



NATIONAL FOREIGN EXCHANGE ASSOCIATION

RuREPO

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**Chairman of NFEA Management Board,
Chairman of Committee for Professionalism,
Member of Board of Directors 2TBank**





Today NFEA indices family

MosPrime Rate



Since May 2005, 9 contributor banks

NFEA FX Swap Rate



Since Jan 2010, 8 contributor banks

Ruonia



Since Sep 2010, together with CBR
28 contributor banks

ROISFIX



Since April 2011, 9 contributor banks

RUREPO



Since 13Jan2013, 8 contributor banks





FINANCIAL BENCHMARKS





What RuREPO is

- **RuREPO – Ruble Offered REPO Rate**
- **Indicative interest rate of Ruble cash lending in Repo deals to prime banks**
- New (additional) money market indicator **(benchmark)** in interbank (OTC) REPO transactions with high-quality securities (OFZ)
- Tenors: O/N, 1w, 2w, 1m from today
- Administrator (owner): NFEA

RUREPO





Contributor (submitting) banks

- Minimum 8 contributor banks (as per 01Dec2013):
 - **VTB**
 - **Gazprombank**
 - **Sberbank**
 - **ING Bank Eurasia**
 - **Promsvyazbank**
 - **Bank Saint Petersburg**
 - **Uralsib**
 - **Unicredit**





Calculation methodology

- Analogue: EUREPO, since 2002 at 11 a.m. C.E.T
- Banks enter quotes (bid/offer) by 12:15 MSK; max spread bid-offer is 12.5% of reverse repo
- Calculated at 12:30 MSK as weighted average of all “offers” (1max + 1min “offers” taken off) in %p.a.
- Calculation agent: Thomson Reuters
- Collateral: all OFZ issues with maturity <5 years
- and is calculated as RuREPO
- Test deals for verification of validity
- ACT/ACT





RuREPO indicators

On 04.12.2013

RuRepo ON - 6,43%

RuRepo 1W - 6,55%

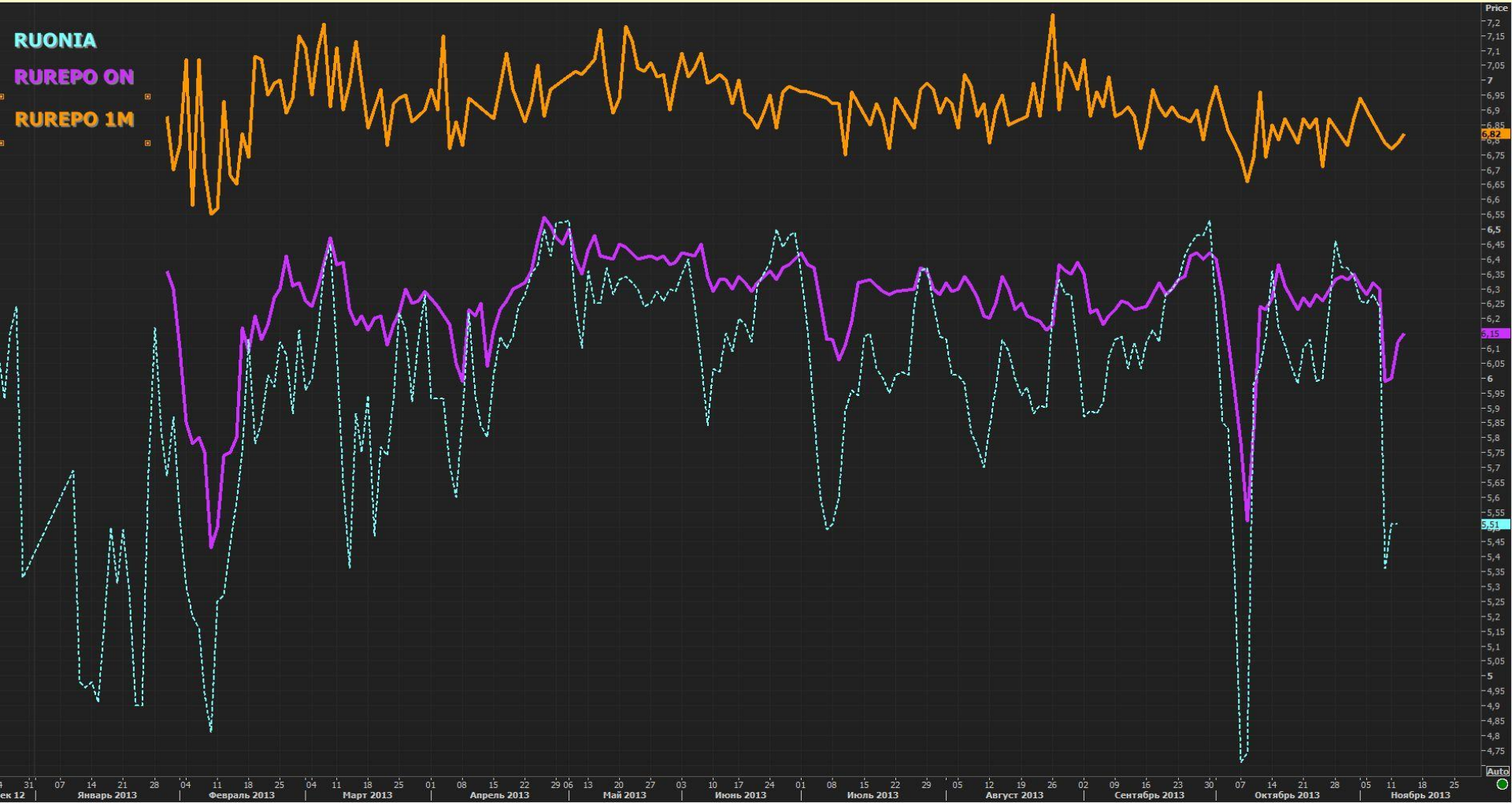
RuRepo 2W - 6,70%

RuRepo 1M - 6,80%





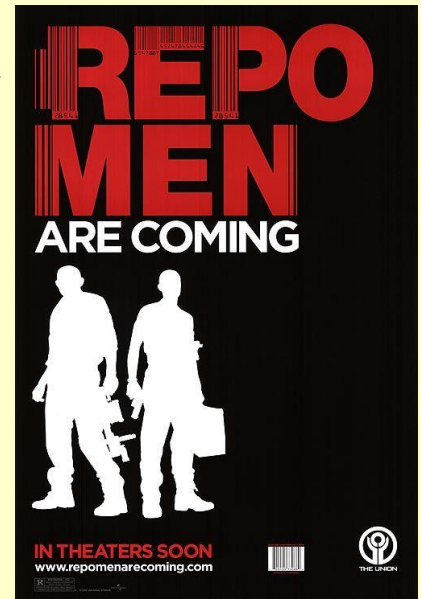
Graph of RuRepo + RUONIA





Use of RuREPO

- Transparent risk-free benchmark for interdealer (OTC) Repo market
- Basis for repo pricing Bank-to-clients
- in floating rate of long-term repos
- Treasury: another funding rate indicator
- analytics (comparison to other OTC money market interest rate curves)
- for Open Repo pricing





Regulation of Financial Benchmarks

- Manipulation of benchmarks: LIBOR (also Euribor) scandal after 2008 (Barclays, UBS, RBS, ICAP were fined) - fragility of some Benchmarks that undermine market confidence, harming real economy
- Major regulators wanted “LIBOR reflect actual rates not subjective submissions”
- Regulatory Reform: oversight and governance of calculation of important benchmarks
- LIBOR taken from BBA to NYSE Euronext
- “Principles for Financial Benchmarks” by IOSCO, 17.07.2013 endorsed by G20





IOSCO - Principles for Financial Benchmarks (2013)

- Main aim: to restore confidence, credibility and integrity of major benchmarks
- “19 Principles”: 4 sets of recommended practices that should be implemented by Administrator and Submitters include:
 - Governance: to protect integrity of Benchmark determination process
 - Benchmark quality: to promote the quality and integrity of Benchmark
 - Quality of methodology: set min information that should be addressed within a Methodology (also establish Submitter Code of Conduct, internal control over data collection)
 - Accountability mechanisms: complaints process, audit reviews
- Administrators should publicly disclose compliance with Principles within 12 months



Choice of right interest rate

QUESTION: What interest rate curve is best (true and representative)?

- Quoted at certain time?
- Based on actual deals?
- Lending or swap based?
- Synthetic?



And FOR WHAT PURPOSES?



MosPrime Rate



- Launched in April 2005 by request of EBRD (first international RUB bond issue)
- Methodology same as LIBOR: offered rates quoted by 12:15, published at 12:31 by Thomson Reuters
- Homogenous list of contributor banks representing same (similar) credit quality – 10 banks from 01/12/12 (max 12 in 2011 before LIBOR crisis) – **includes Credit risk component**
- Tenors: 1-6 months
- in 2008 was included into ISDA Definitions 2006 as recommended global reference rate for RUB instruments
- Similar to LIBOR most used globally: >200,000 times seen monthly (of them majority – 3 months and 6 months)





Contributors of MosPrime rate

9 banks as per 01 November 2013

- Alfabank
- Gazprobank
- ING Bank (Eurasia)
- Raiffeisenbank
- Russian Agricultural (Rosselkhoz)
- Sberbank
- Unicredit bank
- Vnesheconombank
- VTB

Citibank, HSBC, Deutschebank, RBS, Rosbank (Societe Generale), WestLB ceased to be contributors in 2012-2013



Ruonia



- Actual O/N Ruble interbank loans (deposits) of selected banks (with minimum risk) for the whole day in the market, weighted
- Since Sep 2010 - Difference to MosPrime rate (LIBOR) indicative offered quotes
- Calculated by the CBR by methodology agreed by NFEA
- Issued at 5 p.m. next day for yesterday deals
- 28 Contributor banks selected by NFEA
- Included into ISDA 2006 Definitions (in October 2013)
- www.ruonia.ru



NFEA FX Swap Rate



Contributors as per 01.11.2013

- **VTB**
- **Deutsche**
- **ING Bank (Eurasia)**
- **Credit Suisse (Moscow)**
- **Metallinvestbank**
- **Raiffeisen**
- **Sberbank**
- **Unicredit**

*Citibank, Goldman Sachs, HSBC,
Morgan Stanley, RBS , Rosbank
ceased to be contributors*

Launched December 2011

**Indicative FX swap rates
(swap points) – mid rate**

USD/RUB + EUR/RUB

**Tenors: 1w, 1m, 2m, 3m, 6m,
9m, 12m, 1y, 18m, 2,3,4,5y**

Published 16:31 MSK

**Allows to calculate
Implied RUB interest rate**



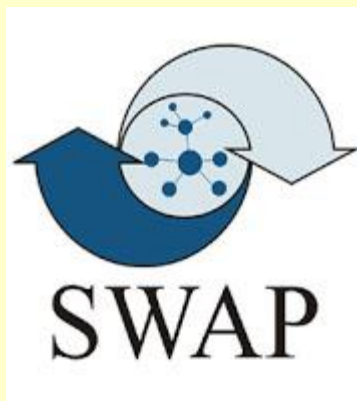
ROISFIX



NFEA RUONIA OIS FIXING • Idea: ICAP plc

Contributors ROISFIX 01.11.13

- **Gazprombank**
- **Deutsche**
- **ING Bank (Eurasia)**
- **RBS**
- **Metallinvestbank**
- **Raiffeisenbank**
- **Citibank**
- **Troika Dialog**
- **Unicredit**



- Launched April 2011
- Indicative fixed rates of RUB Overnight Index Swaps (mid rates) at 12:31 MSK
- Tenors: 1w, 1m, 2m, 3m, 6m

OIS % rate - free of credit risk, clean value of money

Problem: low market liquidity



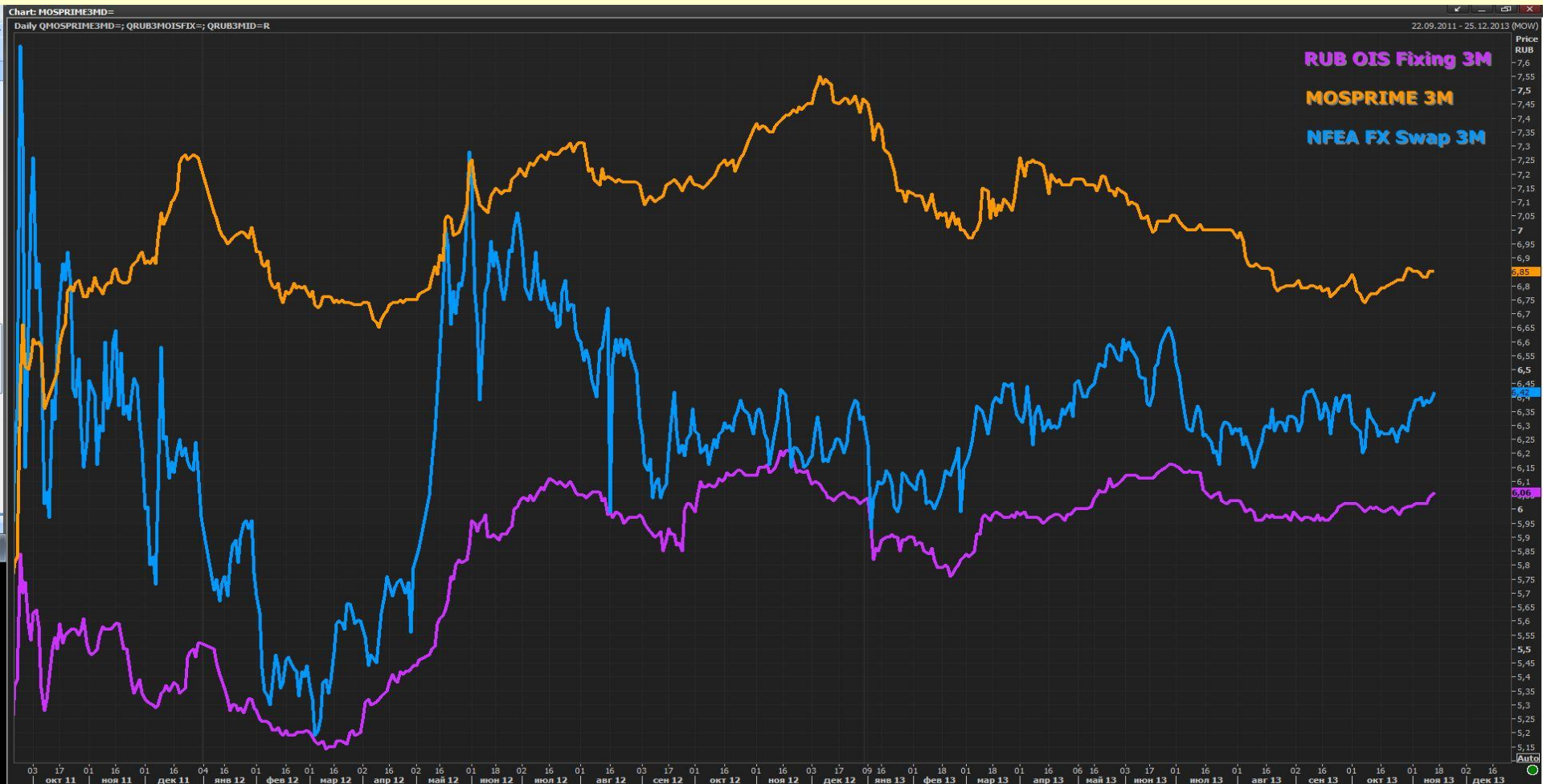
Spread OIS–LIBOR(MosPrime)

- Difference or "spread" between LIBOR/MosPrime and OIS rates - important measure of credit risk and liquidity in the interbank money market, strong indicator for the relative stress in the interbank market.
- A higher spread (high Libor) - indication of a decreased willingness to lend by major banks, a lower spread indicates higher liquidity in the market.
- Spread can be viewed as indication of **banks' perception of creditworthiness of other financial institutions** and the general availability of funds for lending.





Regulators: monitor spread LIBOR-OIS or MosPrime-ROISFIX





About NFEA



- Established: October 1999 in Moscow
- Membership: institutional (local and global banks and brokers) operating in Russian spot/forward foreign exchange, money markets and derivatives;
- Management: the Board (28 market practitioners), 4 co-chairmen, 3 Committees (on Market Indices; for Professionalism, Ethics & Education; on Legal Affairs)
- Projects up to date:
 - 1999-2001, 2006: Elaboration of Standards (Code of Conduct and Rules to Conduct Operations (Committee for Professionalism, Ethics & Education),
 - Market indices: MosPrime Rate (2005, RUB money market reference rate), NFEA FX SWAP RATE – new index for USD/RUB and EUR/RUB forwards
 - Standard Documentation for Russian OTC derivative transactions (Russian ISDA Agreement) – completed in 2009, new version in 2011 (approved FFMS)
 - RUONIA – Russian analogue of EONIA, SONIA (since Sept 2010)
 - ROISFIX – OIS interest rates index (since April 2011)
 - CLS Bank: inclusion of Rub into CLS clearable currencies (since end 2011)
- International cooperation, partners and working contacts:
 - EBRD (MosPrime rate, joint conferences)
 - ISDA (inclusion of MosPrime, RUONIA calculation to ISDA definitions 2006)
 - ACI-The Financial Markets Association



Contact Details

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rurepo.ru

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