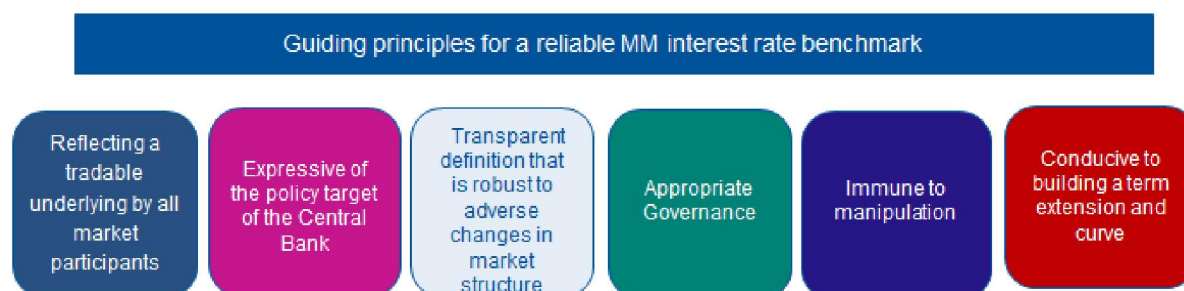


Appendix 1 - Assessment of candidate RFRs against Selection Criteria

As discussed in the last WG meeting, the main guiding principles for a reliable benchmark are:



In order to determine the best proxy for the risk-free rate in Kazakhstan we suggest to evaluate the RFR candidates against these criteria.

Please send us your feedback on the below Questions for consultation (including the filled below tables on 'Preliminary assessment of KZT O/N RFR candidates' and 'Assessment of the candidate Risk Free Rates') by September 20, 2018.

Please note that we don't expect one of the currently available RFR candidates (secured and unsecured overnight rates) to meet perfectly the above selection criterias. The purpose of the consultation is to chose the rate that best meets the criteria before discussing potential changes and improvements to the current methodology in order to make this benchmark more robust and reliable.

Please note that the answers are expected to represent to the extent possible the broader view of your organisation alongside your own view.

The replies to the Consultation Questions will be discussed at the next MMWG meeting.

Consultation Questions:

Question 1 : Based on those criterias, please fill the below assessment tables. Please fill the cells with both the relevant colour and comments if possible and where relevant, explaining your choice of colour.

Question 2 : Which of the unsecured and secured overnight rate best reflects your cost of funding in KZT?

Question 3 : Based on the above, which rate is your preferred RFR?

Question 4 : Would you recommend any improvement to make this rate more robust and more in line with the RFR criteria ?





Question 5 : Do you have any additional comment on this assessment?

Table 1 - Preliminary assessment of KZT O/N RFR candidates

Rate	Known Advantages	Known Disadvantages	Unknown Additional information needed for an initial assessment	Should this rate be considered as valid RFR Candidate?
Kibor and Kazprime Unsecured				
Unsecured O/N traded rate				
Tonia Secured O/N Repo implied rate				
OTC secured O/N repo implied rate				
SWAP (1D) or (2D) Secured O/N Swap implied rate				
Central Bank Rate				

Table 2 - Assessment of RFR candidates

	Kibor/ Kazprime	Unsecured O/N traded	Kase secured O/N	OTC secured O/N	Swap (1D) (2D) implied	or Central Bank Rate
1 - Quality of the benchmark and methodology:						
Existence of sufficient and reliable market data to produce a robust and reliable index (quantity, quality, availability of data for the administrator)						
Quality of the calculation methodology (does it allow for a fair reflection of the underlying interest, can the calculation be improved?)						
Robustness to changes in market structure over time						
Minimal opportunities for market manipulation						
Published and governed by an appropriate administrator						
Commercial sustainability for administrator and data contributors						
Appropriate controls and governance for administrator and data contributors						
2 - Transparency and sustainability						
Clarity of definition						
Clarity of calculation/setting						
Acceptable/stable fallback mechanisms						
Clarity on procedures for evolution in case change of benchmark methodology changes warranted by evolution in						

market structure.						
3 - Sensitivities						
Credit premia						
Liquidity premia						
Can be easily replicated by market participants						
Technical effects (Period-end, Availability of collateral,...)						
Proximity to policy rate (Monetary policy target)						
Regulatory change						
Changes in the monetary policy framework						
4 - Other considerations for adoption/transition						
Ease /low cost of implementation						
Already used by the market as a benchmark						
Reflect market funding rate during normal and market stress situations						
Same day availability (e.g. at close of business)						
Ease of building a term curve extension						
Consistent with RFRs chosen for other currencies						
Accepted internationally						
 Meets criteria	 Partially criteria	meets	 Does not criteria	not meet		Unclear