

Explanatory notes and disclosure schedule

General information

Management of banking system liquidity is essential for achieving the operational targets of monetary policy, particularly in maintaining short-term interbank market interest rates in the range close to the key policy rate of the National Bank of Ukraine (NBU).

Understanding of main factors affecting the banking system's liquidity allows each market participant to adopt a more prudent approach to forecasting and managing their own liquidity, rely on objective benchmarks to plan their operations in the interbank market, and determine their possible needs for participation in liquidity management operations conducted by the NBU.

The rational behavior of market participants based on the easy availability of information on the liquidity of the banking system reduces the risk of sudden major fluctuations in demand/supply in the interbank market and, accordingly, helps smooth out rate volatility.

Information in the section "*Analysis of Banking System Liquidity*" aims to provide market participants with current data about the liquidity of the banking system and factors causing changes in liquidity. Market participants may rely on this data when making decisions about their own behavior in the money market.

Publication Schedule and Communication Policy

Part of the table *Updated Data Describing the Liquidity of the Banking System and Factors Affecting Liquidity* displaying operations for the previous business day is updated by **11 a.m. on the next business day**. Given that certain indicators at the time of publication are estimates, some information must be verified based on balance sheet data by the end of the corresponding business day.

Current data published in the table *Reference Data* (except for information concerning reserve requirements) is updated **each business day by 6 p.m.**

Information concerning reserve requirements in the table *Reference Data* is updated on a monthly basis **on the fourth business day** after the end of the previous reserve maintenance period.

Data Archive tables are updated by **6 p.m. each business day**.

Granularity of data provided in the section *Analysis of Banking System Liquidity* depends on the NBU communication policy and restrictions imposed by the applicable disclosure laws and regulations.

The NBU reserves the right not to comment on daily changes of certain indicators published in the section *Analysis of Banking System Liquidity*. The NBU

would rather comment, if appropriate, on major trends in liquidity dynamics during regular communication activities. Further, the NBU will not provide comments on the dynamics of operations conducted by the State Treasury Service of Ukraine (STSU) and the Deposit Guarantee Fund (DGF), assuming that relevant comments, if appropriate, should be provided by authorized representatives of these institutions.

Glossary (description) of indicators that describe the banking system's liquidity and factors influencing its change

Banks' correspondent accounts is the total amount of holdings on correspondent and transit accounts of banks opened by the NBU. It describes the amount of non-cash funds available for immediate transactions by banks at the relevant time. Therefore, this indicator is a synonym for the "banking system liquidity" concept, from an economic point of view.

For the purposes of monetary analysis, factors affecting the changes of banks' correspondent accounts are conventionally divided into the NBU monetary policy operations and autonomous factors.

NBU monetary policy operations means operations of the central bank aimed at having a direct regulatory impact on the money market with the view of achieving the operational targets of monetary policy. They include:

standing facilities;

tenders, including main liquidity management operations, refinancing tenders, and operations with NBU certificates of deposit;

other monetary policy instruments, which include: repos, Ukrainian government bonds purchases from/sales to banks, foreign exchange market interventions, provision of stabilization loans, and foreign currency swap transactions

The "+" sign in the table *Current Data on Banking System Liquidity and Factors Affecting Liquidity* in the block *NBU Monetary Policy Operations* means the issue of money in circulation by the NBU (increasing banking system liquidity) as a result of monetary policy operations (loan disbursements, purchases of foreign currency or Ukrainian government bonds, redemption of certificates of deposit, etc.). The "-" sign means the withdrawal of money from circulation (reducing banking system liquidity) as a result of monetary policy operations (loan repayments, sales of foreign currency or Ukrainian government bonds, placement of certificates of deposit, etc.).

Autonomous factors include NBU operations that are shown in the NBU balance sheet but not intended to regulate directly the money market. They include cash supply for banks' vaults, servicing the STSU and the DGF, and other operations conducted by the NBU. Autonomous factors affecting banks'

correspondent accounts are, in general, not under the NBU's direct control. Their influence on banking system liquidity is leveled/adjusted, if necessary, through monetary policy operations.

The "+" sign in the table *Current Data on Banking System Liquidity and Factors Affecting Liquidity* in the block *Autonomous Factors* means that the amount in banks' correspondent accounts is increasing as a result of relevant operations. The "-" sign in turn implies that the amount in banks' correspondent accounts is decreasing as a result of relevant operations.

The impact of autonomous factors on banking liquidity is assessed taking into account the following features.

Changes of the volume of cash take into account changes in cash outside of banks, as well as in vault cash. An increase in cash volumes results in the decrease of banks' correspondent account holdings, while the decline in cash volumes, by contrast, causes the growth of correspondent account holdings.

The effect of operations conducted by the State Treasury Service of Ukraine and the Deposit Guarantee Fund includes only operations on transferring funds from the single treasury account and/or the Deposit Guarantee Fund to bank correspondent accounts, or vice versa. Operations conducted by these institutions directly with the NBU or with other clients of the NBU do not affect banking system liquidity, and therefore are not taken into consideration when measuring the effect of operations conducted by the STSU and the DGF as stated in the table *Current Data on Banking System Liquidity and Factors Affecting Liquidity*. Consequently, the change of balances on the accounts held by these institutions with the NBU does not always reflect the real impact of operations of the STSU and the DGF on banks' liquidity.

Other operations include interest payments for using NBU loans, interest payments under NBU certificates of deposit, the effect of bank liquidators' operations on accounts opened with the NBU, transactions of the NBU as an economic entity within its own budget, and the impact of other operations not included in other components of the table *Current Data on Banking System Liquidity and Factors Affecting Liquidity*.