



European Bank  
for Reconstruction and Development

# MONEY MARKET IN KAZAKHSTAN

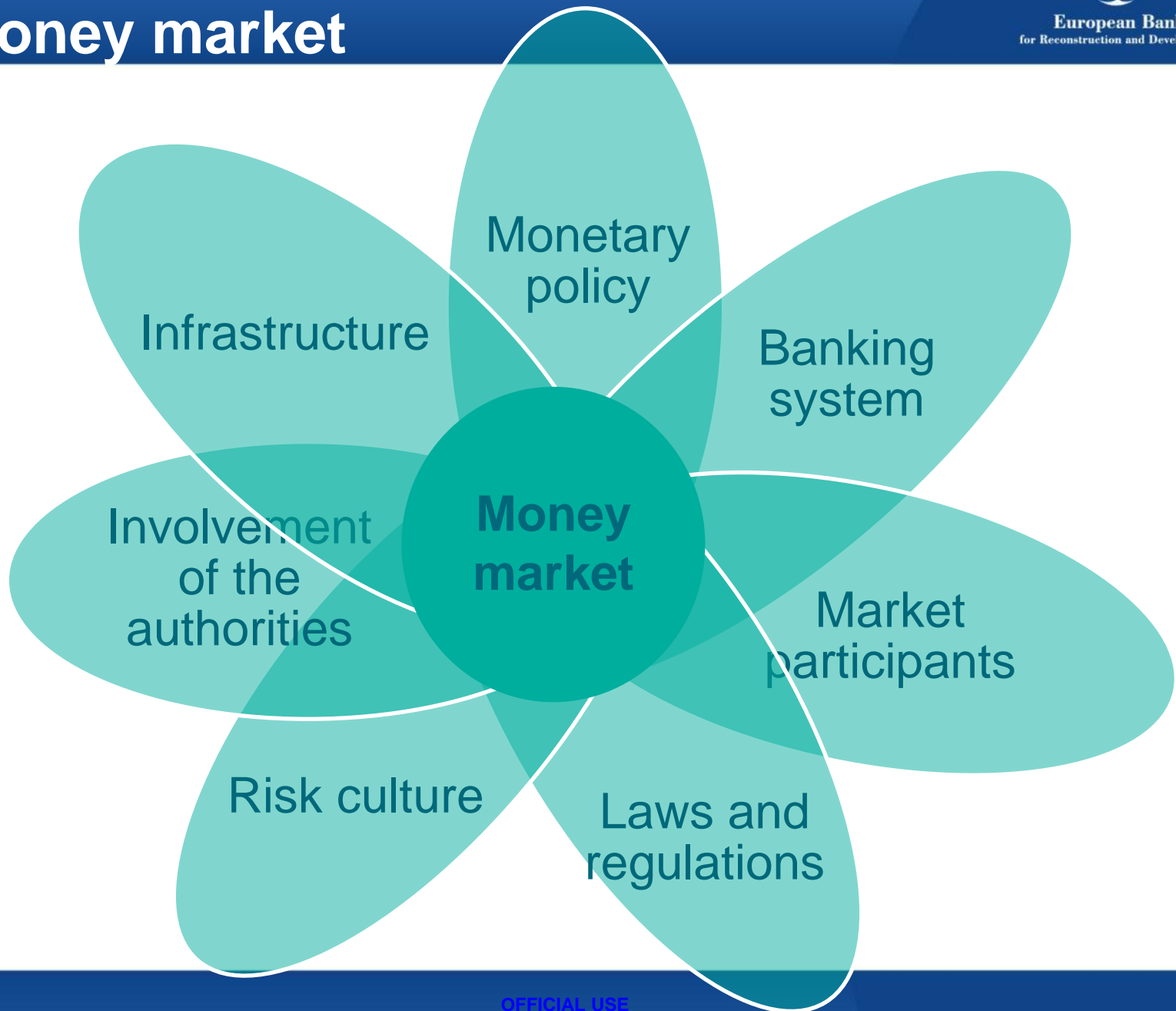
EBRD Treasury

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# Preconditions for an efficient money market



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## Well-functioning money markets are a cornerstone of resilient financial markets, the foundation of the banking system and effective monetary policy transmission

### *Key Features:*

- Support banks' key function of financial intermediation and maturity transformation (liquidity management)
- Reduces systemic risk linked to relying on foreign exchange funding to finance the economy
- A smooth functioning money market supports transmission of monetary policy across the financial system to the real economy without impairment
- Transparent money markets with **reliable benchmarks**

- **Reliable Benchmark**

**Working Group** that has been created in Kazakhstan between NBK, KASE and market participants together with EBRD selected and defined current best rate that can be used as benchmark in Kazakhstan  
**(RFR – reformed TONIA)**

**Following this the next steps that need be done:**

***Adoption and use of the overnight RFR:***

- Raising awareness and educating users as to the need to using the Overnight RFR by proactively engaging with the wider market
- Identifying best practices for references to the Overnight RFR in financial contracts, coordinating, as necessary, with those that have the authority to amend template documentation.
- Developing recommendations for the design and promoting the use of new financial products referencing the overnight RFR which best meet the needs of a broad set of market participants.
- Identifying potential impediments to the adoption of the overnight RFR and proposing workable solutions

***Develop a term reference rate:***

- Identify and review potential data inputs and calculation methodologies for term reference rate
- Agree design criteria for potential administrators and data providers to develop term reference rates, as appropriate.

***On-going review of existing benchmarks*** on a regular basis need to be done to ensure they are still correctly reflecting the underlying interest

- EBRD is member of different RFR working groups: ISDA Benchmark WG, Sonia RFR WG, Sonia RFR sub-WG
- EBRD has worked (and is still working) with local banks and authorities in many of its Countries of Operation to help improve the transparency and credibility of local interbank indices:
  - For example, in Russia, EBRD actively promoted the development of MOSPRIME (launched in 2005), RUONIA (2010) and ROISFIX (2011) and subsequently indexed (loans, bonds and swaps) transactions to these benchmarks.
  - Other countries: **Turkey, Georgia, Egypt and Morocco**. All at different stages of their benchmark reform process.
- The development of a credible interbank index in these markets has allowed:
  - deeper liquidity especially for longer maturities with the extension of credit lines between participating banks;
  - the development of hedging instruments (i.e. futures on MICEX and interest rate swaps in Russia);
  - floating rate loans including for mortgages, as well as deposits;
  - greater transparency for credit and internal transfer pricing.

- Proper legal environment and infrastructure
  - Appropriate and balanced regulation
  - Transparency and disclosure
  - Contractual certainty
  - Fair resolution of disputes
  - Enforceability of derivatives close-out netting

***The project “Developing a new derivative legal and regulatory framework in Kazakhstan” has been initiated by EBRD (LC2 Initiative)***

- **Market Participants**

The number and diversity of participants being active in the MM can tell much about the stage of development. The higher the number and variety of participants in the MM, the more developed the market is.

- **Local Participants**

To let all participants to have access to the market (e.g. pension funds, insurance companies etc)

Solve the trust issues

- **Foreign Participants**

- **Settlement Issues to be resolved**



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