

Minutes of the 15th meeting of the Money Market Working Group (MMWG)

11 September 2024

On 11 September 2024, the 15th meeting of the Money Market Indicators Working Group (MMWG) was held in Almaty with the participation of representatives of the National Bank of the Republic of Kazakhstan (NBK), the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (the Agency), the European Bank for Reconstruction and Development (EBRD), Kazakhstan Stock Exchange (KASE), second-tier banks (banks), and other money market participants.

According to the Agenda, the following issues were discussed during the meeting.

I. Situation in the money market

1. The planned changes to the frequency of deposit auctions from 1 July 2024 have been postponed.

2. Banks proposed changing the settlement format for deposit auctions for more efficient liquidity management from T+2 to T+0. The NBK reported that this proposal is supported, and measures will be taken to ensure a speedy transition to the T+0 format.

3. Banks also made a proposal to consider the issue of shifting the window for holding deposit auctions to a later time. The NBK reported that this issue requires an analysis of international experience and will be considered by the NBK.

4. The NBK emphasized the importance of the role of the banks in maintaining TONIA within the target corridor. The NBK reported that a number of measures had been taken for these purposes, including a letter was sent with guarantees that penalties would not be applied for late delivery of funds to the NBK due to delays on the part of JSC KASE Clearing Center, and the letter also provided recommendations aimed at simplifying operational processes when placing BANK funds on NBK deposits.

5. Banks also drew the NBK's attention to the problem associated with audit checks. Auditors consider the operations of the second-tier banks to attract liquidity through repo transactions carried out to maintain the TONIA rate within the target corridor as a sign of liquidity problems. The NBK reported that this issue will be carefully studied in order to eliminate misunderstandings and correctly understand these operations by audit companies.

II. Standard ISDA agreement for the local market

1. The NBK shared with market participants the status of the agreement development and also announced the estimated time frame for the implementation of the project.

2. The second-tier banks emphasized the importance of having a standard ISDA agreement for further development of the local market in terms of activating interest rate swap transactions.

III. Implementation of the primary dealer institution

1. The NBK reported on joint work with the Ministry of Finance to implement the primary dealer institution. The NBK informed the market about the upcoming changes within the framework of this project, outlined the key obligations that will be imposed on primary dealers, and also emphasized the expected positive impact on the development of the secondary market.

IV. Availability of unclaimed balances of cash US dollars on banks' balance sheets

1. Banks voiced the problem of the impossibility of exporting unclaimed balances of cash US dollars.

2. The NBK announced that it will analyze the needs of banks and consider the possibility of exporting accumulated cash banknotes in US dollars abroad.

V. Liquidity management of banks

1. The NBK asked banks to share the main problems in liquidity management, due to the fact that in certain periods banks give preference to overnight deposits offering a penalty rate instead of deposit auctions.

2. Banks pointed out the difficulties in forecasting liquidity because of large clients have the opportunity to withdraw significant amounts of funds on the day of filing an application before 17:00. Such unpredictability creates serious difficulties for banks' liquidity management. Since the Law on Banks is currently being revised, representatives of banks proposed that the Agency and the NBK consider the possibility of introducing stricter regulatory requirements for the withdrawal procedure. In addition, banks proposed revising the terms of term deposits in order to increase the predictability and stability of liquidity management in the banking system.

VI. Use of automated/algorithmic systems in the foreign exchange market

1. Banks expressed concern about the use of automated systems in the foreign exchange market by some market participants. The main problem is that certain algorithms are capable of quickly changing the exchange rate without making transactions.

2. The NBK noted that it will work out the issue of using automated/algorithmic systems in the foreign exchange market together with KASE.