

## **Interest Rate Benchmarks**

Interest rate benchmarks play an important role in the financial system and are critical for an effective and smooth function of the financial markets. Market participants use interest rate benchmarks to value their assets and other financial contracts such as interest rate swaps, mortgages, bank overdrafts, and other more complex financial transactions.

## **Money Market Contact Group**

The Money Market Contact Group (MMCG) is comprised of the CBE, the European Bank of Reconstruction and Development (EBRD) and a number of commercial banks operating in the Egyptian market. The MMCG works together to discuss and recommend specific market developments to ensure a safe and efficient Egyptian money market.

The MMCG recommends that market participants start using the CONIA benchmark in the pricing of cash and derivatives.

## **Cairo Overnight Index Average (CONIA)**

The Central Bank of Egypt (CBE) has decided to develop an EGP risk-free rate based on the overnight interbank data collected by the CBE that would serve as a reliable benchmark for price discovery and interest rate management. CONIA is calculated as the trimmed mean of the volume-weighted average rate on overnight unsecured interbank transactions.

## **When will it be published?**

The CBE will first publish CONIA on the 1<sup>st</sup> of October, 2019, reflecting the trading activity of 30<sup>th</sup> of September, 2019.

The rate will be published by maximum 10:30 hours Cairo time on each business day, based on actual transactions from the previous day. It will be published on the CBE's website, via the homepage and (CONIA) page under the statistics section, on Refinitiv (0#CONIA=) and on Bloomberg (COIAA Index).

## **How will it be calculated?**

The methodology for calculating CONIA was determined taking into account the MMCG's feedback through the series of workshops held. The CBE will review the methodology at least annually.

CONIA will be calculated daily based on the all eligible transactions traded during the day ranked from the smallest to the largest with respect to the nominal interest rate reported on these transactions. The top and the bottom 15% of the traded volumes will be detected as outliers and removed from the observations. The weighted average of the remaining transactions will be calculated and will represent the CONIA rate for that given day.

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