 indicators with the same value, then the order of inclusion and the selection of CIs are performed according of Π_1 indicator;

2) if after the inclusion of CIs with a smaller numerical value of the rank estimate the number of CIs in the Alternative List is less than required, then the procedure of Subclause 1 is repeated until the required number of CIs on the list is achieved.

5.1.5. The Alternative List may be amended if there is information about the future termination of CI activities, its merger with other CIs, resolution procedures or, in the absence of executed IBL transactions with RUONIA Panel Banks, during two revisions of the List.

5.2. Indicators for determining the optimal list.

For Alternative Lists, generated in line with Clause 5.1, the following indicators are calculated:

5.2.1. $\Pi C1$ is the average daily value of the share of active CIs in the Alternative List:

$$\text{PC1}_s = \frac{1}{T \times N} \times \sum_{t=1}^T C_t,$$

where T is number of days of RUONIA calculation for the observed period;

t is the day number when an IBL transaction is concluded;

C_t is the number of CIs in the Alternative List s , which executed IBL Transactions with the List Panel Banks on day t ;

s is an identifier of the Alternative List;

N is the number of CIs in the respective Alternative List.

5.2.2. PC2 is the average daily volume of operations in the Alternative List:

$$\text{PC2}_s = \frac{1}{T} \sum_{t=1}^T V_t,$$

where T is number of days of RUONIA calculation for the observed period;

t is the day number when an IBL transaction is concluded;

V_t is the volume of transactions conducted by CIs from the Alternative List s with each other on day t ;

s is an identifier of the Alternative List.

5.2.3. PC3 is the value of the eigen-vector based centrality of the Alternative List:

$$\text{PC3}_s = Y_s,$$

где Y_s is the value of the eigen-vector based centrality characterising the Alternative List as a whole;

s is an identifier of the Alternative List;

5.2.4. PC4 is the average value of the rating of a CI in the Alternative List:

$$\text{PC4}_s = \frac{1}{N} \times \sum_{j=1}^N R_j ,$$

where s is an identifier of the Alternative List;

N is the number of CIs in the respective Alternative List;

j is the CI number included in the respective Alternative List;

R_j is the value of the rating of CI j on the empirical rating scale, where the value is determined according to the formula given in Clause 4.1.4.

5.3. Selection of the optimal list.

As a result of the comparison of Alternative Lists performed using indicators PIC1, PIC2, PIC3, PIC4, similar to the approach described in Clause 5.1.1, an optimal list is selected. The optimal list is considered to be the Alternative List with the largest number of exceeded indicators as compared with other Alternative Lists.

The approved optimal list is submitted to the RUONIA Oversight Committee for further consideration.

If it is impossible to determine the optimal list using formal comparison procedures, a decision on the selection of the optimal list from Alternative Lists with the largest number of exceeded indicators obtained as a result of comparison with other Alternative Lists, shall be made by the RUONIA Oversight Committee in accordance with the Regulation governing its activity.

Annex
to the procedure for selecting credit
institutions for the list of RUONIA
Panel Banks

Conformity table of credit ratings of ACRA and Expert RA to the
empirical rating scale

ACRA rating	Expert RA rating	Foreign legal entity's rating	Empirical rating scale
AAA(RU)	ruAAA	Ratings of international rating agencies not below the sovereign rating of the Russian Federation	21
AA+(RU)	ruAA+		20
AA(RU)	ruAA		19
AA-(RU)	ruAA-		18
A+(RU)	ruA+		17
A(RU)	ruA		16
A-(RU)	ruA-		15
BBB+(RU)	ruBBB+		14
BBB(RU)	ruBBB		13
BBB-(RU)	ruBBB-		12
BBB+(RU)	ruBB+		11
BBB(RU)	ruBB		10
BB-(RU)	ruBB-		9
B+(RU)	ruB+		8
B(RU)	ruB		7
B-(RU)	ruB-		6
CCC(RU)	ruCCC		5
CC(RU)	ruCC		4
C(RU)	ruC		3
RD(RU)	ruRD		2
SD(RU) D(RU)	ruD		1