

Regulation
on the fixing procedure
of the Budapest Interbank Offered Rate,
on the fixing requirements, and
on the rules of conduct of panel banks¹
Effective from 02 January 2024²

From the 1st of November, 2016 the Central Bank of Hungary (**MNB**) is responsible for the administration and production of the Budapest Interbank Offered Rate (**BUBOR**).

Article 1

According to the decision of the Executive Board of the MNB, the Benchmark Fixing Committee (**RJB**) is responsible for the tasks related to BUBOR administration. The rules governing the BUBOR fixing process, the participation requirements, and the rules of conduct are determined in this Regulation (**Regulation**) by the RJB.

Article 2

Definitions

1. **Panel bank:** all credit institutions (except for specialised credit institutions) having their registered seat in Hungary and all financial institutions operating as a branch in Hungary – except for the specialized credit institutions – which have been invited to participate in the fixing process by the RJB, and have made a commitment to abide by the rules of this Regulation by signing Annex D.
2. **Quotation process:** the daily submission of the interest rates to the MNB by panel banks. The interest rate is defined by the panel bank on the ‘actual/360’ interest calculation basis during the time interval specified in Section 2 of Annex A, at which rate the panel bank would provide a business offer for a forint-denominated unsecured interbank loan to a panel bank defined in Section 1 of Annex A on a specific Hungarian banking day with respect to the tenors specified in Section 1 of Annex A.
3. **Dealing obligation:** the obligation, whereby a panel bank, on each banking day, during the time interval specified in Section 1 of Annex B, with respect to the tenors indicated in Section 2 of Annex B, and subject to the conditions and limitations set forth in this Regulation, is obliged to:
 - (a) provide an unsecured forint-denominated interbank loan to any other panel bank at the maximum interest rate corresponding to the rate quoted by it in the quotation process; and
 - (b) accept deposit from any other panel bank at the minimum interest rate corresponding to the rate quoted by it in the quotation process minus the bid-offer spread specified in Section 5 of Annex B.

¹ If there is any conflict between the two language versions, then the Hungarian version shall prevail.

² Based on ruling 7/2023/(12.18) of the Benchmark Fixing Committee (RJB).

4. **News agency:** The news agencies responsible for the primary publication of BUBOR, listed in Annex A.
5. **Interest rate quotations to be disregarded:** In terms of quoted interest rates received by the MNB during the BUBOR quotation process, on a given banking day in Hungary and with respect to a specific tenor, the following interest rates are to be disregarded:
 - (a) the three highest and the three lowest quoted interest rates if the number of received quotations reaches 12;
 - (b) the two highest and the two lowest quoted interest rates if the number of received quotations reaches or exceeds 8 but is lower than 12;
 - (c) the highest and the lowest quoted interest rate if the number of received quotations does not reach 8.
6. **Fixing procedure:** the process of producing BUBOR rates, whereby the MNB determines the daily official BUBOR rates (fixings) based on the quotations submitted by banks.
7. **Hungarian banking day:** every working day that has been declared as a business day according to the annual VIBER settlement calendar published by the MNB.
8. **Banking day:** every working day that has been declared as a business day according to the annual VIBER settlement calendar published by the MNB, except for the individual bank holidays of the given panel bank.
9. **RJB:** a body entitled to take action in the event of derogation to regulations, to define a set of requirements relating to financial benchmark quotation in the management of the Magyar Nemzeti Bank, and to determine a monitoring framework of the quotation process.

Article 3

The fixing procedure

- (1) To fix the BUBOR the interest rates incorporated in the fixing calculation are reported by the panel banks on each banking day during the time interval specified in Section 2 of Annex A, using the means of communication they have access to, to the MNB.
- (2) The MNB makes a summary of the received submissions, and omitting the interest rate quotations to be disregarded for each tenor, calculates the BUBOR to be fixed on that day. The calculation is performed by establishing the arithmetic average of the remaining quoted interest rates for each tenor, following the rules of rounding, and rounded to two decimals.
- (3) The interest rates reported by the panel banks, used as input for the fixing calculation, and the BUBOR rates generated from them, are applicable to the deals performed on the second Hungarian banking day following the day of fixing, except for the overnight period where the deal date is the same as the value date.

Article 4

Publishing BUBOR

- (1) After the BUBOR fixing procedure, the BUBOR interest rates, the names of panel banks and their quoted interest rates are published by the MNB on every Hungarian banking day at 11:00 on the page of the news agency and the MNB's website. The interest rates published by the MNB on the page of the news agency are to be considered the officially fixed BUBOR rates.
- (2) The historical on-line listing of these data (i.e. in certain cases retrospectively, back to January 2004) is also published by the MNB on the page of the news agency.
- (3) If the publication is incorrect due to an IT communication error between the MNB and the news agency, then the MNB is allowed to modify the published interest rates up until 11:05 without the application of the rules laid down in Article 9. In this case the MNB forthwith announces the fact and the timing of the new publication on the page of the news agency.

Article 5

Contingency policy

- (1) If more than half of the panel banks fail to provide quotation for a maturity up until 10:45 on a given Hungarian banking day, then the MNB postpones the calculation of BUBOR for the given maturity until the time interval specified in points (2) and (3), but until 12:00 at the latest. In such a case the MNB announces the postponement at 11:00 on the page of the news agency and on the website of the MNB.
- (2) If at least 5 panel bank provides quotation until 11:15, then the MNB calculates and publishes the BUBOR based on these quotations.
- (3) If less than 5 panel bank provides quotation until 11:15, then the MNB postpones the publication until at least 5 panel bank provides quotation but no later than 12:00.
- (4) If less than 5 panel banks provide quotation until 12:00 on a given Hungarian banking day, then the MNB does not use the quotations provided on that day to publish the BUBOR. In this case, at 12:15 the MNB publishes the previous day's BUBOR rate as the official BUBOR rate for this day for the given maturity. The MNB provides information about this repeated publication on its webpage and on the page of the news agency.
- (5) If the contingency policy laid down in this Article is applied, the calculation method remains the same, meaning that the "interest rate quotations to be disregarded" defined in Article 2 (5) have to be omitted when calculating arithmetic averages.
- (6) If point (4) becomes effective, the Benchmark Fixing Committee (RJB) convenes for an extraordinary meeting to discuss the situation. If necessary, the treasury heads of the panel banks are invited to a consultation in order to guarantee the continuity of the BUBOR. This does not affect the rights of the Committee described in Article 8 (1).
- (7) The MNB determines the BUBOR rate at most for 3 consecutive Hungarian banking days based on this contingency policy.

Article 6

Performing the dealing obligation

- (1) A panel bank shall ensure that it is accessible for all other panel banks through the usual dealing channels (primarily on Refinitiv FX Trading and telephone, or any other channel agreed upon by the two parties) on each banking day, during the time interval specified in Section 1 of Annex B, and that it is technically ready to perform the dealing obligation.
- (2) Upon being contacted by any other panel bank, a panel bank shall ensure that there is an opportunity for the performance of the dealing obligation with respect to the tenors indicated in Section 2 of Annex B, up to at least the limit specified in Section 3 of Annex B on each banking day, during the time interval specified in Section 1 of Annex B.
- (3) The interest rate on unsecured interbank loans offered under the dealing obligation may not be higher than the rate quoted in the quotation process by the panel bank providing the loan. The interest rate on deposits accepted under the dealing obligation may not be lower than the rate quoted in the fixing procedure by the panel bank accepting the deposit minus the bid-offer spread indicated in Section 5 of Annex B.
- (4) The number of deals initiated by a panel bank with respect to another panel bank on a given banking day with respect to the tenors specified in Section 2 of Annex B may not exceed the number indicated in Section 4 of Annex B.
- (5) A panel bank is exempted from the dealing obligation on a given banking day, in the following cases:
 - (a) it has reached its unsecured interbank exposure limits vis-à-vis another panel bank (or would exceed such limits as a consequence of the initiated credit). In this case, the dealing obligation pertains only to accepting deposit from the other panel bank;
 - (b) in the case that news arrives that has a material impact on the international or Hungarian financial markets, or a substantive turbulence occurs on the markets, or a technical malfunction occurs that materially affects the financial markets, then:
 - i) the chair of the RJB can decide to exempt all panel banks from the dealing obligation on the given Hungarian banking day after evaluating the available information on the issue and will notify all the panel banks of its decision. One working day after the decision the chair of the RJB must call an extraordinary meeting of the RJB in order to evaluate the situation. If justified, the chair of the RJB can make day-to-day decisions on one day exemptions from the dealing obligation until said meeting occurs;
 - ii) the RJB can decide to exempt all panel banks from the dealing obligation for no more than 7 working days after evaluating the available information and will notify all the panel banks of its decision.
 - (c) there is a material deterioration in the creditworthiness of another panel bank. In this case, the dealing obligation with this particular panel bank pertains only to accepting deposit from it.
 - (d) if the quotation submitted by the panel bank differs from the rate published during the procedure laid down in Article 4 (1). In this case the bank is not exempted from the dealing obligation, but the originally submitted rate has to be applied when performing trades based on the dealing obligation.

Article 7

Determining the scope of panel banks

(1) The list of banks in the panel is revised by the RJB at the end of the second month after the end of the calendar year, or on an occasional basis if market developments make it necessary. The list of potential panel banks is established by the MNB. The list is compiled based on the ranking order established by the MNB. The ranking order is based on assigning 50% weight to the weighted turnover of all HUF interbank deposit/loan and FX swap deals in the calendar quarter tenor preceding the subject period, and assigning 50% to the total assets reported on the last day of the calendar quarter preceding the subject period in line with the reporting obligation named "Income statement and statistical balance sheet of credit institutions" (MNB identification code: M01) as specified in the MNB Decree on information required for the central bank's information system regarding financial instruments, general financial data and capital adequacy of credit institutions. For the purpose of the ranking order, in the case of market deals the MNB considers the HUF amount traded for the start value date, and the turnover is consolidated at the level of credit institution groups (consequently, intra-group transactions are filtered out). In the course of compiling the list of the credit institutions producing a consolidated financial report in compliance with the applicable legal regulations for MNB as the financial supervisory authority, only one member of the credit institutions belonging to the same group (the group member producing the highest market turnover) may be included in the list.

(2) Based on the decision of the RJB, the MNB chooses at most 12 institutions from the top of the list of potential panel banks defined in point (1) to participate in the BUBOR quotation process. The MNB publishes the number of panel banks in Section 1 of Annex A.

(3) The newly-invited institutions (those that were not panel banks in the previous period) are notified about the invitation at least 60 days before the invitation comes into force, in line with Article 7 (2). Banks acting as panel banks in the previous period, until the invitation to act as a panel bank comes into force, should confirm to the MNB their compliance with the requirements set out in the Code of Conduct by filling out and signing again Annex D.

(4) The data serving as the basis for the turnover ranking list in point (1) are not public and may not be disclosed to third parties. They are handled by MNB confidentially, and retained for a retrospective period of at least 5 years.

(5) Every credit institution (except for specialised credit institutions) having its registered seat in Hungary and every financial institution operating as a branch in Hungary can apply for the panel bank status if it fulfils the following requirements:

- (a) the bank is an active participant in the relevant markets connected to BUBOR;
- (b) a reasonable amount of turnover under the dealing obligation is possible in light of the exposure limits vis-à-vis another panel banks, and the exposure limits of other panel banks towards the bank.
- (c) the bank is prepared for the participation in the quotation process in terms of technical and organizational requirements.

(d) the bank is ready to participate in the BUBOR quotation procedure, and shall undertake to comply with the requirements set forth in the Regulation in line with Annex D.

(e) the bank has not been excluded from the quotation process in the 12 months preceding the application.

(6) The RJB makes a decision on the application mentioned in point (5) in 60 days. The decision is based on the aspects of the ranking defined in point (1). In this case the constraint on the maximum number of panel banks defined in point (2) does not apply. If the RJB accepts the application, the bank is notified in line with point (3). After joining the panel, the new panel bank has the same rights and responsibilities as the others.

Article 8

Violation of the Regulation

(2) If any of the panel banks repeatedly conducts the quotation process in deviation from the method stipulated in this Regulation, or fails to meet its quoting or dealing obligation, the RJB has the authority to impose the following sanctions, depending on the gravity of the case:

(a) Written notice to the bank that its actions are in conflict with the BUBOR Regulation;

(b) Written warning to comply with the provisions of the BUBOR Regulation;

(c) Temporary suspension of BUBOR quotation rights;

(d) Permanent exclusion from the quotation process.

(3) If any of the panel banks realises that another panel bank tends to submit interest rate quotations in deviation from the method stipulated in the provisions of this Regulation, or presumably fails to meet its dealing obligation, it shall notify the RJB.

Article 9

Error policy, intraday repeated fixing

(1) If a panel bank notices that deviation from the regulations (hereinafter: error) occurred during the quotation process (especially if the BUBOR for that day was not fixed on the basis of the quotation submitted to the MNB by the panel bank; the quotation by the panel bank were not based on it, or incorrectly calculated BUBOR was published for any other reason) on a given day then it notifies the MNB until 14:00 on the day of the error.

(2) Whether a panel bank notices the error or the MNB itself determines that an error occurred during the quotation on that day, the MNB publishes that there will be a repeated fixing on that day for the given maturity. The publication takes place on the MNB's webpage and on the page of the news agency immediately after 14:00.

(3) An intraday repeated fixing of BUBOR only occurs if the difference compared to the original fixing is at least 3 basis points (margin of error). The repeated publication of the BUBOR and the individual rate(s)

involved takes place at 15:00 on the same day. It has to be indicated clearly on the MNB's website and on that of the news agency's that a repeated fixing occurred and that the new fixing is the official BUBOR rate for that day for the given maturity.

(4) A repeated fixing does not take place if the panel bank announces the error or the MNB by its own detection identifies it after 14:00 or no repeated intraday fixing is completed because the distortion caused by the error does not reach the margin of error defined in point (3).

(5) On the first week after every quarter the MNB publishes all the identified errors (irrespective of the fact whether a repeated intraday fixing occurred or not). The MNB has to indicate if the error was caused by the incorrect quotation of the panel bank or by an error during the fixing process in the MNB. The MNB also has to indicate the absolute value of the errors affecting the BUBOR.

(6) The margin of error determined in point (3) is regularly revised by the RJB.

Article 10

Exit policy

(1) The panel bank can leave the BUBOR panel if the RJB approves the exit (hereinafter: exit). In this case a request has to be sent to de RJB at least 60 days before the planned exit.

(2) The RJB makes a decision about the request based on the aspects of the ranking list defined in Article 7 (1).

(3) If the RJB accepts the request to exit, then it notifies the panel bank. The panel bank will be relieved of the obligations set out in this Regulation from the date specified by the RJB.

Article 11

Closing provisions

(1) This Regulation comes into force on 02 January 2024.

(2) The MNB sends the amended Regulation and its Annexes to the panel banks and to the panel banks and to the institutions invited to act as panel banks as defined in Article 7 (2) 30 calendar days prior to the effective date of the Regulation, except in the cases described in paragraph (3) and (4) of this Article.

(3) The MNB is not obliged to send a preliminary notification of any changes to Sections 1 and 4 of Annex A hereto.

(4) The MNB has the right to increase the bid-offer spread defined in Section 5 of Annex B hereto based on a consideration of financial market conditions, which can come into immediate effect after the publication of the change, from the hour specified on the day of publication. In the case of a decrease in the bid-offer spread, the modification comes into force three working days after the publication of the change.

Annex A: BUBOR fixing parameters

1. Panel banks³:

1. CIB Bank Zrt.
2. Citibank Europe plc Magyarországi Fióktelepe
3. Erste Bank Hungary Zrt.
4. Gránit Bank Zrt.
5. ING Bank N.V. Magyarországi Fióktelepe
6. K&H Bank Zrt.
7. MBH Bank Nyrt.
8. OTP Bank Nyrt.
9. Raiffeisen Bank Zrt.
10. UniCredit Bank Hungary Zrt.

2. Interval for submitting the quotes to MNB: 10:30-10:45 a.m. on every banking day

3. Terms quoted: overnight, 1 week, 2 weeks, 1, 2, 3, 6, 9 and 12 months

4. Concerning BUBOR fixing (including the historical publication of individual quotes submitted by panel banks):

- (a) news agencies responsible for primary publication: Refinitiv, BLOOMBERG;
- (b) news agencies responsible for historical publication: Refinitiv, BLOOMBERG

³ Based on ruling 6/2023 (07.28.) of the RJB.

Annex B: Parameters linked to the dealing obligation

1. Period of dealing obligation: between 11:00-11:15 a.m. on each Hungarian banking day
2. The dealing obligation pertains to the following maturities: 1 month, 3 months, 6 months
3. Dealing obligation related to the interest rate quoted in the fixing procedure:
 - (a) value of 1-month deals: HUF 150 million / panel bank/ Hungarian banking day
 - (b) value of 3-month deals: HUF 100 million / panel bank/ Hungarian banking day
 - (c) value of 6-month deals: HUF 50 million / panel bank/ Hungarian banking day
4. The maximum number of transactions that may be initiated under the dealing obligation related to the interest rate quoted in the fixing procedure:
 - (a) with a 1-month tenor: 1 transaction/ panel bank/ Hungarian banking day
 - (b) with a 3-month tenor: 1 transaction/ panel bank/ Hungarian banking day
 - (c) with a 6-month tenor: 1 transaction/ panel bank/ Hungarian banking day
5. The level of the fixed bid-offer spread, linked to the interest rate quoted in the fixing procedure:
 - (a) with a 1-month tenor: 50 basis points
 - (b) with a 3-month tenor: 50 basis points
 - (c) with a 6-month tenor: 50 basis points

Annex C: Code of Conduct

Code of Conduct

Requirements for the procedures related to the activities and internal regulations of panel banks

Certificate of compliance

Panel banks acting in the previous period should confirm compliance with the requirements set out in this Code of Conduct annually until the invitation to act as a panel bank enters into force to the MNB.

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GENERAL REQUIREMENTS FOR PANEL BANKS

Documentation of procedures and policies

Panel Banks shall ensure that their internal policies, procedures, organizational arrangements, processes and control environment related to the quotation and the dealing obligation are fully and properly documented and are readily available for independent reviews any time.

Cooperation with the competent authorities

Panel Banks shall comply with any queries received from their competent supervisory authority concerning their activities as Panel Banks, and they should respond to any such queries in a timely fashion.

Panel Banks and institutions invited to act as a panel bank should send the necessary statements to referenciamutato@mnb.hu.

Provision of technical facilities

Panel Banks shall be accessible by all other Panel Banks via the usual dealing channels (phone or Refinitiv FX Trading), and shall be technically prepared for meeting their dealing obligations stipulated in the BUBOR Regulation.

GOVERNANCE AND ORGANISATION

General requirements

Panel Banks shall take appropriate measures and maintain effective organizational, audit and staffing arrangements to make sure that they are able to perform their duties in the context of the quote submission procedure.

Such measures shall ensure that

- an effective organization structure is in place so that submissions are made in a disciplined and controlled fashion;
- clear roles and responsibilities are assigned to staff, managers and organisational units overseeing and reviewing submission-related activities;
- managers and staff associated with the submission process possess sufficient knowledge and expertise for performing their duties, are duly authorized by Panel Banks, and acknowledge their obligations;
- potential conflicts of interest associated with submission activities within Panel Banks or between the Panel Banks and third parties are identified, documented and, to the extent possible, mitigated.

Organisation

Panel Banks shall adjust the operation of their organisations to the material criteria (three lines of defence) of their benchmark quoting activities, although they may differ in detail. Panel Banks shall acknowledge that the ultimate responsibility for the integrity of their submission activities rests with their senior management. This requires the organisational structure to be built upon the three lines of defence model. Senior management (the first line of defence) is directly responsible for the sound and compliant conduct of submission activities. Risk and Compliance (the second line of defence) perform independent control functions and report directly to senior management. The third line of defence, Internal Audit, offers general control over operative and audit functions. The organizational structure shall include appropriate provisions for the due segregation of duties and control functions. In respect of this requirement in the MNB's opinion the best practice is that the executive responsible for risk management should get detailed written reports on the quotation process of the bank on a regular (monthly or quarterly) basis and he/she should confirm this process quarterly. The MNB expects panel banks to comply with this recommendation in proportion to their size (based on balance sheet and turnover).

Segregating roles and responsibilities

Panel Banks shall operate a Submitter-Reviewer⁴ process. Submitters are responsible for proposing the quote submissions, in line with the required processes. Reviewers are responsible for reviewing the proposed quotes prior to submission and checking the fact of daily submissions.

Authorisation and the confirmation of acknowledgement

Submitters and Reviewers shall acknowledge their responsibilities in writing, and confirm that they understand and will comply with their responsibilities with respect to the quoting process as set out in the internal policies and procedures of the Panel Bank in question.

It is necessary to appoint at least two Submitters and two Reviewers and establish appropriate back-up coverage arrangements. The appointed colleague may simultaneously have the responsibilities of the Submitter and the Reviewer; however, on a given day may only act as one of those during the submission process. To ensure a smooth submission process the appropriate replacement procedure must be put in place.

The RJB may request the identification of the appointed Submitters and Reviewers, which enables MNB to check whether the person in question is authorised to submit quotes to MNB. Only appointed Submitters and Reviewers will be allowed to submit quotes on behalf of Panel Banks.

The names of the specific Submitters and Reviewers for each submission together with the details of the quotes submitted daily shall be registered in a traceable manner.

⁴ In regulation (EU) 2016/1011 of the European Parliament and of the Council (BMR) the term "Submitter" refers to the natural person employed by the contributor for the purpose of contributing input data. However, this Code of Conduct prescribes the application of the "four-eye" principle, which requires the participation of two persons, a so called "Submitter" and a "Reviewer". In this context, the role that is translated from Hungarian as "Submitter" is not equivalent to the "Submitter" role defined in the BMR. In contrast, in the context of this Code of Conduct either the "Submitter" or the "Reviewer" could be the person who is responsible for actually submitting the quotes to the MNB.

Training

Panel Banks should ensure that persons involved in quote submissions, including Submitters, Reviewers, managers, control and audit colleagues have sufficient knowledge and expertise.

Stakeholders shall undergo appropriate training and development programmes that should extend to regulations, internal processes, rules, the avoidance of conflicts of interest, ethical standards, as well as the consequences of violating such ethical standards.

Submitters and Reviewers shall have appropriate money market experience. Reviewers should possess sufficient expertise and seniority to be able to judge the appropriateness of quotes proposed by the Submitter.

Submitters and Reviewers shall receive specific training in the methodology required to produce quote submissions, in the processing of required data, as well as in the assessment of when an expert estimate is needed.

Conflicts of interest

Panel Banks shall operate an effective conflicts of interest policy to enable them to identify potential conflicts of interest that may arise with respect to their submissions activities. The objective of the conflicts of interest policy is to ensure that the quotes submitted are always accurate and unbiased. Panel Banks should have organizational arrangements and procedures in place in order to avoid or address such conflicts.

The conflicts of interest policy should cover the following areas, as a minimum requirement:

Ethical standards

Panel Banks should clearly define a set of ethical standards specifically addressing submission activities, and communicate them towards stakeholders. Stakeholders should verify their understanding of these ethical standards by providing their signature.

Bank staff should immediately report any suspected manipulation of the submission process, using the appropriate channels (for example compliance, internal audit, public announcement).

Everyone participating in submission activities shall act with integrity in carrying out their duties at all times. They may not use any information that they obtain in the course of their duties for personal interest, or disclose such information in return for monetary or other rewards.

If submission activities and money market trading take place in the same organisational unit, those involved in the submission process have a particular responsibility to act with integrity in the course of their submission activities.

Based on their risk assessment, Panel Banks may consider the need to incorporate provisions in internal policies to address conflicts of interest that Submitters and Reviewers may have with respect to their personal financial activities.

Segregation of duties

Potential conflicts of interest may arise between the Submitters and Reviewers and the individuals involved in the proprietary trading of the quoted reference rate or a derivative thereof. A two-step procedure—i.e. a set of general regulations for persons potentially involved in the quotation process and another set of regulations for the other activities of persons involved in quotation on a given day—may also be applied, if necessary. Panel Banks should take particular care to ensure that they adhere to the provisions of the Act on Credit Institutions and Financial Enterprises concerning the segregation of duties and conflicts of interests.

Remuneration policy

When it comes to designing the performance evaluation system and remuneration policy, the objective should be to reduce any incentive to manipulate submission activities. Panel Banks shall ensure that any proven manipulation represents a breach of the bank's rules of conduct and is sanctioned according to their internal policies. Furthermore, Panel Banks shall ensure that if a submission is found to have been manipulated, the Submitter in question shall not be entitled to a performance bonus.

Communication

Panel Banks shall annually random-check communications within the Panel Bank, between Panel Banks and towards third parties, including communication with brokers, to avoid any inappropriate influence over the quote submissions of the Panel Bank or those of other Panel Banks.

Communication includes, but is not limited to physical documents, emails and telephone conversations.

Physical separation

In accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council (BMR), Panel Banks shall ensure that Submitters or Reviewers responsible for submitting quotes to MNB work in locations physically separated from interest rate derivatives traders until the end of the dealing obligation period under Point 1 of Annex B of the BUBOR Regulation on the banking day in question.

Interest-rate derivatives traders shall, according to the internal regulations and rules of procedure of the relevant Panel Bank, be persons authorised to conduct transactions with interest rate derivatives (FRA, IRS and interest rate options) during the period lasting until the end of the dealing obligation period under Point 1 of Annex B of the BUBOR Regulation on the banking day in question.

A panel bank is considered to be in compliance with this requirement if:

- Submitters or Reviewers responsible for submitting quotes to MNB perform their submission-related activities in a room separated by a door from the interest rate derivatives traders, or
- the physical distance between the workstations of the Submitters or Reviewers responsible for communicating submissions to MNB and the interest rate derivatives traders is as large as possible and there is a view-blocking physical obstacle, if setting up separated rooms would

mean a disproportionate burden due to the design of the building or the scale, complexity and nature of the activities of the Panel Bank.

SUBMISSION METHODOLOGY AND PROCESS

Submission policies and procedures

Panel Banks shall work out a well-documented methodology for the definition of the reference value to be submitted. The methodology shall be reviewed and approved at least annually by an entity that is sufficiently competent, has relevant market experience, and is independent from the submission and review functions.

Data sources

The Panel Banks shall use objective, identifiable market data and information when defining quotations. The specification of data sources and types is part of a documented policy governing the submission procedure. Experts' judgement can also be used, provided that it is documented, based on rational criteria, and applied consistently and objectively. Yields of transactions between credit institutions which belong to the same group and are obliged to prepare consolidated accounting statements by the relevant pieces of legislation shall not be considered in the submission.

Relevant market information and data may include the following:

- transactions observed by the Panel Bank on the reference value market;
- transactions observed by the Panel Bank on markets related to the reference value;
- compulsory price quotations observed by the Panel Bank on the above markets;
- indicative price quotations observed by the Panel Bank on the above markets.

The methodology shall prioritise individual data sources. The following ranking should be used:

- the priority of transactions concluded between prime partners (identified in the definition of the reference value) is higher;
- the priority of transaction data is higher than that of price quotation data; and the priority of compulsory price quotations is higher than that of non-compulsory price quotation;
- the priority of a quotation that is closer in time to the reference quotation is higher than that of a quotation farther in time;
- the priority of transactions larger or smaller than the usual transaction size can be lower.

Submission process and verification

The submissions of a Panel Bank shall fully comply with the Regulations. Quotations shall take place on time, in their entirety and in the correct format.

Submissions are prepared by an official duly authorised pursuant to the relevant regulations, in line with the documented methodology.

Before a rate is submitted, the Reviewer checks whether it is correct and rational. The submission process shall be automated as much as possible, which is checked by the Reviewer. In the course of

submission, the “four-eye” principle shall be applied, especially if the process also contains a manual part. After disclosure by MNB, it shall be checked whether the individual submissions communicated by the Panel Bank were included in the submission process. The name and ID of both the Submitter and the Reviewer shall be retained.

The Submitter and the Reviewer may conduct the submission process - in accordance with information security requirements - when engaged in remote work or when working from home, as long as all the rules prescribed in the Regulation and in the Code of Conduct is fulfilled.

Submission process in the case of banking days on weekends

Quotes should be prepared in accordance with the Regulation in the case of banking days on weekends as well, with a special attention to the rules set forth by paragraph (2) of Article 2.

The submission process for weekend banking days should be formalized based on the following principles:

- it is not acceptable to automatically resubmit the quotes of the recent banking day;
- if possible, the complete submission process should be conducted;
- if it is not realistic to conduct the complete submission process due to the constraints arising from the weekend, it is acceptable to conduct the following procedure:
 - preparing preliminary quotes: the panel bank prepares the quote for the weekend banking day in full compliance with the Regulation and the Code of Conduct by the end of the preceding banking day, with a special emphasis on the „four-eye” principle, but this quote is not submitted to the MNB;
 - designation of a submitter for the weekend: a person is designated as “the submitter for the weekend” from the list of submitters and reviewers registered based on the rules set forth in chapter “Authorisation and the confirmation of acknowledgement”. The submitter for the weekend is responsible for submitting the quote to the MNB on the weekend banking day in the time interval specified in paragraph 2) in Annex A of the Regulation;
 - submitting the preliminary quote: if the submitter for the weekend determines that the preliminary quote is appropriate for submission on the weekend banking day based on the informations that are relevant for the quotation process, then he/she submits the unchanged preliminary quote;
 - changing the preliminary quote: if the submitter for the weekend determines that the preliminary quote is **not** appropriate for submission on the weekend banking day based on the informations that are relevant for the quotation process, then he/she is authorized to adjust the quote and submit the adjusted quote to the MNB. In this case – in accordance with the rules set forth in chapter “Data storage” – it is necessary to record the reason for the adjustment and any possible input data and calculations used;

Supporting infrastructure

To ensure that the process is precise and well-documented, Panel Banks shall also support the activity with infrastructure, as much as possible.

Panel Banks shall have an emergency procedure in place for the management of operating issues occurring in respect of the infrastructure, contingency plans for submitting input data in the event of technical or operational difficulties, the temporary absence of a Submitter or the unavailability of the input data required by the methodology; which shall be tested regularly.

CONTROL ENVIRONMENT

Protection of confidential information

Until the reference rate is disclosed, a Panel Bank's submission constitutes confidential, non-public, price sensitive information. The nature of the classification shall also be reflected in procedures. The RJB shall be informed of any disclosure of confidential information. Appropriate log-on security controls shall be in place for systems used in the submission process.

Data storage

Panel Banks shall keep submission-related data in an easy-to-retrieve format. Retroactive data modification shall be prevented. Should this happen anyway, the MNB shall be informed of such data modification and the reasons for it. Upon request, Panel Banks shall be able to provide the data to the MNB in due time.

Data shall be stored for at least five years. Phone calls or, if electronic messages are recorded, information shall be stored for at least three years and stored on a data carrier that ensures data accessibility in the future.

Data and information to be kept:

- policies, procedures, audit and methodology descriptions;
- audit protocols; action plans and reports in response to any deficiencies identified;
- detailed documentation of the authorisation of Submitters and Reviewers;
- documentation of any disciplinary measures related to the submission procedure;
- daily quotation data: name of the Submitter and Reviewer, market data supporting the quotation, communication between Submitters, indication of any significant discrepancies relative to an expert's judgement, also providing the reason for the difference, and the modification by the Reviewer of the proposed rate;
- daily risk reports about proprietary trading portfolios affecting the reference asset, including sensitivity data for the reference asset.

Recording of communication

Panel Banks shall record and keep all communication (e-mail, phone, other) related to the submission process and to the obligation to close deals, as set out in the Regulation, including any communication between

- the Submitter and the Reviewer;
- the Submitter or Reviewer and a third party.

Complaint handling and reporting

The Panel Bank shall have a policy and procedure in place for handling any external and internal complaints and reports about the correctness of reference rate submissions. The MNB shall be immediately informed of any suspicion of current or past manipulation of a quotation, or the violation of the dealing obligation set out in the BUBOR Regulation, even within the context of any of the control methods of the independent investigation.

INDEPENDENT INSPECTION

Continuous monitoring

The Panel Bank's risk management function reviews each submission as well as the dealing obligation set out in the BUBOR Regulation, and also examines (over the long term, usually quarterly) the trend of quotations, as well as the adequacy and relevance of market information used. The Panel Bank prepares analyses comparing its own rate submissions with those of other Panel Banks and market trends. It monitors interest rate trends, including the evaluation of the main risk positions of the entities trading in the reference asset in order to identify any connection between quotation trend changes and dealers' positions.

The Panel Bank's compliance or risk function regularly checks submission processes to ensure that they are compliant with the relevant procedures and regulations.

The risk and/or compliance function prepares quarterly reports for the senior management about audit and monitoring results. Any deviation shall be reported to senior management.

Internal audit

The Panel Bank's internal audit or compliance unit shall examine procedures and processes pertaining to quotations and the dealing obligation set out in the BUBOR Regulation, at least in the years when there is no external audit.

It shall review the submission process of three randomly selected days in detail. The audit shall also extend to communication.

If a check run in respect of internal or external communication or the internal review identifies any risks of submission manipulation, the Panel Bank in question shall immediately inform the MNB acting in its capacity as supervisor of the financial intermediary system and the RJB.

If, for the physical separation, the Panel Bank does not choose the solution where the Submitters or Reviewers who are responsible for communicating submissions to MNB perform their submission-related activities in a room separated by a door from the interest rate derivatives traders, then the internal audit or compliance unit shall carry out an audit regarding this point at least every six months, during the six-month periods when there is no external audit.

External audit

Submissions of the Panel Bank and compliance of the procedures and internal regulations of the Panel Bank with the rules of this Code of Conduct and the provisions of Regulation (EU) 2016/1011 shall be checked within the context of external audits every second year. An organisation shall be fit

for external audit if it meets the requirements of Paragraph (1) of Section 260 of the Act on Credit Institutions and Financial Enterprises for the auditors of credit institutions or investment providers.

Annex D

On behalf of, we hereby declare that our institution accepts the invitation of the MNB and will take part in the BUBOR quotation process as a Panel Bank from
Our institution will take part in the quotation process in compliance with the prevailing effective legal provisions related and the provisions stipulated in this Regulation and its Annexes.

Date.....

Name

Signature