



Bank of Russia



2022 H1 REPORT ON THE RUONIA OVERSIGHT COMMITTEE'S ACTIVITY

Moscow
2022

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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 2022. 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 the cost of unsecured overnight borrowing. The up-to-date version of the Methodology for Calculating and Publishing RUONIA (Ruble OverNight Index Average) (hereinafter, the Methodology), effective beginning from the calculation for 30 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 the rates of return on investment for a certain period with interest daily compounded at the RUONIA rates. The RUONIA Index is a value that is equal to the value of one ruble compounded 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 development and enhancement of 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 monitoring over the RUONIA administration process;
- approval of the documents and procedures related to the RUONIA administration;
- intercommunication with RUONIA users and other stakeholders, including the Expert Council on Benchmarks and Rates of SRO National Finance Association (SRO NFA).

The Regulation on the RUONIA Oversight Committee is available on the Bank of Russia website.

Members of the Committee as of 1 July 2022 are as follows:

Ksenia Yudaeva, First Deputy Governor of the Bank of Russia, Chairperson of the Committee; **Nadezhda Ivanova**, Economic Adviser at the Research and Forecasting Department; **Irina Melnikova**, Deputy Director of the Financial Market Strategy Department – Chief of the Division for Strategic Initiatives in the Financial Market;

Sergey Moiseev, Adviser to First Deputy Governor 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;

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

Vasily Zablotsky, President of Self-regulatory organization 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.

The Committee held three meetings over the first half of 2022.

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 half-yearly 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 the representativeness of the benchmark-in-question. 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. To ensure the transparency, objectivity, and consensus of its decisions in time, the Committee in August 2021 took the decision to formalize the RUONIA List. The algorithm factors in a number of quantitative indicators, including IBL market participants' activity level (the average daily number of RUONIA panel banks with which a particular market participant has transacted over the period under review); market turnovers (the amount of transactions with RUONIA panel banks over the period under review); proximity to «the core» of the interbank market (eigenvector centrality of each **RUONIA panel bank**); and homogenous credit quality (a RUONIA panel bank's credit rating). Credit institutions are selected in accordance with the Methodology approved by the Bank of Russia Order No. OD-1795, dated 24 August 2021.

Following the analysis of the current structure of the market, the Committee approved the updated [List of RUONIA Panel Banks](#) effective from 1 June 2022. The List comprises the Corporate Branch of PJSC Sovcombank (Registration No. 963/10) and SMP Bank (Registration No. 3368), whereas JSC Bank Credit Suisse (Moscow) (Registration No. 2494) and AO Citibank (Registration No. 2557) were excluded from the List. Foreign subsidiary banks were excluded from the List due to a decrease of their trading activity during the two quarters preceding the revision.

The next RUONIA's List revision or its current membership confirmation is due in 2022 H2.

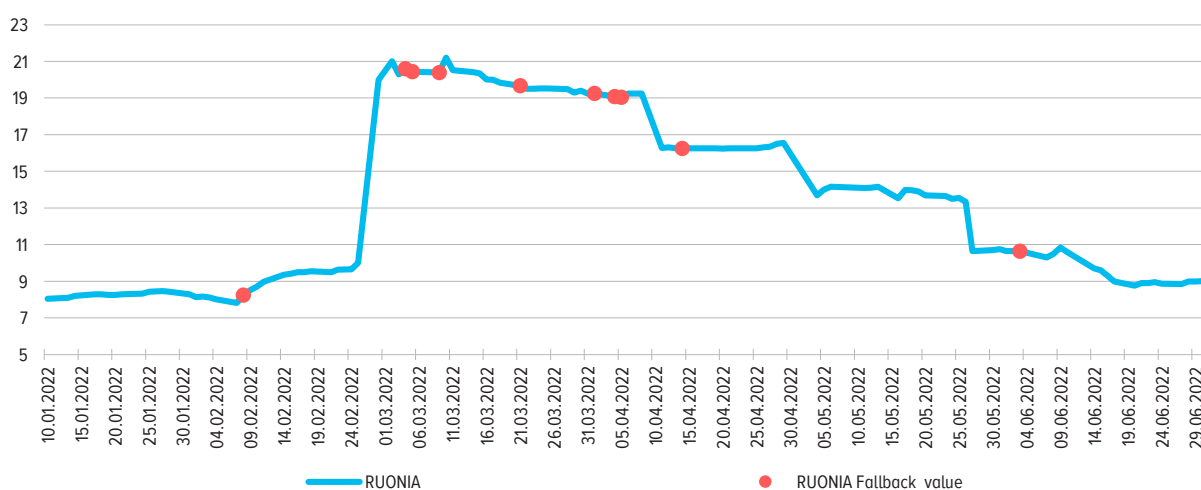
Adjusting the criterion for calculating the RUONIA Fallback Value

The Committee's authority comprises monitoring of critical situations, including analysis of operational risks, causes of errors and lack of data, and incidents of a benchmark value review. Among the most important RUONIA's administration tasks there is the continuity of the benchmark's calculation and publication. In the case of any incidents, this continuity is secured by the **RUONIA Fallback Value**. According to the Methodology for Calculating and Publishing RUONIA, its Fallback Value is calculated when at least one of the several conditions is met.

Changes in the geopolitical situation coupled with the sanction pressure caused a certain impact on the operation of the interbank market. Interbank turnover with the participation of foreign subsidiary banks has declined, but some top Russian banks' interbank turnover has increased. The trading activity generally has declined due to the uncertainty. This triggered the calculation of the RUONIA Fallback Value on 25 February 2022 based on the data for the previous day. In particular, the calculation of the Fallback Value for 24 February 2022 was triggered due to the increased concentration of transactions of one of the RUONIA panel banks. Such trends were observed in the past as well, for instance on 9 February 2022, but the new circumstances could have a permanent impact on the structure of the market. To prevent a possible distorted assessment of the interbank market in the future, at the out-of-schedule meeting, the Committee made the decision to approve temporarily revision of the procedure for calculating the RUONIA Fallback Value. According to this decision, the RUONIA Fallback Value was later on being calculated based on indicators from a wider range of panel banks.

RUONIA REGULAR VALUES AND FALLBACK VALUE
(%)

Chart 1



The revised procedure will help to avoid situations when the Fallback Value remains unchanged for several days if the RUONIA panel banks **have no** interbank activity. This temporal procedure is effective from the calculation for 28 February 2022 and until the Committee decides to cancel the change following the stabilisation the financial market situation. The calculation of the RUONIA Fallback Value was triggered on certain days in March, April and June 2022, but the situation remained under control in general (Chart 1) and did not affect the quality and reliability of the benchmark.

Information support of the RUONIA Averages

In January 2022, the Bank of Russia sent the information letter [‘On using RUONIA as a floating interest rate when developing financial products’](#) (No. IN-05-15/2, dated 12 January 2022), with the link to the [User Guide on RUONIA Averages](#), to credit and non-credit financial institutions. In this information letter, the Bank of Russia notes that the methodology for calculating the RUONIA Averages is in line with the calculation procedures established for similar risk-free interest rates used by the foreign financial market regulators. Its use helps to smooth out the interest expenses, and the RUONIA Averages can thus be considered as a protection against the interest rate shocks of the money and foreign exchange markets. In its letter, the Bank of Russia emphasises that 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.

The Bank of Russia implements extensive communication policy to promote the RUONIA benchmark. As of the middle of 2022, RUONIA was used predominantly to calculate coupon payments on government bonds. Besides, a number of large issuers offered the first issues of ruble bonds in which the interest rates was linked to the six-month RUONIA Average. These are the State Corporation VEB.RF and JSC DOM.RF, as well as RESO-LEASING Ltd. In June 2022, Pioneer Leasing Ltd became the first private issuer who offered ruble bonds with the coupon linked to the six-month RUONIA Average plus the spread.

The emergence of the market of bonds linked to the RUONIA Averages became possible owing to the automation of the daily calculation of the accrued interest that is taken into account in the course of on-exchange transactions. In July 2022, the National Settlement Depository, acting as the central depository, notified the Bank of Russia that the automation of the daily calculation of the accrued interest was completed and the process was fully deployed. The Bank of Russia expects that increasingly more bond market participants will adopt the practice of using the RUONIA Averages.

Pursuant to the Committee's decision, the authorised representatives of the Bank of Russia held a series of meetings with a wide range of financial market participants. The meetings were organised to explain the benefits and costs of using the RUONIA Averages in loans and bonds in the private sector. In May 2022, the Bank of Russia's representatives held the meeting 'Interest rate risk management: development and issue of financial instruments linked to the RUONIA Averages' hosted by the Moscow Exchange. The participants were large issuers, organisers of bond issuing, and members of the Moscow Exchange Bond Issuers Committee. Based on the results of a survey carried out by the Moscow Exchange among the participants in the meeting, several issuers announced their plans to issue bonds linked to the RUONIA Averages. Additionally, in June 2022, the Bank of Russia's representatives met with the top-30 issuers. A special focus was given to the largest Russian issuers offering bonds and raising loans at floating interest rates. Among other things, the participants asked questions about the automation of the calculation of the accrued interest on bonds and hedging of interest rate risk associated with RUONIA, as well as the use of the Bank of Russia key rate when estimating the amount of federal subsidies.

Rotation of the Committee members

In accordance with the Internal Oversight principle of the IOSCO Principles for Financial Benchmarks, the Bank of Russia ensures an independent operation of the Committee. Pursuant to the international standards, where a conflict of interest arises in the benchmark administrator, it should establish an independent oversight function which includes a balanced representation of a range of stakeholders, subscribers, and submitters. To ensure a balance of interests, the Committee includes two external members (making up 25% of the total number of the Committee members). External members may not be employees of the credit institutions put on the List of RUONIA Panel Banks. One of the members of the Committee left it as he was appointed to a credit institution that is on the List of RUONIA Panel Banks. This position was taken, according to the quota, by Sergey Golovanev, Head of the Moscow Exchange's Index and Market Data Department. All members of the Committee sign the commitment to prevent conflicts of interest that might arise in connection with the membership in the Committee.

Plans for 2022

- In 2022, the Committee plans to:
- update the List of RUONIA Panel Banks or confirm its current version every six months;
- discuss possible improvements to the RUONIA methodology due to changes in the structure of the interbank market;
- modify the materials on RUONIA available on the Bank of Russia website to enhance the accessibility of the information about RUONIA and the RUONIA Averages.

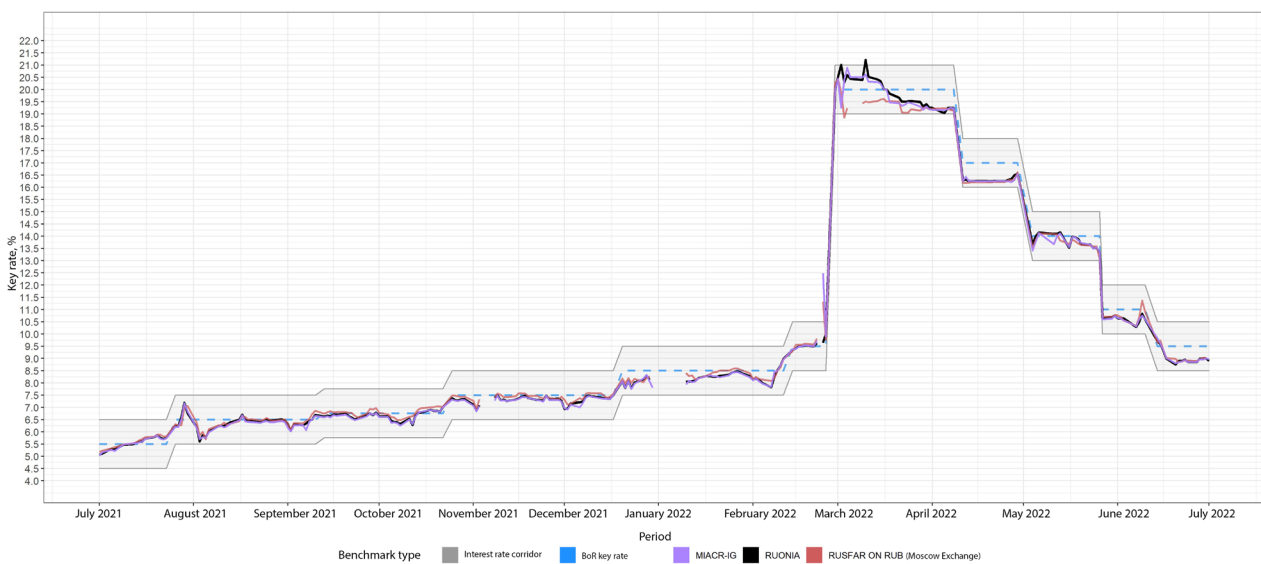
III. REVIEW OF RUONIA IN 2022 H1

RUONIA as an IBL market benchmark

In 2022 H1, according to the decisions of the Bank of Russia Board of Directors on key rate changes, the Bank of Russia increased the key rate two times and reduced the key rate four times. The analysis of the RUONIA values over this period shows that the benchmark level adjusted fairly quickly to the new level of the sideways trend in the money market. The RUONIA movements were generally consistent with changes in RUSFAR, another indicator of the cost of overnight borrowing (Chart 2).

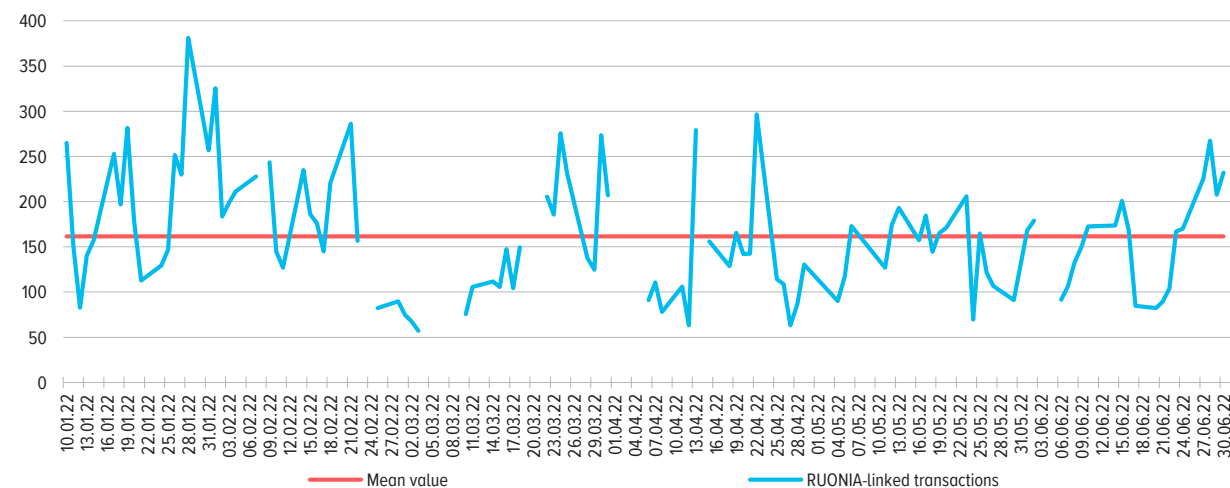
MOVEMENTS OF RUONIA, INTEREST RATE CORRIDOR, AND RUSFAR (%)

Chart 2



AMOUNT OF TRANSACTIONS TAKEN INTO ACCOUNT IN THE RUONIA CALCULATION (BILLIONS OF RUBLES)

Chart 3



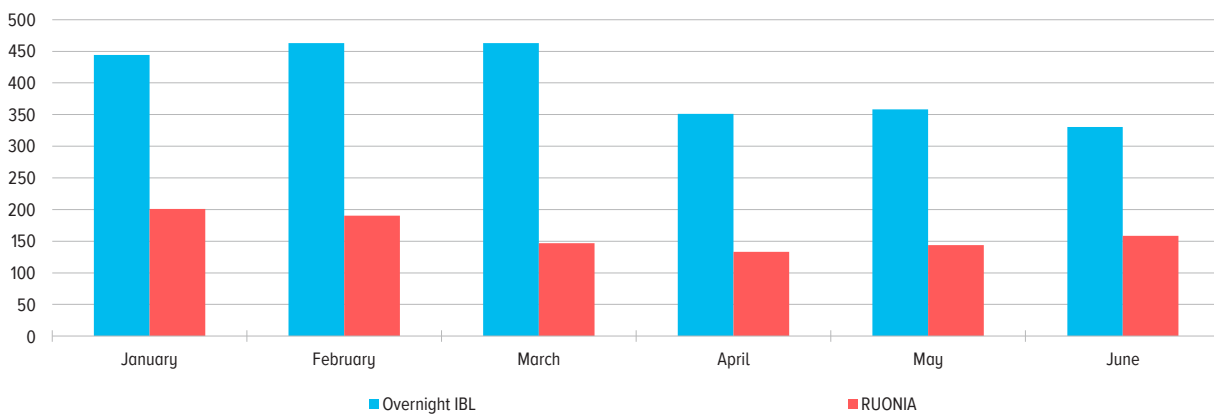
RUONIA movements in 2022 H1 are representative of the demand and supply in the interbank market. Overall, the amount of transactions hovered around the six-month average of 161.48 billion rubles (Chart 3). However, in 2022 H1, the amount of transactions between RUONIA panel banks was 5% lower than in 2021 H2.

The RUONIA volume accounted for a considerable portion of the average daily turnover of the overnight IBL market¹ (over 40%), which was due to the level of activity of the RUONIA panel banks in the market (Chart 4).

The diagram of the network structure (Chart 5) shows that the RUONIA panel banks' transactions represented the transactions of the core of overnight IBL. Chart 6 shows the proportion of the RUONIA panel banks who conducted transactions taken into account in the RUONIA calculation in the total number of the RUONIA panel banks. The long-term upward trend of this indicator was interrupted at the end of February, but over the remaining period of the first half of the year the proportion of active players was growing at a pace of over 9% monthly.

AVERAGE DAILY TURNOVER OF RUBLE-DENOMINATED OVERNIGHT INTERBANK LOANS WITH RESIDENTS
AND AVERAGE DAILY RUONIA VOLUME* IN 2022
(BILLIONS OF RUBLES)

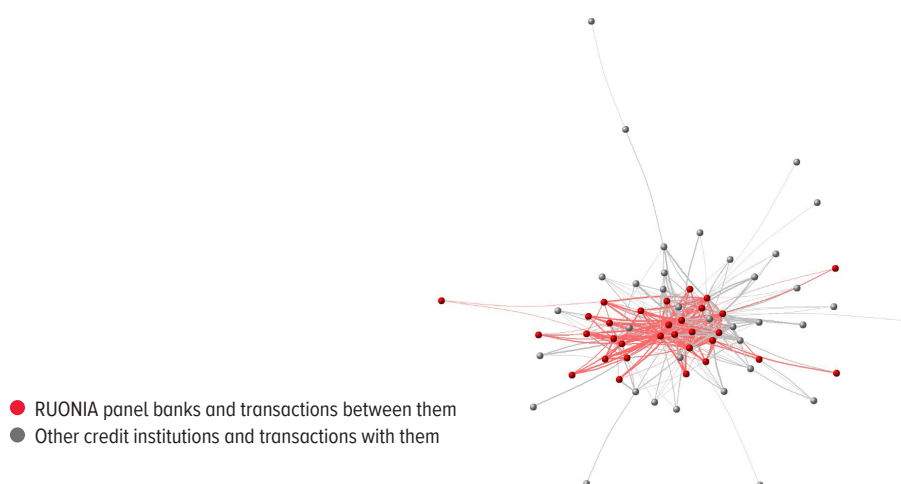
Chart 4



* 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.

NETWORK STRUCTURE OF TRANSACTIONS IN THE OVERNIGHT IBL MARKET OVER 2022 H1

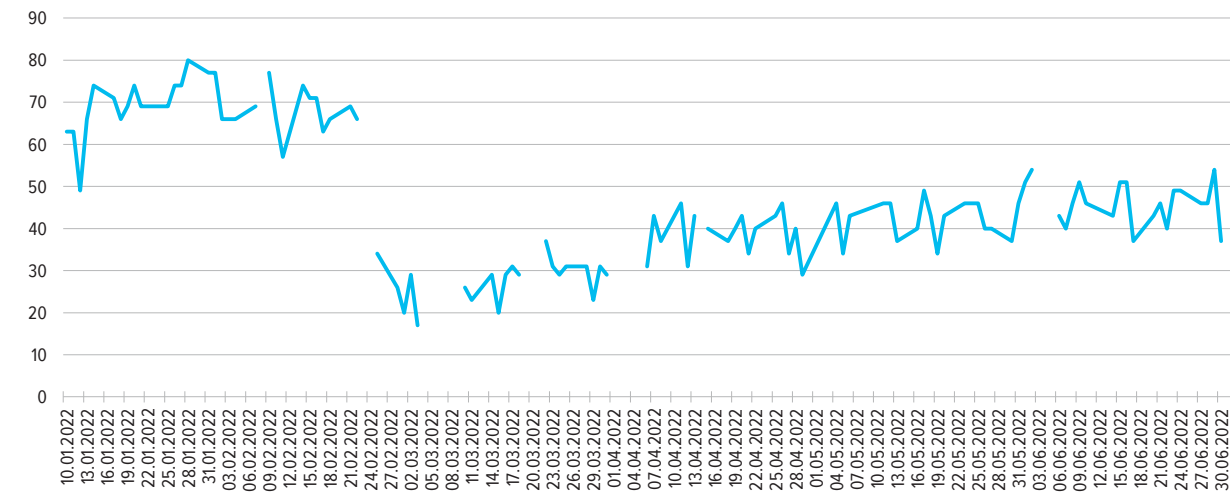
Chart 5



¹ The average daily turnover of the overnight interbank lending market comprises transactions between resident credit institutions, including transactions with credit institutions not authorised by the Bank of Russia to submit reporting according to Form O409701 'Report on Transactions in Foreign Exchange and Money Markets' provided for 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' (hereinafter, Ordinance No. 4927-U) and transactions between credit institutions being part of the same banking group according to the information submitted in Form O409801 'Report on Member Entities of a Banking Group and Investments of a Credit Institution in Unit Investment Funds' Units' provided for by Ordinance No. 4927-U.

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

Chart 6



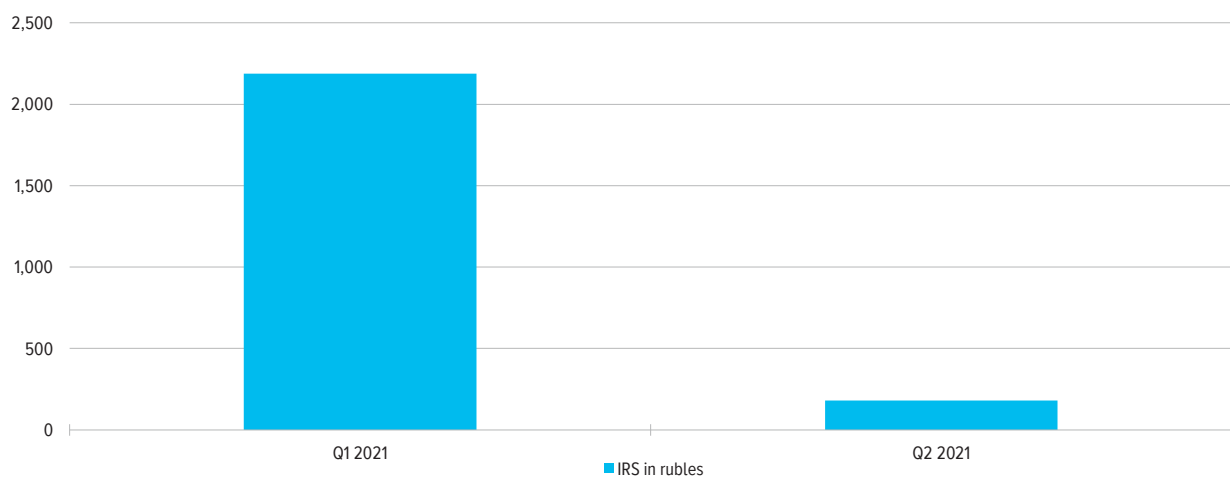
RUONIA in financial instruments

The trend towards the use of RUONIA in interest rate swaps continued in 2022 Q1 (Chart 7), which proved that market participants were interested in the benchmark.

In 2022 Q1, market participants continued to steadily apply the three main floating rates in rubledenominated interest rate swaps – MosPrime, RUONIA, and the Bank of Russia key rate. The proportion of transactions using MosPrime rose significantly in March and averaged 51% over 2022 H1. Transactions using RUONIA and the key rate averaged 21% and 26%, respectively.

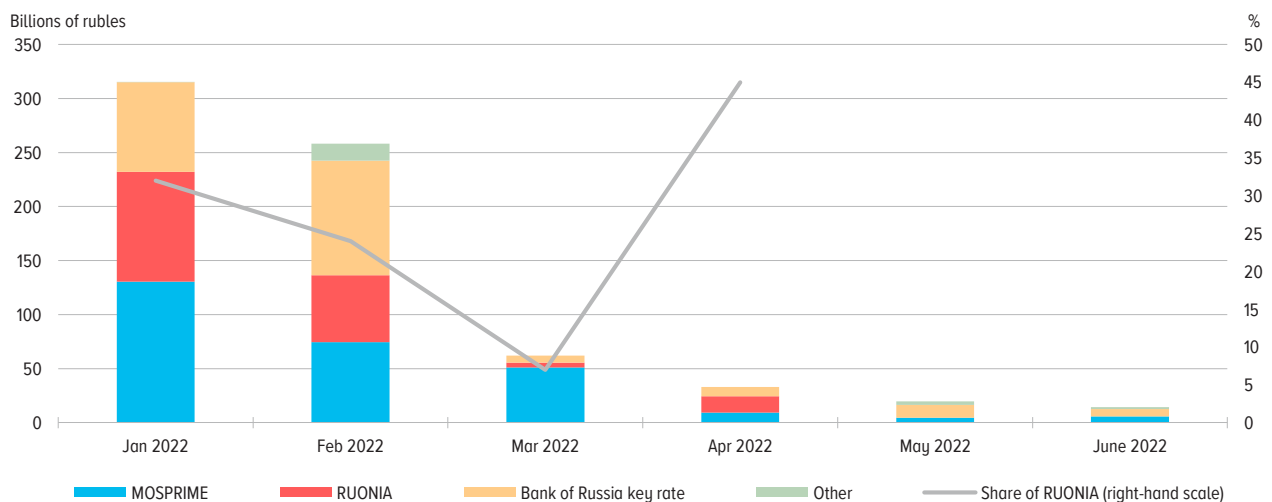
TURNOVER OF OTC DERIVATIVES USING RUONIA IN 2022 (MILLIONS OF US DOLLARS)

Chart 7



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

Chart 8



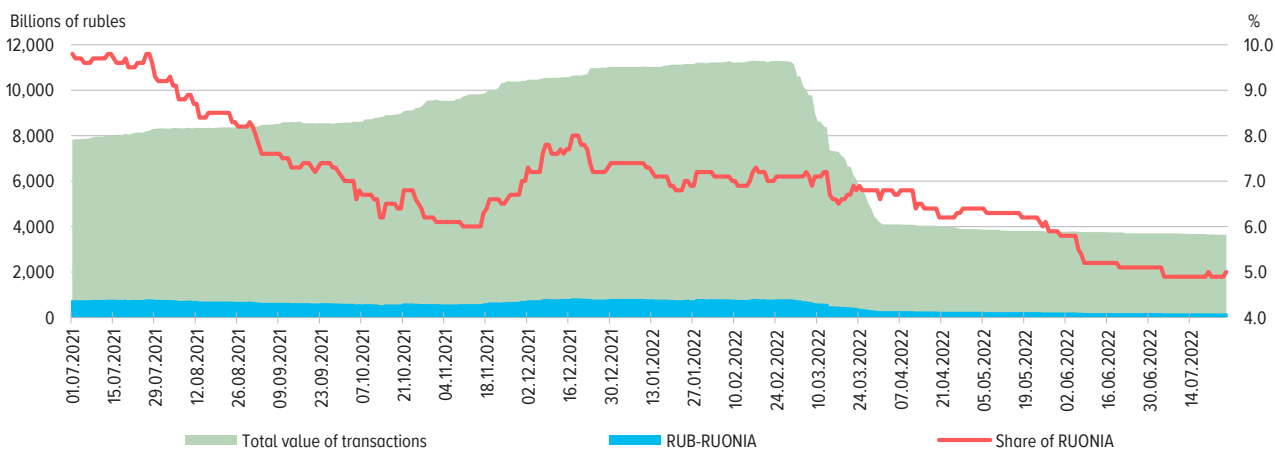
In 2022 Q2, the ratio of the most popular floating interest rates changed. Specifically, after the surge in the proportion of RUONIA-linked transactions in April (45%) amid the general slump in the amount of interest rate swap transactions, there were no ruble-denominated interest rate swaps based on this floating rate in May and June. The key rate became the most widely used one, accounting on average for 44% of the transactions in Q2 (Chart 8).

Overall, in 2022 H1, the amount of interest rate swaps in rubles considerably declined, whereas the proportion of transactions using MosPrime expanded (41% on average). In 2022 H1, trends in the market of derivatives linked to RUONIA were uneven due to the drastic changes in the economic environment caused by geopolitical shocks. Prior to the period of volatility, derivatives market participants' positions, including those linked to RUONIA, had been progressively increasing, continuing the upward trend of the previous year.

However, beginning from March 2022, as non-residents exited the Russian market, positions in derivatives transactions declined and the derivatives market contracted more than two times. In addition to the overall reduction in open positions, the amount of derivatives transactions based on RUONIA edged down as well. As a result, their proportion in the overall market volume dropped to 5% (Chart 9).

TOTAL VALUE OF OPEN POSITIONS IN THE IRS MARKET AND SHARE OF RUONIA-LINKED CONTRACTS

Chart 9



OPEN POSITIONS IN RUBLE-DENOMINATED INTEREST RATE SWAPS, BY BENCHMARK
(BILLIONS OF RUBLES)

Chart 10

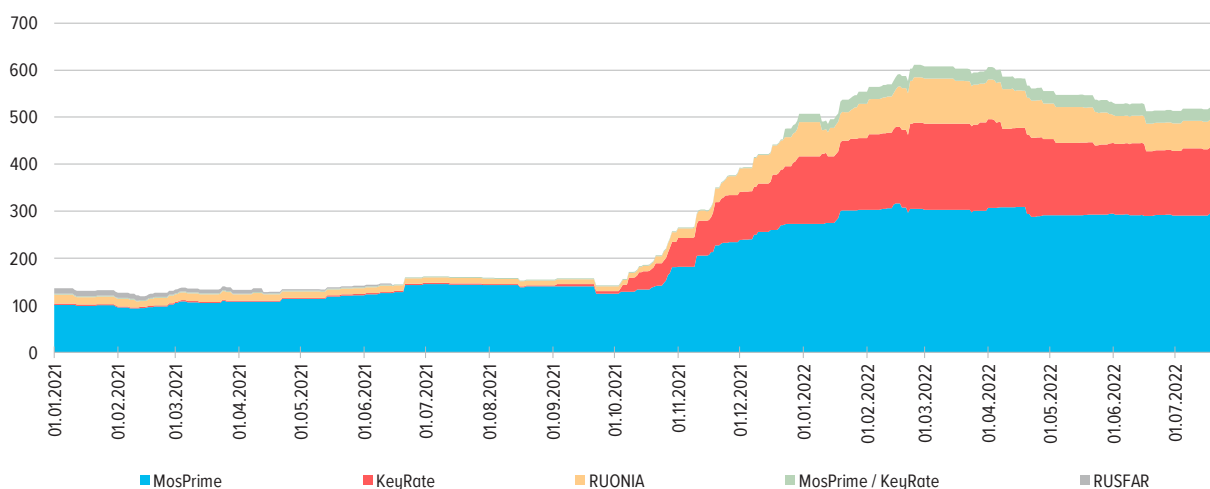
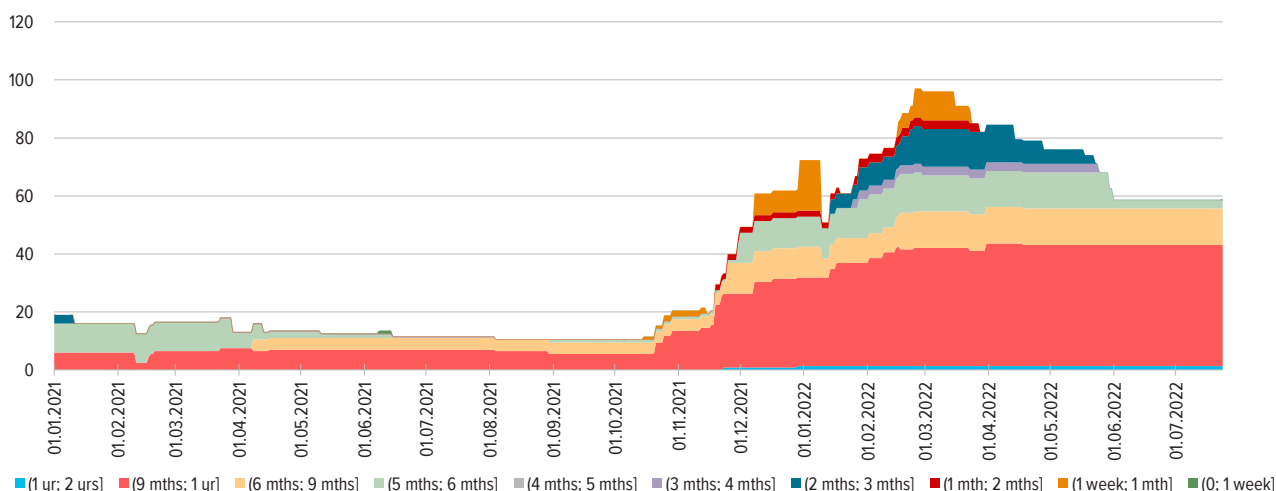
RUONIA – OPEN (LONG-TERM + SHORT-TERM) POSITIONS, BY MATURITY
(BILLIONS OF RUBLES)

Chart 11



Open positions in the exchange segment of the derivatives market also changed diversely over 2022 H1, but more smoothly considering that non-residents did not take part in trading. Until March 2022, positions in the exchange market increased, including due to the transfer of a part of transactions to centralised clearing. However, further on, the market was contracting as well until the end of the first half of the year (Chart 10).

An important trend in the segment of RUONIA-linked derivatives was an extension of maturities of signed contracts. The growth in positions from the end of last year was mainly attributed to transactions concluded for a period from nine to twelve months. A considerable proportion of contracts were signed for a period from six to nine months. Thus, long-term instruments hedging interest rate risk were most demanded in the market (Chart 11).

Amid the extension of maturities, the gap between the fixed interest rate in interest rate derivatives transactions and the current key rate of the Bank of Russia also expanded. Despite the increase in the key rate to 20% in March 2022, positions in the market were opened at fixed interest rates not exceeding 17% and in relatively small amounts (Chart 12).

RUONIA – OPEN POSITIONS, BY FIXED RATE

Chart 12

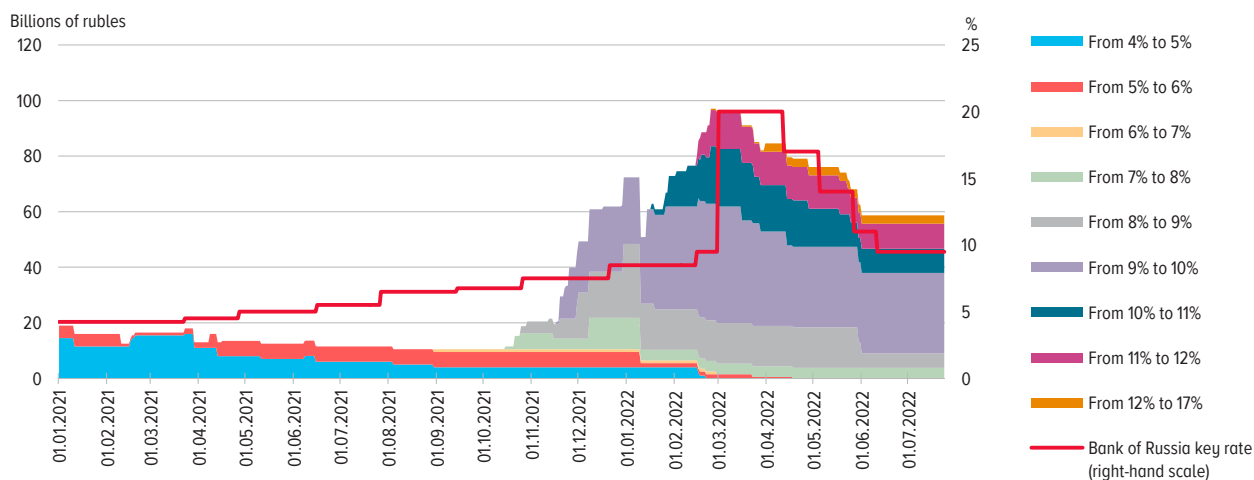
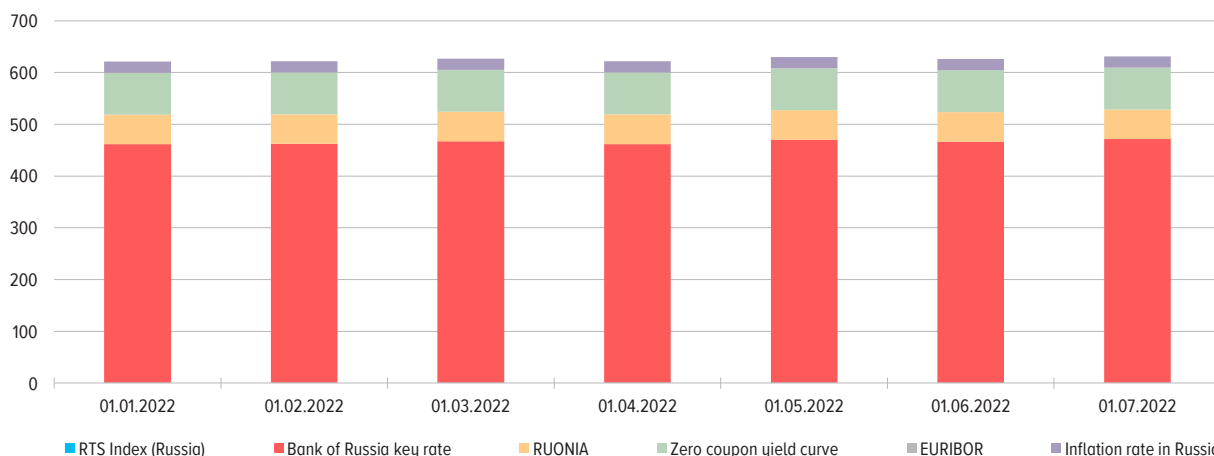
ISSUED FLOATING-COUPON DEBT SECURITIES BY BENCHMARK RATE TYPE IN RUBLES
(BILLIONS OF RUBLES)

Chart 13



Nevertheless, participants in the exchange market of interest rate derivatives still preferred the MosPrime benchmark as a floating interest rate, with these transactions accounting for the largest share (57%, or 302 billion rubles) in the overall market volume. In addition to MosPrime demanded as a benchmark, the Bank of Russia key rate was used very frequently as well (27%, or 141 billion rubles). RUONIA-linked ruble-denominated interest rate swaps accounted for approximately 11% (59 billion rubles) of the opened positions in the exchange market.

Chart 13 shows the issue of floating-coupon debt securities by financial institutions classified as 'other financial institutions' (S125) broken down by benchmark rate type in rubles.

Detailed information on parameters for RUONIA calculation

Chart 14 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 2022 H1.

Both indicators were highly volatile in March, after which the interquartile range of interest rates instantaneously returned to its usual values. Besides, these indicators remained highly correlated: the coefficient of correlation between them, calculated based on the data for 2022 H1, equalled 0.55 with a rather high level of reliability (the t-statistic equalled 7.12).

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

Chart 14



AMOUNT AND NUMBER OF THE RUONIA PANEL BANKS' TRANSACTIONS

Chart 15

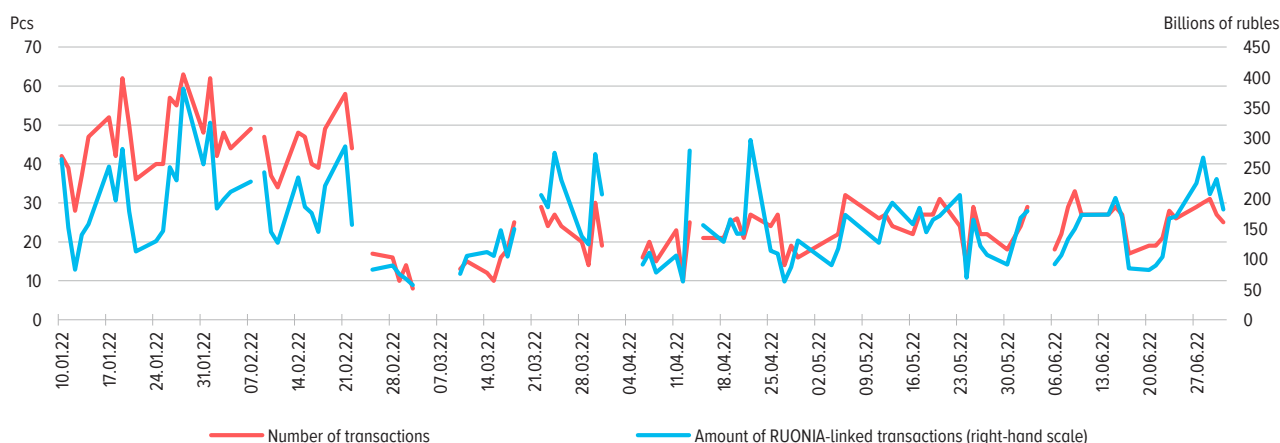


Chart 15 shows changes in the number and amount of the RUONIA panel banks' transactions.

The data published statistically confirm the correlation between these two indicators: the coefficient of their correlation was sufficiently high reaching 0.72, with the t-statistic equalling 11.3. Based on the data provided, it is possible to conclude that transactions of similar amounts prevailed in the transactions concluded between the RUONIA panel banks and that a rise in the amount was often achieved through an increase in the number of conducted transactions.

The average amount of a transaction in 2022 H1 reached 5.9 billion rubles, increasing by 40.0% as compared to 4.2 billion rubles in 2021 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 2022 H1 benchmark calculation base was not made.

Over 2022 H1, as the concentration criterion exceeded the threshold, the RUONIA Fallback Value was calculated 11 times, whereas there were no such cases over 2021 H2. This was because large credit institutions urgently needed liquidity on the days of the calculation of the RUONIA Fallback Value and the spread of interest rates was high.

GLOSSARY

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.

Administrator – the organisation responsible for the benchmark administration.

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.

RUONIA Index – a value that is equal to the value of one ruble compounded 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 Oversight 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).

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

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

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

Benchmark – an aggregated indicator in the form of an index, interest rate, or 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.