



Bank of Russia



2022 H2 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	6
Plans for 2023	6
III. Review of RUONIA in 2022 H2	7
RUONIA as an IBL market benchmark	7
RUONIA in financial instruments	9
Detailed information on parameters for RUONIA calculation	14
Summary on errors in reporting affecting the published RUONIA value and the RUONIA Fallback Value calculation	15
Glossary	16

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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 July through December 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 questions and 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 (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 monitoring over the RUONIA administration process;
- coordination 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 Self-regulatory organization National Finance Association (SRO NFA).

The Regulation on the RUONIA Oversight Committee is [available](#) on the Bank of Russia website. Members of the Committee approved as of 1 January 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 Lozgageva, 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 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 of the Bank of Russia.

The Committee held two meetings in 2022 H2.

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, as well as to ensure 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 in accordance with the Methodology approved by [Bank of Russia Order No. OD-1795, dated 24 August 2021](#). Having analysed the current market structure, the Committee approved the updated [List of RUONIA Panel Banks](#) in December 2022. The List now includes Joint Stock Company Bank DOM.RF (Registration No. 2312), whereas CB J.P. Morgan Bank International (LLC) (Registration No. 2629) was excluded from the List. The foreign subsidiary was excluded from the List due to a decrease in its trading activity during the two quarters preceding the revision.

The next RUONIA's List revision or its current membership confirmation is due in 2023 H1.

Information support of the RUONIA Averages

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 with their interest rates linked to the arithmetic mean from RUONIA daily values. These are the State Corporation VEB.RF and JSC DOM.RF, as well as RESO-LEASING Ltd. 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 coupon yield 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 coupon yield 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 of the private sector.

In July 2022, the Bank of Russia held a meeting with market participants to discuss the abandonment of the MosPrime Rate benchmark. 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. In the course of the discussion, all the participants supported the approach for switching from the MosPrime Rate to the RUONIA Averages by using a synthetic MosPrime Rate.

As a result, it was decided to convert all effective MosPrime-based contracts to the RUONIA Averages adjusted for the five-year median spread between these two indicators. The Bank of Russia calculated the historical data series of the spreads for various periods of the RUONIA Averages. The median spreads between the MosPrime Rate and the RUONIA Averages were calculated for the period from 12 January 2015 through 30 December 2022 and published on the [Bank of Russia website](#) in the [MosPrime Rate](#) section. From 30 June 2023, the Bank of Russia stops publishing the MosPrime Rate.

Rotation of the Committee members

Irina Melnikova is no longer a member of the Committee as she left the Bank of Russia. She was replaced by Ekaterina Lozgacheva, acting Director of the Financial Market Strategy Department of the Bank of Russia, as agreed upon by the Committee. 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 2023

In 2023, the Committee plans to:

- update the List of RUONIA Panel Banks or confirm its current version every six months;
- discuss the relevance of the RUONIA methodology due to changes in the structure of the interbank market;
- form the long-term curve of interest rates based on RUONIA Averages;
- promote the transition of derivatives market participants from the MosPrime Rate to RUONIA; and
- 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 H2

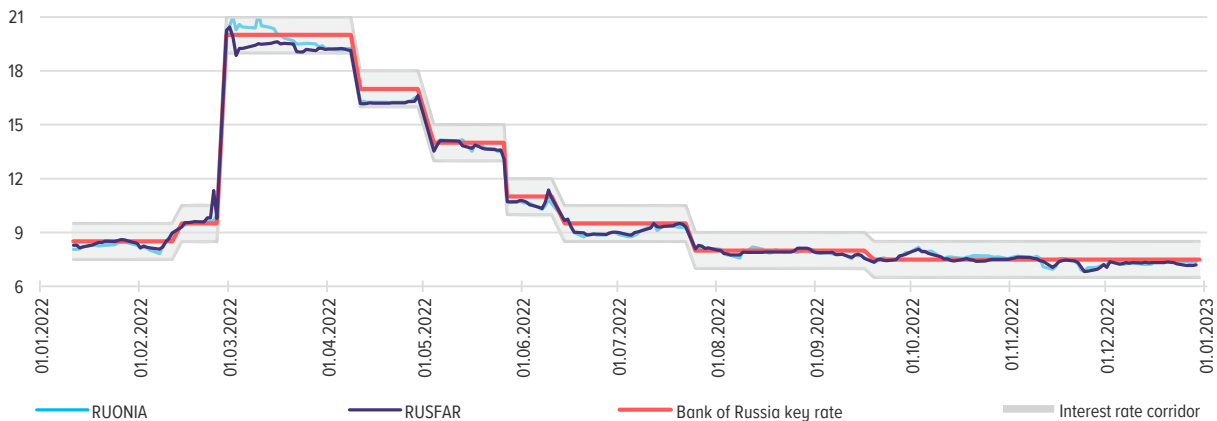
RUONIA as an IBL market benchmark

In 2022 H2, according to the decisions of the Bank of Russia Board of Directors on key rate changes, the regulator decreased the key rate two 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 that was 1 p.p. lower compared to the beginning of the year. The RUONIA movements were generally consistent with changes in RUSFAR, an indicator of the cost of overnight borrowing (Chart 1).

RUONIA movements in 2022 H2 are representative of the demand and supply in the interbank market. In 2022 Q4, the amount of transactions increased notably. Over the period under review, the total amount of transactions included in the RUONIA calculation averages 269.2 billion rubles, which is 66.7% more than in 2022 H1 (Chart 2).

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

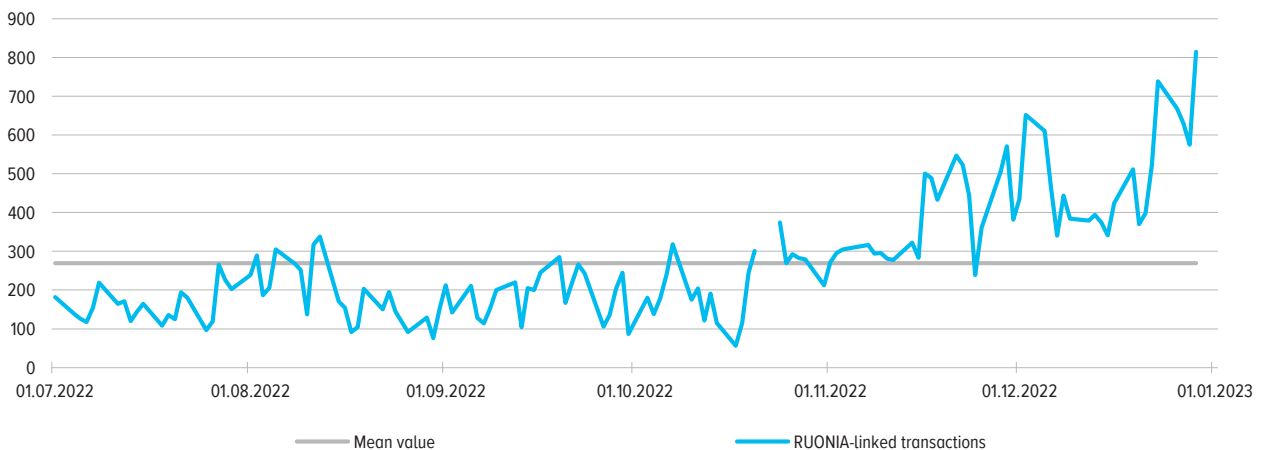
Chart 1



Sources: Bank of Russia, PJSC Moscow Exchange.

RUONIA VOLUMES IN 2022 H2
(BILLIONS OF RUBLES)

Chart 2



Source: Bank of Russia.

Activity in the overnight **IBL** market, especially among RUONIA panel banks, significantly increased. The average daily turnover of the IBL market rose by 17.4% over 2022 H2, as compared to 2022 H1, to reach 269.24 billion rubles, while the amount of RUONIA-linked transactions surged by 66.1% over this period to total 161.46 billion rubles. Accordingly, RUONIA market participants' turnover accounted for 57.2% in the IBL market, having increased by 16.8 p.p. (Chart 3).

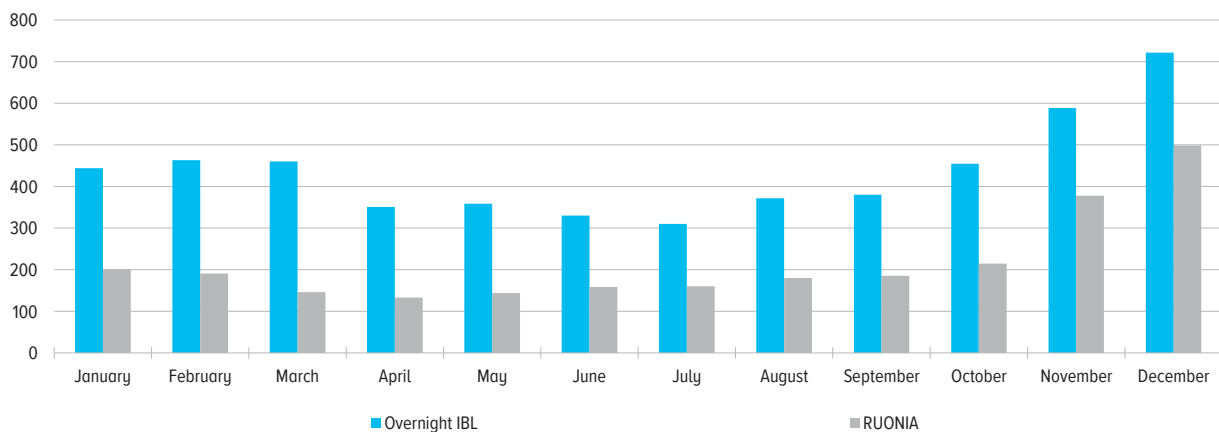
The diagram of the network structure (Chart 4) shows that the RUONIA panel banks' transactions represented the transactions of the core of the overnight IBL market.

Chart 5 shows the portion 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 six-month sideways trend of the share of the RUONIA panel banks changed for a certain rise in this benchmark in 2022 Q4, which was evidence of an increase in the RUONIA panel banks' activity.

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

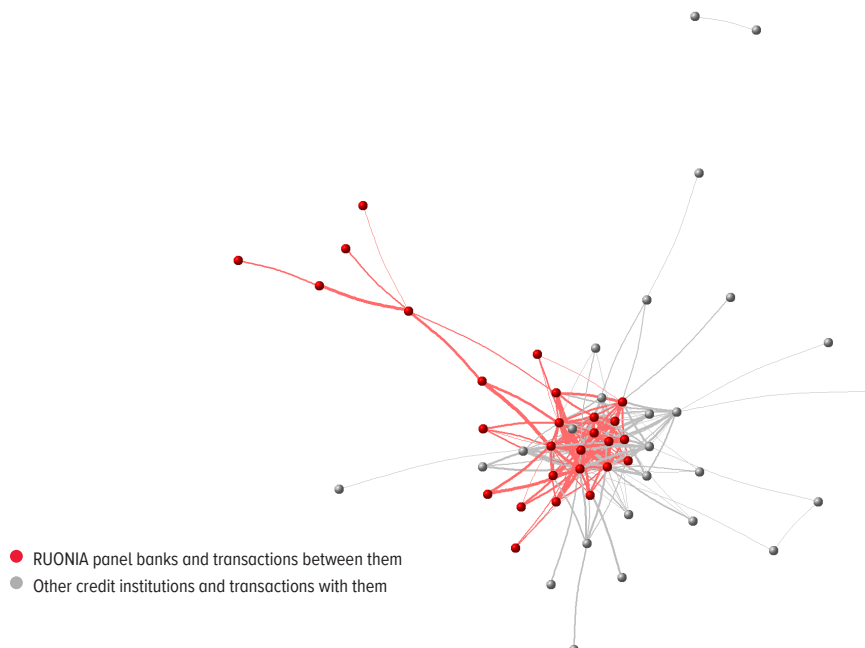
Chart 3



* 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 2022 H2

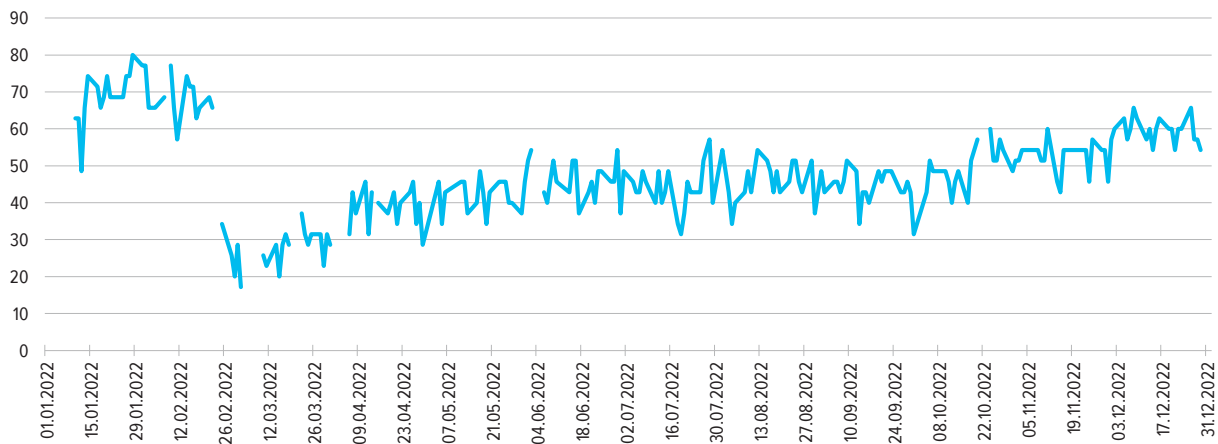
Chart 4



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.

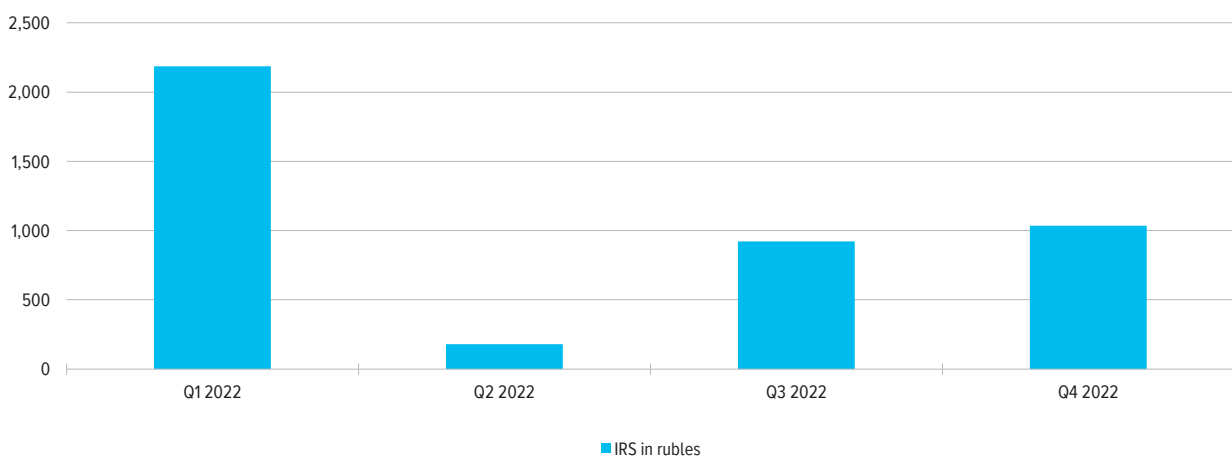
RUONIA in financial instruments

The turnover of over-the-counter derivatives using RUONIA contracted by 17.3% in 2022 H2 compared to the previous six months. Nevertheless, the quarterly turnover of these instruments became less volatile, which proves that the trend towards the use of RUONIA in interest rate swaps, evidencing market participants' interest in the benchmark, continued in 2022 H2 (Chart 6).

In 2022 H2, market participants primarily applied three main floating rates in ruble-denominated interest rate swaps – MosPrime, RUONIA, and the Bank of Russia key rate. Compared to the previous six months, the proportion of MosPrime- and RUONIA-based transactions declined by 16.2 pp and 9.0 pp, respectively. Accordingly, the share of transactions linked to the Bank of Russia key rate was up by 23.2 pp (Chart 7).

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

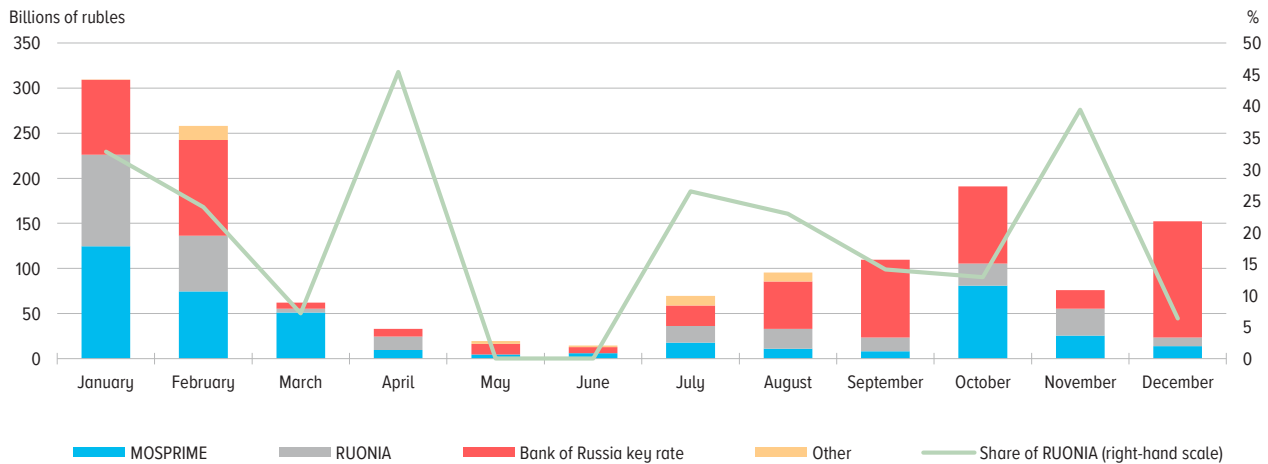
Chart 6



Source: Bank of Russia.

COMPARISON OF THE USE OF RUONIA AND OTHER FLOATING RATES IN RUBLE INTEREST RATE SWAPS IN THE SAME CURRENCY IN 2022

Chart 7



Source: Bank of Russia.

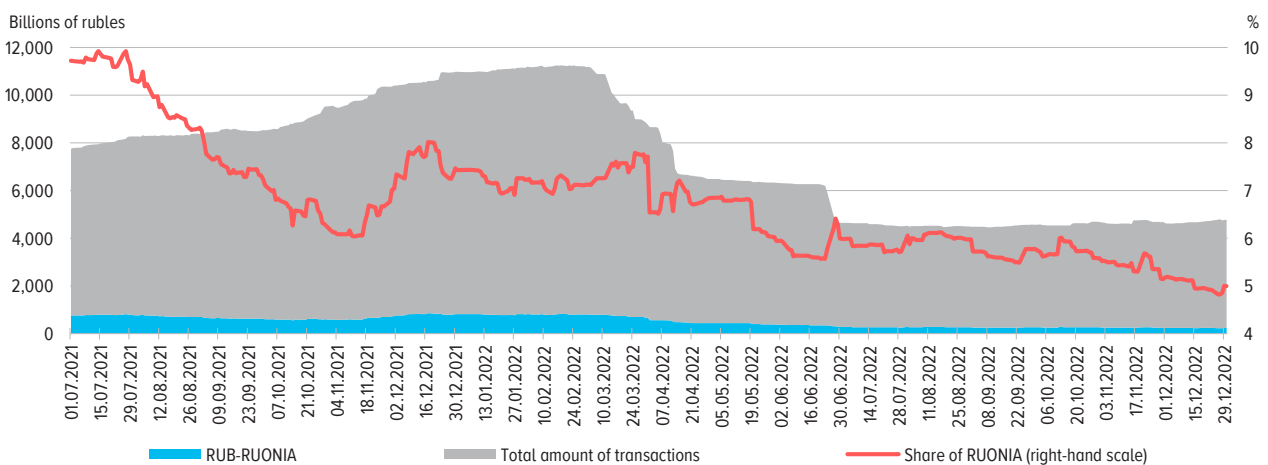
After a considerable contraction of the over-the-counter derivatives market in 2022 H1 (amid non-residents' exit from the Russian market), the market then started to stabilise in 2022 H2, and there was no significant volatility in it. However, the amount of open positions in ruble-denominated interest rate swaps linked to RUONIA continued to decrease in 2022 H2. By the end of the year, the proportion of amounts outstanding with this instrument shrank to 5% in the total market volume, and the market plunged by nearly 50% compared to the beginning of the year (Chart 8).

As to the market of standardised derivatives of the Moscow Exchange, the dynamics of amounts outstanding in ruble-denominated interest rate swaps had no obvious trend in 2022 H2, and their amount remained fairly stable. The surge in the amount of open positions in ruble-denominated interest rate swaps in 2021 Q4 was because that was when the requirement for their centralised clearing became effective.¹

Overall, in 2022 H2, interest rate swap transactions linked to RUONIA were conducted by 27 unique clearing members, predominantly with state-owned banks.

THE IRS MARKET AMOUNTS OUTSTANDING AND SHARE OF RUONIA-LINKED CONTRACTS

Chart 8

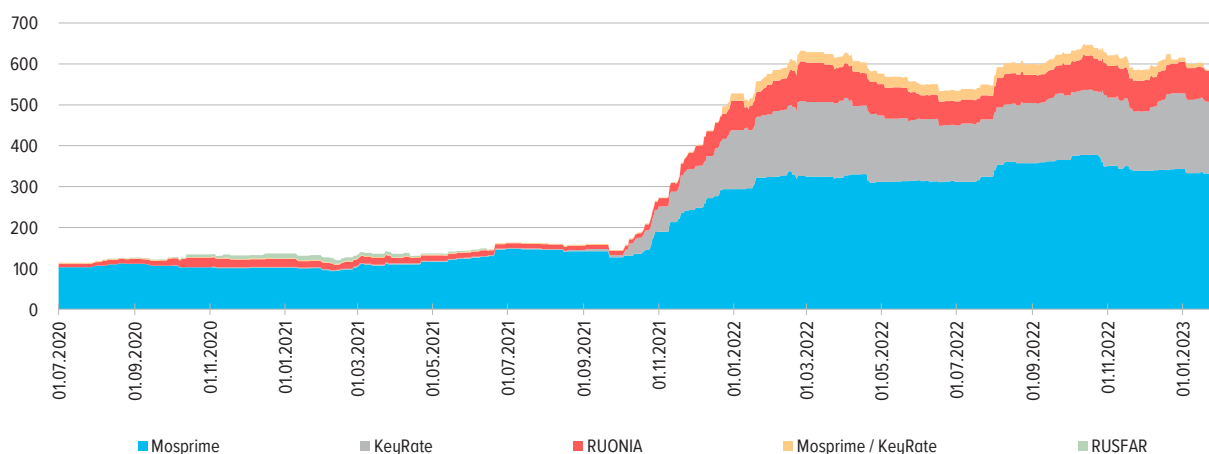


Source: National Settlement Depository.

¹ Bank of Russia Ordinance No. 5352-U, dated 16 December 2019, came into force on 1 January 2021 and, actually, had a three-quarter lagged effect.

AMOUNTS OUTSTANDING IN RUBLE-DENOMINATED INTEREST RATE SWAPS, BY BENCHMARK
(BILLIONS OF RUBLES)

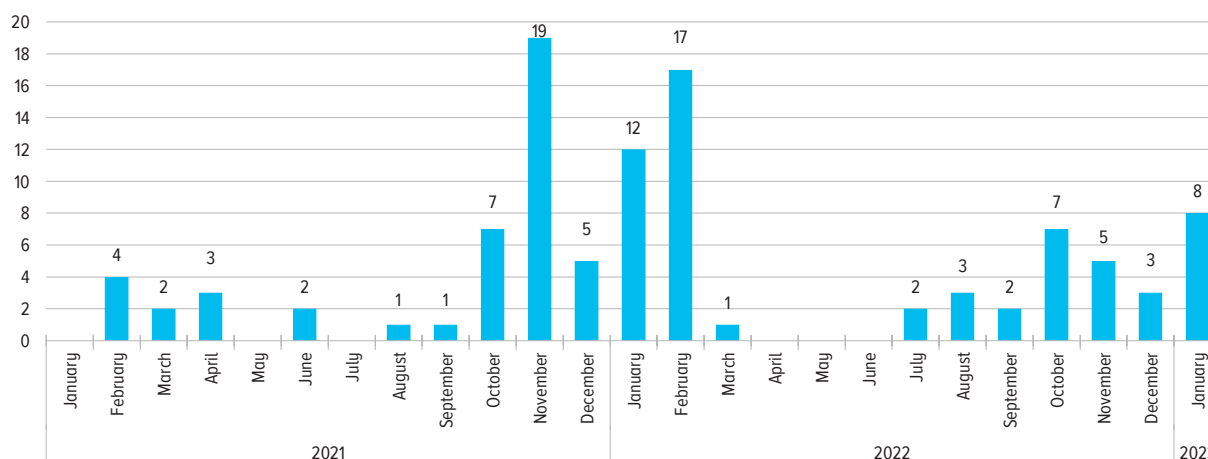
Chart 9



Source: PJSC Moscow Exchange.

NUMBER OF RUONIA-LINKED SWAP TRANSACTIONS
(PCS.)

Chart 10



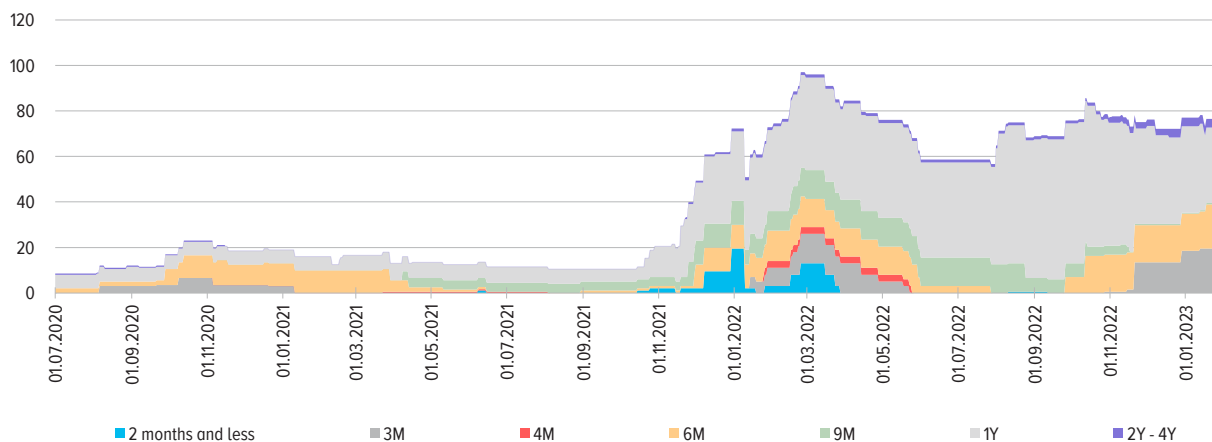
Source: PJSC Moscow Exchange.

As the situation stabilised after the escalation of geopolitical tensions in 2022 H2, market participants started to conduct new RUONIA-linked interest rate swap transactions in the standardised derivatives market of the Moscow Exchange. However, their number is still limited, which hinders the development of a highly liquid market (Chart 10). The period under review was characterised by shifts in the maturity structure of open positions in ruble-denominated swaps linked to RUONIA. In the middle of last year, amounts outstanding were mostly represented by instruments with maturities of one year, whereas, beginning from October 2022, market participants increased the demand for swaps with maturities of three and six months. In the structure of open positions, their amount became comparable with that of one-year instruments (Chart 11).

The decrease in the maturities of RUONIA-linked interest rate swaps could be associated with generally higher uncertainty regarding the future path of the Bank of Russia key rate. In 2022 Q2–Q3, the Bank of Russia was consistently reducing the key rate considering the stabilisation of the situation, whereas in 2022 Q4, the key rate was kept unchanged at 7.5% per annum and its future changes were less predictable for market participants.

STRUCTURE OF AMOUNTS OUTSTANDING IN THE EXCHANGE MARKET OF RUONIA-LINKED RUBLE SWAPS,
BY MATURITY
(BILLIONS OF RUBLES)

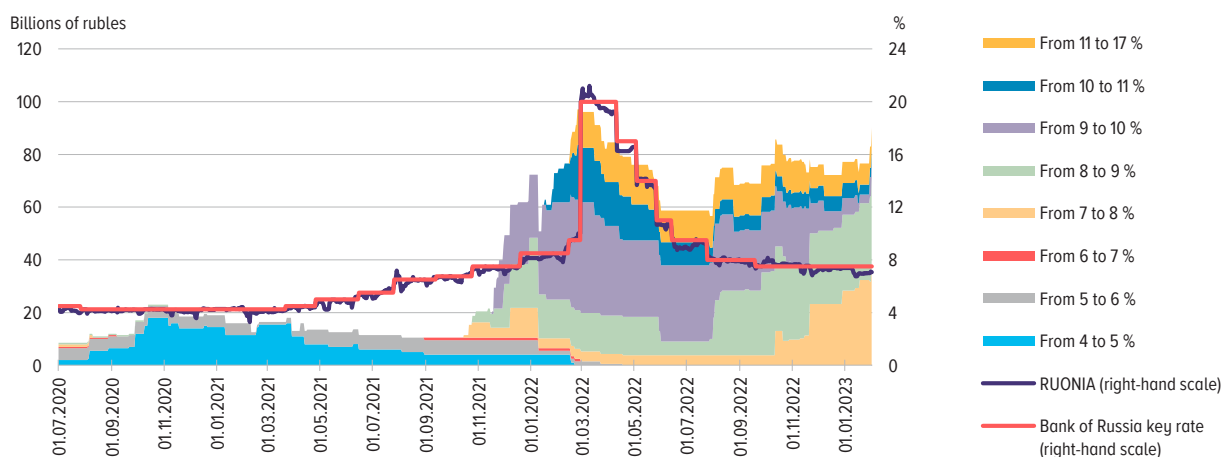
Chart 11



Source: PJSC Moscow Exchange.

STRUCTURE OF AMOUNTS OUTSTANDING IN THE EXCHANGE MARKET OF RUONIA-LINKED RUBLE SWAPS,
BY FIXED RATE

Chart 12



source: PJSC Moscow Exchange.

During the period when the Bank of Russia reduced the key rate, fixed interest rates on interest rate swaps linked to RUONIA edged down as well. The amounts outstanding in transactions with a fixed interest rate from 7% to 9% increased in Q4, almost fully displacing transactions with a fixed rate from 9% to 11% by the end of the year (Chart 12).

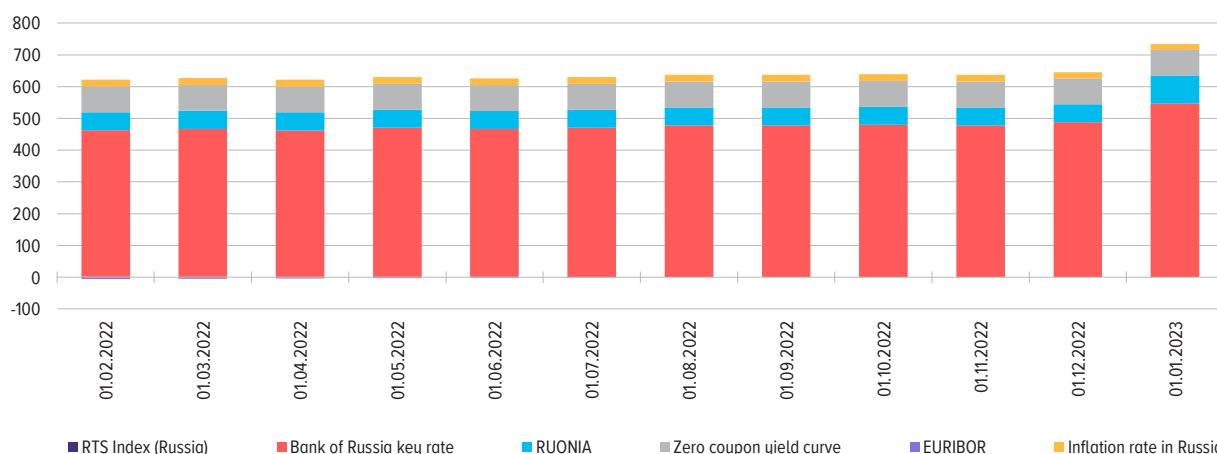
Chart 13 shows the issue of variable-coupon debt securities by financial institutions classified as 'other financial institutions' (S125) in 2022, broken down by benchmark rate type in rubles.

Among the six instruments in Chart 13, the amount of debt securities increased in 2022 H2, compared to 2022 H1, owing to debt securities based on the key rate (to 548 billion rubles) and based on RUONIA (from 57 billion to 87 billion rubles). The issue of the other instruments edged down slightly.

The development of the market of RUONIA-linked instruments in 2022 H2 was driven by market participants implementing their plans to abandon the MosPrime benchmark, among other factors. In April 2022, the NFA as the administrator of the MosPrime Rate [announced](#) the termination of the calculation of the MosPrime Rate from 1 January 2023. In August 2022, considering market participants' opinions, [the termination of the MosPrime Rate publication](#) was rescheduled

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

Chart 13



Source: Bank of Russia.

for 30 June 2023 (the last date of its publication). Until this day, the MosPrime Rate will be calculated and published as normal.

To implement the above transition, in September 2022, the Bank of Russia started to publish the median spread between the MosPrime Rate and RUONIA according to the [ISDA Methodology](#) and sent recommendations to credit institutions to organise the transition of the effective MosPrime-based contracts expiring after 30 June 2023 to RUONIA and the RUONIA Averages and to conclude new contracts using RUONIA and the RUONIA Averages.

In 2022 H2, credit institutions reported an increase in RUONIA-linked transactions. The overall amount of such transactions for all instruments in banks' portfolios expanded by 5,642 billion rubles to 9,423 billion rubles, primarily driven by investment in federal government bonds² (growth by 5,139 billion rubles to 8,268 billion rubles). Besides, the amount of credit and deposit contracts more than doubled, namely from 377 billion to 894 billion rubles.

To monitor the progress of promotion of the RUONIA benchmark, in October 2022, the Bank of Russia started surveying credit institutions about the use of RUONIA and the process of abandoning the MosPrime Rate. The results of the survey are given in the table.

In December 2022, the Moscow Exchange in turn implemented a mechanism for the transition (conversion) of the existing transactions from the MosPrime Rate to RUONIA using the above adjustment for the spread published by the Bank of Russia.

As a result, the switch in the standardised derivatives market will include two stages: conversion upon agreement between the parties – from 1 January through 30 March 2023; and mandatory conversion, subject to the NCC's decision, of the remaining transactions based on the MosPrime

BANKS' AMOUNTS OUTSTANDING IN RUONIA-LINKED TRANSACTIONS, BY INSTRUMENT
(BILLIONS OF RUBLES)

Reporting date	Total	Derivatives		Credit and deposit agreements	Other instruments
		total	with non-residents		
01.10.2022	3,781	275	45	377	3,129
01.11.2022	5,918	276	41	352	5,290
01.12.2022	6,225	256	41	266	5,703
01.01.2023	9,423	261	41	894	8,268

Source: Bank of Russia.

² Including variable coupon-income federal government bonds (OFZ-PK).

Rate to RUONIA and RUONIA Averages – from 31 March 2023. Beginning from 1 April 2023, it will be impossible to conclude new MosPrime-linked transactions in the standardised derivatives market.

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 H2.

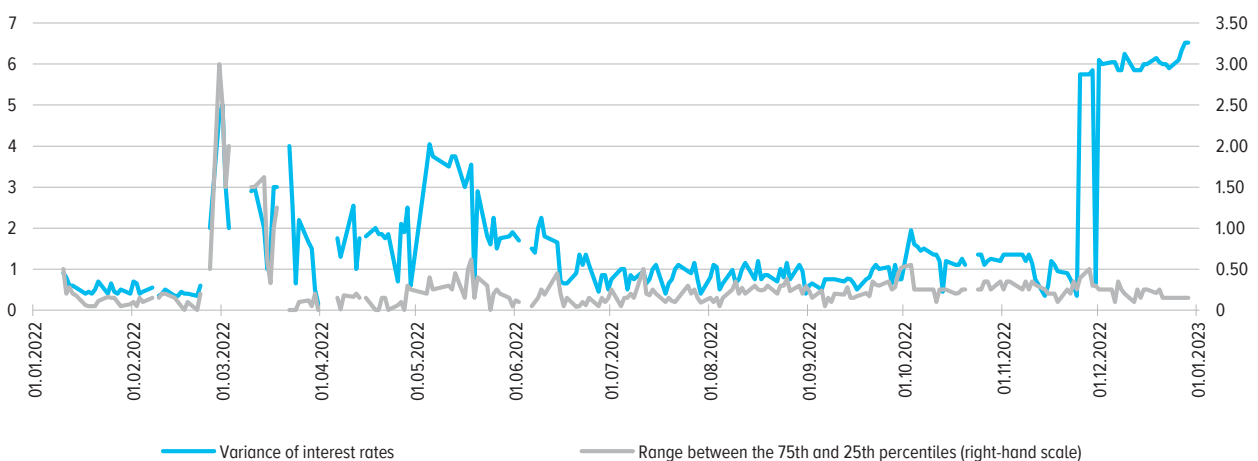
Both indicators were highly volatile at the end of November, after which the H-spread returned to its usual values. Besides, the correlation between these indicators was disturbed: the coefficient of correlation between them, calculated based on the data for 2022 H1, equalled 0.55 with a rather high level of reliability (the t-criterion equalled 7.12), whereas in 2022 H2, this coefficient dropped to zero.

Chart 15 shows the number and amounts 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 0.92, with the t-criterion equalling 78. Based on the data provided, it is possible to conclude that transactions of similar amounts prevail

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

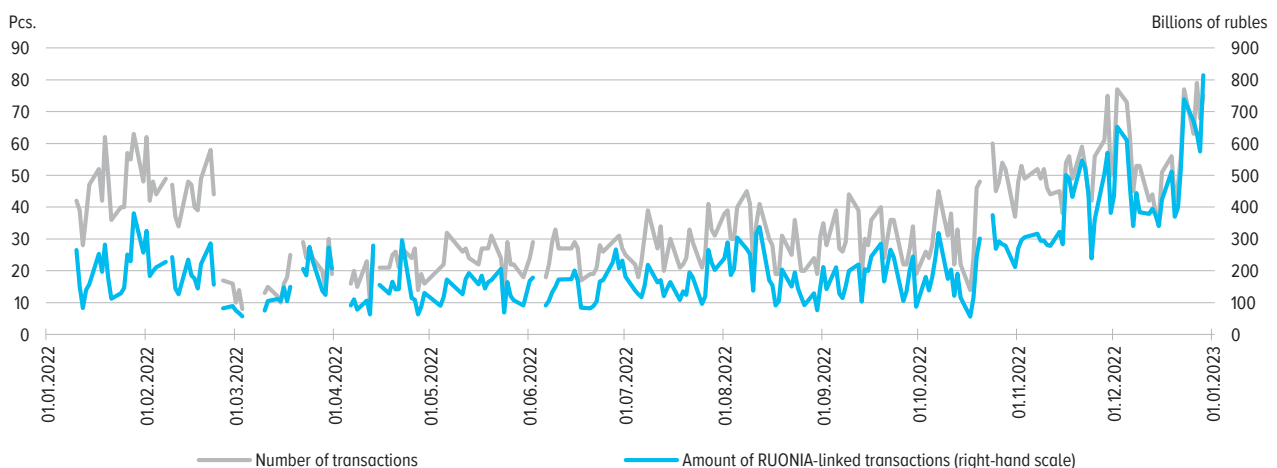
Chart 14



Source: Bank of Russia.

AMOUNT AND NUMBER OF THE RUONIA PANEL BANKS' TRANSACTIONS

Chart 15



Source: Bank of Russia.

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.

The average amount of a transaction in 2022 H2 reached 6.6 billion rubles, increasing by 12.4% as compared to 5.9 billion rubles in 2022 H1.

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 H2 benchmark calculation base was not made.

In 2022 H2, there was one case when the **RUONIA Fallback Value** was calculated, which was due to technical issues at the Bank of Russia. As the interbank lending market stabilised to a certain extent, there were no other reasons for calculating fallback values.

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, 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.

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.

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

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).

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