

Decree No. 2/2006. (II.15.)
of the Governor of the MNB

on the requirements in respect of the General Terms and Conditions and operating rules
of organizations providing clearing house activities under the Act on Capital Markets

Pursuant to the authorization defined under Article 60 (1) he) of Act LVIII of 2001 on the
Magyar Nemzeti Bank, I hereby decree the following:

General provisions

Article 1

The scope of this Decree shall apply to

- a) organizations entitled to provide both central securities depository and clearing house activities specified in the Act CXX of 2001 on Capital Markets (hereinafter referred to as "Capital Markets Act") and which provide their activities in accordance with Article 180 (9) of the Act CLXXXVI of 2005 on amending the Capital Markets Act,.
- b) specialised credit institutions specified under Article 335 (1) a) of the Capital Market Act
[hereinafter organisations under point a) and b) jointly referred to as "clearing house"],
- c) companies providing exchange market operations specified under Article 335 (1) b) of the Capital Markets Act in respect of the following regulations: Article 3 (1) - (3), Article 4, Article 5

[hereinafter organisations under point a) - c) jointly referred to as "organisation providing clearing house activities"].

Article 2

For the purposes of this Decree

- a) *collateral calculation period* shall mean the period between the dates of two consecutive adjustments of individual collaterals of the clearing members by the clearing house;

- b) *liquid assets* shall mean cash, securities convertible into cash on request, irrevocable and unconditional bank guarantees payable at the first call;
- c) *Rules* shall mean the General Terms and Conditions and operating rules required to provide clearing house activities as specified in the Capital Markets Act;
- d) *'delivery versus payment' service* shall mean a link between cash and securities transfers for the settlement of securities transactions that ensures that settlement in securities occurs only if cash settlement occurs ;
- e) *usual market price movements* shall mean price changes to be expected on basis of historical price changes in stock exchange products;
- f) *real-time gross settlement* shall mean the continuous settlement of securities transactions on a gross basis, item by item;
- g) *settlement finality* shall mean the settlement of liabilities arising from securities transactions by transferring(handing over) securities and the cash countervalue irrevocably and unconditionally.

Requirements in respect of the Rules

General regulations

Article 3

- (1) The Rules shall define the parties' rights and obligations and the procedures in such a way that the financial risks related to the participation in the system shall be clear and unambiguously understandable.
- (2) The Rules shall specify the cases when the organization providing clearing house activities is entitled to suspend unilaterally the clearing right of a participant and shall specify the procedures of exercising this right.
- (3) In case of a system designated under the Act XXIII of 2003 on Settlement Finality in Payment and Securities Settlement Systems (hereinafter referred to as Act on Settlement Finality) , the Rules shall define the criteria for participation for participants registered abroad in such a way as to ensure the full and certified compliance with the requirements set forth in respect of participants registered abroad in Article 10 e) of the Act on Settlement Finality.
- (4) In its Rules the organization specified under Article 1 a) shall set its operating hours and calendar of holidays for its settlement systems related to the monetary policy and other credit operations of the Magyar Nemzeti Bank (hereinafter referred to as 'MNB') that they shall be in conformity with these operations of the MNB.

Settlement cycle in the spot exchange market

Article 4

In its Rules the organization providing clearing house activities shall ensure the settlement of spot exchange market securities transactions in such a way that under the rolling settlement cycle the settlement finality shall occur on the third settlement day following the exchange transaction execution (T+3) at the latest.

Management of principal risk related to securities transactions

Article 5

- (1) In order to manage principal risks related to the settlement of securities transactions, the Rules of the organization providing clearing house activities shall lay down the procedures of settlement in such a way as to ensure a 'delivery versus payment' service to its clients.
- (2) The Rules of the organization providing clearing house activities shall ensure the settlement finality of transactions specified under Paragraph (1) on the settlement day as follows:
 - a) if the clearing is effected by netting, the settlement finality shall occur by the time specified in the Rules but by 12.00 am at the latest;
 - b) in case of transactions other than specified under point a) real-time gross settlement is to be applied in such a way as to ensure simultaneously with the clearing the settlement finality.
- (3) The Rules shall define the rights of the organization providing clearing house activities in case of settlement failures either in respect of the securities leg or the cash leg of spot exchange market securities transactions and shall establish the procedures of exercising these rights.

System of guarantee funds and collaterals

Article 6

The Rules of the clearing house shall declare that guarantee funds, collaterals and other bails specified in the Capital Markets Act shall be provided for exclusively in liquid assets in order to ensure their prompt availability. The scope of eligible collaterals and the terms of eligibility shall be disclosed publicly.

Article 7

The Rules of the clearing house shall define an individual collateral system concerning all types of exchange transactions in respect of which the clearing house acts as a central counterparty in order to cover the following market risks:

- a) the possible loss of new exchange positions not covered by collaterals yet,

- b) in case of existing open positions
 - 1. the actual market price movements occurred during the latest collateral calculation period,
 - 2. the usual market price movements to be expected during the next collateral calculation period.

Special risk management of futures and options

Article 8

- (1) In order to limit risks in case of participants trading in futures and options transactions, the Rules of the clearing house shall define a limit system concerning the extent of open positions of participants at any time that is appropriate to constrain the risks arising from concentrated market shares and the disproportionately high risk-taking compared to participant's own equity, the extent of which shall be stipulated in the Rules.
- (2) In order to reduce the risks arising from unexpected and extraordinary change in prices of futures and options transactions, the Rules shall ensure the clearing house the following rights:
 - a) it may order a prompt settlement in case of price movements exceeding the price change ranges set by it,
 - b) in cases specified in the Rules it may call upon the participant to take actions defined in the Rules of the clearing house necessary to reduce the risks.
- (3) The clearing house shall establish and publish the price change ranges under point a) of Paragraph (2) by product or maturity.

Credit activity

Article 9

- (1) In respect of settlement accounts kept in the frame of providing financial services defined under Article 3 (1) d) of the Act CXII of 1996 on Credit Institutions and Financial Enterprises (hereinafter referred to as Act on Credit Institutions), the Rules shall specify the terms of utilizing the credit facilities granted exclusively to its participants, maximum with ninety days maturity by the clearing house under Article 3 (1) b) of the Act on Credit Institutions in order to ensure settlement of transactions cleared by itself in the case of lack of cover, including the requirement to provide full collateral in exclusively liquid assets.
- (2) The scope of eligible collaterals and the terms of eligibility shall be defined in the Rules.

Securities blocked in favour of the MNB

Article 10

The Rules shall clearly stipulate, that the organisation specified under Article 1 a) shall accept orders for blocking securities as collateral in favour of the MNB only to debit of participant's own securities held on its own account kept segregated from those accounts on which investment assets of its clients are recorded.

Entry into force

Article 11

This Decree shall enter into force on the 30th day following its promulgation.