



28 January 2009

The MNB's Swiss franc liquidity-providing one-week, fixed price FX swap tenders

From 2 February 2009 until withdrawal, the Magyar Nemzeti Bank will introduce Swiss franc liquidity-providing one-week, fixed price EUR/CHF FX swap tenders. Under the tender scheme, credit institutions (Counterparties) within the range of eligible counterparties, as defined by the terms and conditions of the tender below, will be allowed to transact EUR/CHF FX swaps with the MNB at a fixed price on the first trading day of the week. In the starting leg of a transaction, a Counterparty will sell euros to the MNB in exchange for Swiss francs. The MNB will announce the fixed price, expressed in swap points, on Reuters' NBHM and Bloomberg's NBH10 wire service pages at 9:00 a.m. on the day of the tender. If the aggregate amount of bids submitted does not reach EUR 5 billion, the MNB will accept all bids at the fixed price. If the aggregate amount of bids submitted exceeds EUR 5 billion, bids will be accepted at the fixed price in increments of EUR 1 million, until EUR 5 billion is reached.

The MNB defines the initial exchange rate used in the starting leg of transactions conducted via the Swiss franc liquidity-providing one-week EUR/CHF FX swap tender as 95 per cent of the prevailing EUR/CHF exchange rate. The maturing leg of transactions is adjusted similarly. The product of the adjusted exchange rate in the starting leg and the bid amount submitted by a given Counterparty in euros will yield the Swiss franc amount which the MNB allots to the counterparty in the starting leg of the transaction in exchange for the euro amount submitted by the same counterparty. The MNB reserves the right to call for additional collateral from its counterparties if, due to extreme exchange rate movements, the haircut, by which the initial exchange rate in the starting leg of the transaction is adjusted, does not provide adequate cover for the MNB.

In the tender process, all mutual obligations between the MNB and the Counterparty arising from maturing transactions, which are for the same value date and in the same currency, will be set off and settled on a net basis, by paying the foreign currency amount of the resulting difference.

The MNB will satisfy its euro settlement obligations arising from the transaction conducted under the tender system until 4:00 p.m. on the given value date, after its Counterparties have fulfilled their Swiss franc settlement obligations to the MNB. The MNB will satisfy its Swiss franc payment obligations arising from the transaction conducted under the tender system until 2:00 p.m. on the given value date. The MNB reserves the right to define conditions in individual transactions that allow the MNB to fulfil its Swiss franc settlement obligations arising from such transactions only after its Counterparties have met their euro settlement obligations to the MNB.

Detailed procedures and conditions for Swiss franc-liquidity providing one-week, fixed price EUR/CHF FX swap tenders

Type of operation	Swiss franc liquidity-providing one-week, fixed price EUR/CHF FX swap tender
Time, place and contents of announcement/invitation	The MNB announces the exact time of the tender, the price of Swiss franc liquidity, expressed in swap points, the date of settlement of the starting and maturing legs, as well as the prevailing and technical EUR/CHF exchange rates used in the transactions at 9:00 am on the first trading day of the week on Reuters's NBHM and Bloomberg's NBH10 wire service pages
Eligible counterparties	Resident credit institutions required to hold minimum reserves with the MNB, with direct membership in VIBER or BKR
Initiator	Counterparty
Business hours/time of acceptance of bids	Between 9:00 and 9:30 a.m. on the first trading day of the week
Formal properties and contents of bids	Bids can be submitted through the Reuters Dealing platform
Number of bids that an individual bidder can submit	No limit
Minimum bid amount	Bids must be submitted in euros, at least EUR 5 million per bid, as a whole-number multiple of EUR 1 million
Modification of bids	Not permitted
Technical starting exchange rate	95 per cent of the prevailing EUR/CHF exchange rate
Meeting of euro settlement obligations vis-à-vis the MNB	To the euro account designated in the standing correspondent accounts of the Magyar Nemzeti Bank used in spot FX market operations
Meeting of Swiss franc settlement obligations vis-à-vis the MNB	To the account of the Magyar Nemzeti Bank with the Swiss National Bank: SWIFT code: SNBZCHZZ80A Account No: 40645.00029

To issues not regulated in this document, the 'Terms and Conditions for Money Market Operations of the Central Bank on Forint and Other Currency Markets' apply.