

Interest Rate Benchmarks

Interest rate benchmarks play an important role in the financial system and are critical for an effective and smooth functioning 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 was CONIA first published?

The CBE first published CONIA rate October 1st, 2019, reflecting the trading activity of September 30th, 2019.

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

How is CONIA calculated?

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

CONIA is calculated daily based on all the 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 are detected as outliers and removed from the observations. The weighted average of the remaining transactions is calculated and represents the CONIA rate for that given day along with the associated trimmed volume.

What is the CONIA Compounded Rate?

The published CONIA compounded rates represent the rate of return over the reference period, which is equivalent to investing daily in the interbank market over the same period. It is calculated using historical daily values of the O/N CONIA rate for the reference period using actual number of days over 360 days annually as is standard in the Egyptian money markets.

Why does the CBE publish CONIA Compounded Rates?

Publishing the CONIA compounded rates will allow market participants to track their evolution over the published reference periods. Compounded rates should be used as an indication only and not in the calculation of interest for the relevant periods (e.g. 1, 3 or 6 months), as the reference periods of published compounded rates will rarely match the number of days of interest period to be priced, due to weekend and holidays.

What is the CONIA Index & how should it be used?

The CONIA Index is a number representing the returns from a rolling investment earning interest each day at the CONIA rate. Hence, the change in the CONIA index between any two dates could be used to calculate the interest rate payable on a CONIA product over that exact number of days in each interest period.

The CONIA Index will be the preferred method for calculating interest for the different products indexed to CONIA. It is important to use the Index across products to increase hedge efficiency between products.

The users will use the CONIA index to calculate the CONIA Compounded Rate for any interest period simply by using the below formula:

$$\text{CONIA Term Rate}_{\text{period}} = \left[\frac{\text{CONIA Index}_{\text{End Period}}}{\text{CONIA Index}_{\text{Start Period}}} - 1 \right] \times \frac{360}{T}$$

Where T is the number of calendar days in the interest period

When were the CONIA Compounded rates and Index first published?

The CBE published CONIA compounded rates and index on July 14th, 2021, reflecting the trading activity of July 13th, 2021.

The compounded rates and index are published by maximum 10:30 am Cairo time on each business day, based on actual transactions from the previous day. It is important to note that, whereas the CONIA's reference date is the trade date of the reported interbank transactions, the CONIA Compounded rates and Index reference date of those transactions' value date, consequently, CONIA Compounded rates and Index will always have a value date one business day later than the reference date of the reported CONIA observation.

The rates are also 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).

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