



11 May 2009

## **Terms and conditions for participation in the MNB's euro liquidity-providing three-month EUR/HUF FX swap tenders**

From 9 March 2009 until withdrawal, the Magyar Nemzeti Bank will introduce regular euro liquidity-providing three-month EUR/HUF FX swap tenders. Under the new tender scheme, credit institutions (Counterparties) within the range of eligible counterparties as defined in the detailed terms and conditions of the tender below, will be allowed to sell forints to the Bank against euros on the first trading day of the week.

In respect of each tender, the Bank will publish a minimum implied euro interest rate (expressed in maximum swap points) and a maximum allotment amount. The Bank will decide on the acceptance of bids by ranking them in order of price. If, at the highest swap point level accepted, the aggregate amount bid exceeds the remaining amount to be allotted, the remaining amount is allocated in units of EUR 1 million, in accordance with the rules for dealing cards, until the maximum allotment amount is exhausted. The Bank reserves the right to reduce the maximum allotment amount or to declare the tender as failed after all bids are received.

The initial exchange rate used in the starting leg of transactions conducted via the euro liquidity-providing three-month EUR/HUF FX swap tender will be equal to the prevailing EUR/HUF market exchange rate. The Bank will keep margin accounts for Counterparties and will mark to market daily all outstanding EUR/HUF FX swap transactions. In respect of these transactions, the sum of the amount on the forint legs, increased by interest, and the amount on the margin account (collectively: forint margin) must reach 105 per cent of the forint equivalent of a Counterparty's euro liabilities to the Bank arising from such transactions. The euro amounts are converted into forints at the Bank's daily official exchange rate.

If the forint margin of a Counterparty does not reach the required amount at the time the positions are marked to market daily, the Bank, while simultaneously notifying the Counterparty, will debit the Counterparty's settlement account at the Bank by the amount needed to restore the required margin and will credit the amount to the margin account of the Counterparty. If the forint margin exceeds the required amount at the time the positions are marked to market daily, the Bank will subtract the amount in excess of the required margin from the Counterparty's margin account and add to its settlement account at the Bank. The Bank remunerates the Counterparty's positive balance in the margin account at the prevailing central bank base rate, with interest settled on the Counterparty's settlement account at the Bank on the last day of the month. The Counterparty pays interest to the Bank at the prevailing central bank base rate for the negative balance on the Counterparty's margin account, with interest debited by the Bank to the Counterparty's settlement account at the Bank on the last day of the month.

All mutual obligations between the Bank and the Counterparty arising from any maturing as well as new transactions conducted under this and other EUR/HUF FX swap tenders of the Bank, which are for the same value date and denominated in the same currency, will be offset and settled on a net basis, by paying the resulting balance.

The payment after payment (PaP) principle will be applied to euro liquidity-providing three-month EUR/HUF FX swap tenders, meaning that the Bank will honour its obligation arising from such transactions after the Counterparty has met its settlement obligation.

**Detailed procedures and conditions for euro liquidity-providing three-month EUR/HUF FX swap tenders**

<b>Type of operation</b>	<b>Euro liquidity-providing three-month EUR/HUF FX swap tender</b>
<b>Time, place and contents of announcement/invitation</b>	The Bank announces the date of settlement of the starting and maturing legs, the technical EUR/HUF exchange rates used in the transactions, the acceptable maximum swap points, as well as the maximum allotment amount at 10:00 a.m. on the day of the tender on Reuters' NBHP and Bloomberg's NBH17 wire service pages
<b>Eligible counterparties</b>	Resident credit institutions subject to reserve requirements, with direct membership in VIBER or BKR
<b>Initiator</b>	Counterparty
<b>Business hours/time of acceptance of bids</b>	Between 10:30 a.m. and 11:00 a.m. on the first trading day of the week
<b>Formal properties and contents of bids</b>	Bids can be submitted either through the Reuters Dealing platform or by fax, indicating the euro amount asked for and the swap point offered
<b>Number of bids that an individual bidder may submit</b>	3
<b>Minimum bid amount</b>	Bids must be submitted in euros, at least EUR 5 million per bid, in whole-number multiples of EUR 1 million
<b>Modification of bids</b>	Not permitted
<b>Minimum bid increment</b>	EUR 1 million
<b>Time and place of announcement of results</b>	At 11:30 a.m. on the day of the tender on Reuters' NBHN and Bloomberg's NBH10 wire service pages
<b>Content of announcement of results</b>	Total amount of bids submitted, amount of bids accepted, highest and lowest swap points accepted, average swap point
<b>Starting exchange rate</b>	Prevailing EUR/HUF market exchange rate
<b>Daily revaluation and time of margin account operations</b>	Participating banks will be notified of the results by e-mail until 4:00 p.m. Time of account operations: between Notification and VIBER closing
<b>Fulfilment of euro settlement obligations vis-à-vis the MNB</b>	To the euro account designated in the standing correspondent accounts of the Magyar Nemzeti Bank used in spot FX market operations

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.