



The MNB's two-way O/N FX swap tenders (providing euro and forint liquidity)

The MNB conducts its two-way FX swap tenders – providing euro and forint liquidity – under a competitive bidding scheme. On both sides, FX swaps are offered as an overnight facility. Auctions for the two sides are conducted simultaneously. Bids will be evaluated in a way that the bid amounts accepted at the two auctions are equal. For the FX swaps providing forint liquidity, the MNB sets a maximum implied euro yield, expressed in minimum swap points, at the time of announcement of the tender. For the the FX swaps providing euro liquidity, the MNB sets a minimum implied euro yield, expressed in maximum swap points, at the time of announcement of the tender.

The MNB defines the technical exchange rate used on the starting leg of euro liquidity providing O/N FX swap tenders as 110 per cent of the prevailing market exchange rate. The maturing leg of transactions is adjusted similarly. The product of the adjusted exchange rate on the starting leg and the amount of euros allotted to a given counterparty will yield the forint amount which the counterparty shall allot to the MNB on the starting leg of the transaction, in exchange for the amount of foreign currency allotted to the same counterparty.

The payment after payment (PaP) principle is applied to both FX swap tenders, meaning that the MNB shall honour its obligation arising from such transactions after the counterparty has met its settlement obligation.

Detailed procedures and conditions for bidding in euro and forint liquidity providing O/N FX swap tenders

Type of transaction	Variable-rate O/N FX swap tender providing forint liquidity	Variable-rate O/N FX swap tender providing euro liquidity
Time and place of announcement/invitation	Until 9 am at the latest on Reuters' NBHM and Bloomberg's NBH10 wire service pages	
Contents of announcement/invitation	Time of the tender operation and the size of lowest swap point quotation that can be submitted with bids	Time of the tender operation and the size of highest swap point quotation that can be submitted with bids
Eligible counterparties	Resident credit institutions who fall under the MNB's reserve requirement, with direct membership in VIBER or BKR	
Initiator	MNB	
Business hours/time of acceptance of bids	Between 9:00 am and 9:30 am on the day of the tender	

Formal properties and contents of bids	Bids can be submitted through the Reuters Dealing platform	
Number of bids that an individual bidder can submit	3	
Minimum bid limit	At least EUR 5 million per bid; as a whole-number multiple of EUR 1 million	
Modification of bids permitted	No	
Minimum bid increment	EUR 1 million	
Method of evaluating bids	Tender bids are evaluated by ranking the interest rate bids. In conducting forint liquidity providing FX swaps, bids are ranked starting from the lowest implied euro interest rate (highest swap point) in ascending order. In conducting euro liquidity providing FX swaps, bids are ranked starting from the highest implied euro interest rate (lowest swap point), in descending order, by cumulating according to the amounts offered. The MNB decides on the acceptance of bids submitted by taking into account the cumulative amount, and the implied forint and euro interest rate levels. The amounts accepted at the two tender operations are equal in any case.	
Evaluating identical bids	If the implied interest rates (swap points), submitted with several bids, are identical, the remaining amount, defined on the basis of the total accepted allotted amount, is allotted in increments of EUR 1 million between the competing bids as follows: in conducting forint liquidity providing FX swaps, for the highest accepted implied euro interest rate (lowest swap point), and, in conducting euro liquidity providing FX swaps, for the lowest accepted implied euro interest rate (highest swap point), until the total accepted allotment amount is reached, in accordance with the rules for dealing cards.	
Time and place of announcement of results	10:30 am on the Reuters NBHN page and the Bloomberg NBH9 page on the day of the tender	
Day of financial settlement of starting leg	T	
Day of financial settlement of maturing leg	T+1	
Technical starting exchange rate	Prevailing exchange rate	110 per cent of the prevailing exchange rate
Meeting 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 money market operations	

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