

Minutes of the 7th meeting of the Working Group on Money Market Indices (MMWG)

November 10, 2020, videoconference

On November 10, 2020, the 7th meeting of the Working Group on Money Market Indices was held online with the participation of representatives of the National Bank of Kazakhstan (NBK), European Bank for Reconstruction and Development (EBRD), "Kazakhstan Stock Exchange" JSC (KASE), second-tier banks (Banks), Association of Legal Entities "Association of Financiers of Kazakhstan" (AFK).

According to the Agenda the following issues were discussed during the meeting:

I. Following the recommendation of the 6th MMWG meeting to monitor the impact on TONIA of recent market developments, KASE and EBRD made presentations on the impact of the additional liquidity window and splitting the auto repo instrument into repo with central counterparty (hereinafter – CCP) and repo with gross settlement on the formation of the TONIA index.

1. Since August 3 2020 the KASE has been conducting transactions on a new trading system with the division of the repo market into repo with CCP and repo with gross settlement. Analysis of transactions in the auto repo market with Government Securities basket showed that in the period from August 3 to October 26 the volume of transactions with CCP significantly exceeded the volume of transactions with gross settlement.
2. As of now the TONIA index is calculated in real time after each transaction based on the parameters of all auto repo transactions with one-day maturity with securities of the Government Securities basket using the CCP.

II. EBRD presented the results of the questionnaire circulated ahead of the meeting to market participants seeking their preferred option regarding proposed changes in the methodology for calculating the TONIA index, in light of recent market developments.

Based on Banks' responses to the questionnaire regarding the reformed TONIA index by the majority of the MMWG members, it was decided to:

1. Use both repo with CCP and repo with gross settlement as eligible transactions when forming the TONIA index.
2. Determine the following fall-back mechanism for TONIA index: should the volume of eligible transactions forming TONIA index be less than 100 billion tenge, TONIA index will be calculated as the NBK Base Rate plus the mean spread of TONIA to the NBK base rate over the previous five publication days.
3. Transfer to the updated methodology for calculating reformed TONIA index from December 28, 2020.

III. During MMWG meeting the parties agreed as follows.

1. To continue analyzing the methodology of calculating the TONIA index for introducing required changes upon necessity.

2. To proceed with development of the interbank market and the use of interest rate hedging instruments.

IV. On holding the next meeting of the MMWG.

1. The parties agreed to hold the next meeting of the Working group in 1st quarter of 2021.
2. The specific dates and venue of the next meeting shall be agreed upon additionally.