

## NOTICE

**ON RISK MANAGEMENT PARAMETERS APPLIED TO ELIGIBLE COLLATERAL  
ACCEPTED BY THE MNB FROM 1 AUGUST 2023**

The MNB has set the size of new haircuts (i.e. those applied for the first time in the end-of-day revaluation of eligible securities on 31 July 2023) in effect from 1 August 2023 by residual maturity and security categories as follows:

**Table 1: Baseline haircut table**

Maturity (years)	L1		L2			L3			L4			L5	L6			L7			L8	L9	
	Fixed	Zero	Fixed	Zero	Var.	Fixed	Zero	Var.	Fixed	Zero	Var.		Fixed	Zero	Var.	Fixed	Zero	Var.			
0-0.5	1.0%	1.0%	2.0%	2.0%	2.0%	2.5%	2.5%	2.5%	2.0%	2.0%	2.0%	40%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	3.5%	10%	
0.5-1	1.5%	1.5%	2.5%	2.5%	2.5%	3.0%	3.0%	3.0%	2.5%	2.5%	2.5%		6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	5.5%		
1-3	3.0%	3.0%	5.5%	5.5%	3.0%	6.5%	7.0%	3.5%	5.0%	5.0%	2.5%		9.0%	9.0%	8.0%	9.5%	9.5%	8.5%	13.5%		20%
3-5	4.5%	5.0%	8.5%	9.5%	3.0%	11.0%	12.0%	4.5%	7.5%	8.5%	2.5%		11.5%	11.5%	9.0%	12.0%	12.0%	10.0%	23.0%		30%
5-7	6.0%	7.0%	11.5%	13.0%	3.5%	14.0%	16.5%	5.5%	10.0%	12.0%	2.5%		13.0%	13.5%	10.5%	14.5%	14.5%	11.5%	32.5%		40%
7-10	8.0%	10.5%	15.5%	19.5%	4.0%	19.5%	24.5%	6.5%	13.5%	18.0%	3.0%		16.0%	16.5%	12.5%	17.5%	18.0%	14.0%	47.5%		50%
10-	10.0%	15.0%	20.0%	28.5%	5.0%	26.0%	35.5%	8.5%	17.0%	25.5%	3.0%		20.5%	21.5%	15.5%	23.0%	24.0%	18.0%	52.5%		60%

**Table 2: Green securities haircut table**

Maturity (years)	L1		L2			L3			L4			L6			L7			L8
	Fixed	Zero	Fixed	Zero	Var.	Fixed	Zero	Var.										
0-0.5	1.0%	1.0%	1.5%	1.5%	1.5%	2.0%	2.0%	2.0%	1.5%	1.5%	1.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%
0.5-1	1.0%	1.0%	2.0%	2.0%	2.0%	2.5%	2.5%	2.5%	2.0%	2.0%	2.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%
1-3	2.5%	2.5%	4.5%	4.5%	2.5%	5.0%	5.5%	3.0%	4.0%	4.0%	2.0%	7.0%	7.0%	6.5%	7.5%	7.5%	7.0%	11.0%
3-5	3.5%	4.0%	7.0%	7.5%	2.5%	9.0%	9.5%	3.5%	6.0%	7.0%	2.0%	9.0%	9.0%	7.0%	9.5%	9.5%	8.0%	18.5%
5-7	5.0%	5.5%	9.0%	10.5%	3.0%	11.0%	13.0%	4.5%	8.0%	9.5%	2.0%	10.5%	11.0%	8.5%	11.5%	11.5%	9.0%	27.5%
7-10	6.5%	8.5%	12.5%	15.5%	3.0%	15.5%	19.5%	5.0%	11.0%	14.5%	2.5%	13.0%	13.0%	10.0%	14.0%	14.5%	11.0%	42.5%
10-	8.0%	12.0%	16.0%	23.5%	4.0%	21.0%	30.5%	7.0%	13.5%	20.5%	2.5%	16.5%	17.0%	12.5%	18.5%	19.0%	14.5%	47.5%

**Table 3: L9 supplementary table**

Classification		L9
Currency	HUF	+0pp
	EUR	+5pp
	Other	+6pp
Credit risk (IFRS)	Stage1	+0pp
	Stage2	+30pp

where

*Security category L1:* comprises Hungarian government securities for which primary dealers provide two-way quotes on a continuous basis as well as securities previously belonging to this category but excluded as they were nearing maturity, and highly liquid publicly issued forint-denominated fixed or zero coupon Hungarian government securities with a residual maturity of maximum three months.

*Security category L2:* comprises forint-denominated corporate bonds and mortgage bonds, bonds issued by the National Deposit Insurance Fund and the Investor Protection Fund under the unconditional payment guarantee of the Hungarian State, as well as the securities where the payment obligations arising from the security are covered by the

Hungarian State's unconditional payment guarantee to the debit of the central budget in accordance with the provisions of the law, in conformity with 6.1.3 of the Terms and Conditions, with contracted market makers accepted by the MNB.

The Counterparty or the issuer may initiate at the MNB the (re)allocation of the securities to category L2 by describing the requirement and sending the relevant documents to fedezetek@mnb.hu in the form of an electronic document supplied with qualified electronic signature or with advanced electronic signature based on a qualified certificate. The MNB makes the decision on the classification of the securities to Security category L2 considering in particular the following securities liquidity aspects:

- number of market makers;
- independence of the market makers from the issuer;
- minimum quote size (the volume at the given price for which the market maker commits to conclude deals);
- maximum simultaneous bid and offer yield spread of the quotes;
- mandatory minimum quotation hours.

If based on the documentation submitted by the Counterparty the MNB accepts the quote for the securities and thereby the classification of the securities to Security category L2, the MNB will determine the applied acceptance ratio based on the haircuts applicable to Security category L2 from the sixth working day after the submission of the documents confirming the quote, at the latest.

*Security category L3:* comprises unquoted – or the quotes of which are not accepted by the MNB – forint-denominated corporate bonds and mortgage bonds, bonds issued by the National Deposit Insurance Fund and the Investor Protection Fund under the unconditional payment guarantee of the Hungarian State, as well as the securities, where the payment obligations arising from the security are covered by the Hungarian State's unconditional payment guarantee to the debit of the central budget in accordance with the provisions of the law, in conformity with 6.1.3 of the Terms and Conditions.

*Security category L4:* comprises forint-denominated Hungarian government securities not included in category L1. The variable coupon and inflation-indexed forint-denominated government securities are included in this category.

*Security category L5:* comprises forint and foreign currency-denominated securities according to point 6.1.1. of the Terms and Conditions with limited marketability with institutional investors under the Act on Capital Market.

*Security category L6:* comprises Hungarian government securities denominated in currencies other than the forint. In the case of Hungarian government securities denominated in currencies other than the euro, a 1 percentage point additional haircut is added to those applied to security category L6.

*Security category L7:* comprises corporate bonds denominated in currencies other than the forint. In the case of corporate bonds denominated in currencies other than the euro, a 1 percentage point additional haircut is added to those applied to security category L7.

*Security category L8:* comprises securities in conformity with 6.1.4 of the Terms and Conditions.

*Asset category L9:* comprises assets in conformity with 6.6 of the Terms and Conditions.

In the case of eligible collaterals the Baseline haircut table (Table 1) is to be used. If other special conditions also exist, the supplementary haircut tables should be used as well. (Tables 2 and 3)

- Green securities (Table 2): Haircut table to be applied to green securities.

Green securities are securities that comply with the sustainable finance guidelines set by an international organisation under MNB Decree No 22/2022 (VI. 11.) on regulating the maturity match of credit institutions' mortgage-backed assets and liabilities (hereinafter: Decree) and such compliance is certified by an external

party – independent of the issuer – included in the list publicly disclosed by that international organisation, and the MNB accepts the certificate of compliance. Conditions for applying the haircut table applicable to Green securities specified in the Terms and Conditions:

- With the exception of securities defined in Section I.6.1.1 of the Terms and Conditions, after 1 January 2023 the issuer shall publish yearly on its website an allocation report defined in the sustainable finance guidelines prescribed by the international organisation under the Decree.
- With the exception of securities defined in Section I.6.1.1 of the Terms and Conditions, after 1 January 2023 the issuer shall publish on its website an impact report in accordance with the sustainable finance guidelines prescribed by the international organisation under the Decree. (a) in the case of securities issued after 1 January 2023 for the financing of individual projects and investments, two impact reports shall be published (e.g. certain BGS bonds). The first impact report shall be published prior to the implementation of the project or investment (upon issuance or within one year after issuance, based on preliminary data), while the second impact report shall be published after the completion of the investment. In the case of securities issued before 1 January 2023 for the financing of individual projects and investments the impact report shall be published after the completion of the investment. (b) In the case of portfolio funding, which involves the issuance of several green securities and funds several projects, the issuer shall publish annual impact reports. (e.g. mortgage bonds).
- In the case of mortgage bonds, the application of the haircut is conditional upon – in addition to the allocation report and the impact report – the publication of the transparency report defined in Section II.6.3 of the Terms and Conditions.

The issuer or the Counterparty may initiate the acceptance of the securities as Green securities by describing the requirement and sending the relevant certificates to fedezetek@mnbb.hu in the form of an electronic document supplied with qualified electronic signature or with advanced electronic signature based on a qualified certificate. If based on the submitted documentation the MNB accepts the classification of the securities as green, MNB will determine the applied acceptance ratios based on the haircuts applicable to Green securities from the sixth working day after the submission of the relevant documents, at the latest.

The issuer or the Counterparty shall notify the MNB of the publication and the availability of the allocation report and the impact report in the same way.

- Climate risk preferential haircut:
  - in respect of securities that do not qualify as Green securities or as securities specified in Section I.6.1.1. of the Terms and Conditions, a 10 percent haircut discount up to a maximum of 2 percentage points should be applied, if the issuer publishes on its website a climate risk report concerning the operation of the issuer with a content that is in line with the climate risk report specified by certain international standards or legislative norms and updates such report at least annually. The MNB regards as such, among other, the reports that are in line with the provisions of Regulation 2019/2088/EU of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (SFDR), the Proposal for a Corporate Sustainability Reporting Directive (CSRD) and the Task Force on Climate-related Financial Disclosures (TCFD). The issuer or Counterparty shall notify the MNB of the publication and availability of the climate risk report as prescribed for the Green securities. Following this notification the MNB shall define the applied acceptance ratios based on the climate risk preferential haircut from the sixth working day, at the latest.

- Corporate receivables (Table 3): The haircut applied in L9 is calculated as the sum of three factors. The supplementary haircut depending on credit quality and on the currency (Table 3) is added to the baseline haircut depending on the maturity (Table 1)

When defining the acceptance value of the Liquidity Absorbing Deposit, the MNB applies 0 percent haircut.

A bond is a zero coupon bond if it has only one cash flow element.

Inflation-indexed bonds are treated as fixed coupon securities according to the type of interest.

The initial price underlying the acceptance ratios – depending on the market of the given securities group – is the discounted reference gross bid market price of the security on the business day preceding the settlement day of the central bank transaction or the price calculated on the basis of the yield curve estimated by the MNB (fair-value). The acceptance ratios of the assets in L9 asset category and the Liquidity absorbing deposit are calculated based on the accepted outstanding nominal amount.

## Annex

MORTGAGE BOND TRANSPARENCY REPORT (see the [MNB's website](#))