

## **Minutes of the 1<sup>st</sup> Meeting of the Working Group on Money Market Indices (MMWG)**

*July 25, 2018, Almaty*

On July 25, 2018, the 1<sup>st</sup> Meeting of the Working Group on Money Market Indices (hereinafter - MMWG) was held in Almaty with the participation of representatives of the European Bank for Reconstruction and Development (hereinafter - EBRD), the National Bank of Kazakhstan (hereinafter - NBK), commercial banks, Association of Financiers of Kazakhstan, Kazakhstani Stock Exchange.

The meeting was held in a business-friendly atmosphere focused on the discussion of the money market of the Republic of Kazakhstan in particular its indicators. The parties discussed the importance of money market benchmarks and international recent developments with regard to benchmarks, exchanged views on the development of Kazakhstani money market, discussed a timeline for the working group work on indices and started reviewing candidates for the KZT overnight Risk Free Rate

According to the Agenda, the following issues were discussed during the Meeting:

### **I. The role of money market indicators in the implementation of the monetary policy and the development of domestic markets.**

1. The representatives of the NBK stressed the increased role of money markets and money market indicators in the implementation of monetary policy since the move to inflation targeting. They reminded participants the measures undertaken by the NBK to move from FX to interest rate targeting and the increased importance of domestic money markets and interest rate risk management.

2. The representatives of EBRD then explained the importance of money market benchmarks to manage interest rate risks and develop efficient domestic markets.

### **II. Review of the current indicators of the Kazakhstan money market in light of international recent developments presented by EBRD. Proposals for the selection of the optimal indicator of the money market.**

1. The NBK representatives introduced the current indicators of the Kazakhstani money market.

2. The EBRD representatives then presented recent international developments<sup>1</sup> and in particular the transition from Libor type indices representing indicative term rates to 'Risk Free Rate' benchmarks reflecting actual transactions for overnight tenors. They then introduced guiding principles for the creation of reliable money market indices, as well as the assessment criteria, methodologies and data analysis computed by Working Groups in various countries in order to reach an agreement on the definition and calculation methodology for the overnight Risk Free Rate.
3. The parties noted the small number of transactions in the interbank market due to the high level of distrust between banks. They also agreed that Interbank deposit market indicators, such as KIBOR/KIBID, KIMEAN and KazPrime are not representative of current markets.
4. The discussion on money market benchmarks lead to broader discussion on measures that could help Kazakhtan money markets become more liquid and efficient (and therefore support stronger money market benchmarks).

### **III. As a result of the meeting the parties agreed on the following:**

1. To take into consideration the proposal of representatives of banks regarding the opening of an additional window (about 30 minutes) directly with the NBK after the end of the trades on KASE, due to the need for additional placement of funds.

2. To take into consideration the proposal of representatives of banks regarding the need for presence of the NBK in two-day swaps on KASE in case of unavailability of one-day swaps.

3. That banks would analyze the current money markets and money market indices in Kazakhstan, in particular the advantages and disadvantages of each type of index and submit to NBK the following:

- a) Completed Assessment (Table 1 and 2 of appendix 1) by September 20, 2018.
- b) Answers to the questions (Appendix 1) by September 20, 2018.

### **IV. On the holding of the next meeting of the Working Group.**

1. The parties agreed to hold the next meeting of the Working Group in Almaty in the second half of 2018.

---

<sup>1</sup> Recent developments are also outlines in the FSB paper on Reforming major interest rate benchmarks - 2017 Progress report on implementation of July 2014 FSB recommendation - <http://www.fsb.org/wp-content/uploads/P101017.pdf>

3. The specific dates and venue of the next meeting will be agreed upon additionally.