TIBR Index and TIBR Index linked Term TIBR Indices Calculation Regulation

Article 1. Definition of TIBR Index

1. Tbilisi Interbank Rate (TIBR) Index represents weighted average interest rate of local currency (GEL) denominated short term interbank uncollateralized loans.
2. Term TIBR indices are rates calculated using backward looking term rate compounding methodology based/linked to the historical TIBR Index.
3. This regulation describes all criteria associated with trades involving in TIBR index and Term TIBR Indices calculation, statement of the index calculation methodology, its publication and other procedures.

Article 2. Eligible Interbank Trades for TIBR Index Calculation

1. Interbank trades, which meets the following criteria are eligible for TIBR index calculation:
    a) Trades are unsecured overnight Loans/Deposit;
    b) Trades are in national currency;
    c) Trades are uncollateralized;
    d) Trades are conducted on Bloomberg trading system;
    e) Trades are made with same settlement date;
    f) Settlement of the conducted trades are done during the operational hours of Real Time Gross Settlement (RTGS) system of National Bank of Georgia (NBG). RTGS operational hours is defined by the RTGS system rules.
2. TIBR index calculation does not include s.c. Deposit SWAP trades (exchange of two deposits in two currencies between parties). If the identification of the Deposit SWAP transaction requires additional clarification, the staff of the NBG requires additional information from treasuries of respective commercial banks.

Article 3. TIBR Index Calculation Methodology

1. Every business day, NBG receives conducted interbank trades of the current business day from the FXTB<GO> page of Bloomberg system.
2. For TIBR index calculation purposes, from the conducted trades only those trades are taken into consideration, which satisfy the requirements of the 2nd article of this regulation.
3. From TIBR index calculation perspective, NBG acts as following:
    a) All eligible transactions that took place on current day are ranked from the smallest to the largest with respect to the nominal interest rate reported on these transactions.
    b) The top and the bottom 15 percent of the transactions are detected as outliers and removed from the observations. Should 15 percent of the total number of transactions be not a whole number, then the calculated value is rounded to the nearest whole number.
    c) TIBR index is calculated as the volume weighted mean of the remaining transactions.
    d) Weighted average is computed as follows:

$$\text{TIBR} = \sum_{i}^{n} R \frac{V}{V}$$

Where:

Vi is the volume of the trade;

Ri is the interest rate of the trade;

V is the total volume of the trades made for the day.

e) Calculated TIBR index is reported on an act/365 day count convention and is displayed to two decimal places.

Article 4. Term TIBR Indices Calculation Methodology

1. Term TIBR Indices are calculated using backward looking term rate compounding methodology;
2. Based on the Historical TIBR Rates Term TIBR Indices are calculated using following formula:

$$\left[\prod_{i=1}^{d_o}\left(1 + \frac{\text{TIBR} \times n_i}{365}\right) - 1\right] \times \frac{365}{d}$$

Where:

d - is the number of calendar days in the relevant Interest Period;

do - is the number of Banking Days in the relevant Interest Period;

i - is a series of whole numbers from one to do, each representing the relevant Banking Day in chronological order from, and including, the first Banking Day in the relevant Interest Period;

ni - for any day "i", means the number of calendar days from and including such day "i" up to but excluding the following Banking Day;

Article 5. Publication of TIBR Index

1. On every business day, no later than 9 a.m. NBG:
   a) Publishes the previous business day TIBR index and Term TIBR Indices on Bloomberg page NBGB <GO>, which is available to all its terminal users;
   b) Publishes the previous business day TIBR index and Term TIBR Indices on NBG web-site.
2. After publication, TIBR index and Term TIBR Indices are final and any change is prohibited.
3. However, if NBG discovers errors in TIBR index and Term TIBR Indices calculation, where revised data is three or more basis points (>0.03%) different from the earlier calculated and published TIBR index and Term TIBR Indices, on the same day NBG corrects the TIBR index and Term TIBR Indices and publishes them. Corrected TIBR index and Term TIBR Indices are published once for a given day, no later than 10 a.m. of next business day with ''corrected'' status.
4. In cases where TIBR index and Term TIBR Indices calculation is not possible due to some technical circumstances it is possible to calculate those rates on following business day no later than 10 a.m. Tbilisi time.

Article 6. Contingency Plans

1. In the case of having less than 5 trades and/or the total volume of the eligible trades is less than 20 min GEL, NBG calculates the TIBR index using a contingency methodology.
2. According contingency methodology, TIBR index is computed from BID/ASK rates of Interbank loans quoted by commercial banks in Bloomberg system as following:
    a) Georgian commercial banks` overnight unsecured bid and ask quotations, published on Bloomberg Page GEDR1T <GO> as of 18:00 and updated during last one hour (between 17:00 and 18:00), are used for the calculation of TBIR index.
    b) All BID quotations are ranked from the smallest to the largest with respect to the quoted nominal interest rates. The two smallest and the two largest quotations are removed from the observations, and simple average of the remaining BID quotations is calculated as the average BID rate.
    c) All ASK quotations are ranked from the smallest to the largest with respect to the quoted nominal interest rates. The two smallest and the two largest quotations are removed from the observations, and simple average of the remaining ASK quotations is calculated as the average ASK rate.
    d) TIBR index is computed as arithmetic mean of BID average rate and ASK average rate for a given day and published.
3. If there are less than 5 BID/ASK rates on interbank loans updated between 17:00 and 18:00 on Bloomberg page GEDR1T Curncy <GO>, NBG uses the second contingency plan.
4. According to the second contingency plan, TIBR index is calculated as the level of NBG Monetary Policy Rate plus the mean of the spread differences of TIBR index to NBG Monetary Policy Rate over the previous 3 publication days.

Article 7. TIBR Index Audit and Regulation Changes

1. Once a year, NBG Internal Audit reviews the accuracy of TIBR index and Term TIBR Indices calculation and publication according its methodology.
2. Once a year, NBG reviews TIBR index and Term TIBR Indices calculation methodology in order to compare and evaluate whether that methodology reflects the current market practices.
3. If NBG determines, that TIBR index and Term TIBR Indices calculation methodology no longer and/or does not meet market demand, NBG makes relevant changes in this regulation after consultation with interbank market participants.