

## **BACKGROUND MATERIAL**

At the time the domestic GIRO system was launched in 1994, it was considered to be a cutting edge system. However, in the past 16 years several European countries have decided to replace their technologically outdated systems with faster transfer systems, which are apparently available to the broader public in most EU Member States.

Initiated by the MNB, preparatory work for the introduction of the system started as early as 2005. The MNB performed detailed simulations on the effects of the introduction of the system, and found that it would have no material impact on the intraday liquidity management of banks.

The development affects the entire banking sector, as well as GIRO Zrt. (the operator of the Hungarian interbank clearing house) and the Magyar Nemzeti Bank. Migration to the intraday mode will require major changes in the processes applied by the relevant parties. The Banking Association, the MNB, GIRO Zrt. and the Hungarian SEPA Association have set up a Project Management Committee for the coordination of the project. The structure of the new system is being finalised and will be completed, along with the unique development plans of the institutions, as early as this year. The central clearing engine at GIRO Zrt. and the internal systems of banks will be developed in 2011, followed by a pilot period in the first half of 2012. Accordingly, the system will go live on 1 July 2012.

GIRO Zrt. will continue to operate the new clearing system, which will facilitate the receipt of intraday funds transfers on the recipient's account within a few hours at the latest. Currently this process takes place overnight, which is why an extra business day is required to transfer the sender's funds to the recipient's account.