

## **Note on Results of Periodic Review of FX Market Indicators**

At its 29 August 2024 meeting, the Oversight Council for Ukrainian Money Market and FX Market Indicators (Oversight Council) conducted the second periodic review of [FX market indicators \(the official hryvnia exchange rate against foreign currencies, accounting prices for investment metals, and the reference UAH/USD exchange rate\)](#).

The review highlighted that the trading volume is sufficient to calculate reliable indicators of the (reference and official) hryvnia exchange rates against the U.S. dollar under the current methodology for determining the indicator as a weighted average value. However, the trading volume is not sufficient to warrant a possible transition to calculating FX market indicators under the fixing methodology in the foreseeable future. The volume and number of transactions in any given time period that could be used to calculate the fixing are currently not significant enough for such a fixing to be representative.

The currency composition of transactions in the Ukrainian FX market confirms the status of the U.S. dollar as the main currency shaping the exchange rate. Meanwhile, the share of euro-denominated transactions in the total volume of bank transactions with customers has been trending higher. Specifically, the share of euro transactions to purchase cashless foreign exchange remains above 40%.

According to calculations and data presented during the review, the criteria for selecting transactions for the primary sample used to calculate the official and reference UAH/USD exchange rates are still relevant. That includes restrictions on the single-transaction volume (from USD 0.1 million to USD 5 million) and on the time of transaction (until 12 p.m. for the reference exchange rate and until 3 p.m. for the official UAH/USD exchange rate). In particular, the Oversight Council noted a decrease, from the pre-war period, in the share of primary-sample transactions that are cut off as outliers under the current methodology for calculating the official and reference UAH/USD exchange rates.

The review of FX market indicators led to a conclusion that the official and reference UAH/USD exchange rates and the methodology for their calculation meet the market's conditions and needs at the current stage in its development.

At the same time, approaches to the introduction of a new benchmark reference UAH/EUR exchange rate as of 12 p.m. were approved. It was recommended that this benchmark be calculated by multiplying the UAH/USD reference rate by the average BFIX USD/EUR quotation calculated between 10:30 a.m. and 12 p.m.

In addition, it was deemed viable to change the methodology for calculating the hryvnia's official exchange rate against foreign currencies (except for the U.S. dollar) and the accounting prices of investment metals by taking the approaches that are similar to the calculation of the reference UAH/EUR rate as of 12 p.m.

Oversight Council members also reached common ground on the viability of taking new approaches to determining the list of currencies for which the official exchange rate is set daily, and on the feasibility of canceling the list for monthly rate-setting.

The **review also resulted in a decision** to raise the following issues for the Money and Foreign Exchange Markets Contact Group's consideration:

- NBU's options for making euro interventions
- extending the timeframe for the NBU's presence in the interbank FX market.

**For reference:** a periodic review of FX market indicators is a special procedure for assessing the structural changes in the market and/or other grounds that may indicate the need to replace existing indicators, adjust their methodology, or consider other important aspects related to their calculation and publication (calculation time, publication procedure, and more).

Periodic reviews are carried out by the [Oversight Council for Ukrainian Money Market and FX Market Indicators](#). The first review was made in February 2024. Going forward, reviews will take place every six months: no later than February and August, respectively. Money and FX market indicators are periodically reviewed to ensure that they comply with the principles outlined in the following [IOSCO document: Principles for Financial Benchmarks Final Report July 2013. Principle 10](#) "Periodic Review" of this document states the following:

“The Administrator should **periodically review the conditions in the underlying Interest** that the Benchmark measures to determine whether the Interest has undergone structural changes that might require changes to the design of the Methodology. The Administrator also should **periodically review whether the Interest has diminished or is non-functioning** such that it can no longer function as the basis for a credible Benchmark.

The **Administrator should Publish** or Make Available a **summary of such reviews** where material revisions have been made to a Benchmark, including the rationale for the revisions.”