

# Terms and conditions of euro sale tenders

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The official version is the Hungarian one!

## 1 General terms and conditions

The Magyar Nemzeti Bank (MNB) introduces regular euro sale tenders on 3 October 2011. The tenders, which will be running until 29 February 2012, will be held weekly or, if needed, more frequently.

Entities eligible for participation in the tenders are direct RTGSS (real time gross settlement system) or IBCS (interbank clearing system) member resident credit institutions (subject to reserve requirements) (hereinafter: Credit Institutions)<sup>1</sup> with contracts entered into for granting FX-based loans that meet the criteria for early repayment under the terms specified in Section 200/B of Act CXII of 1996 on Credit Institutions and Financial Enterprises (hereinafter: Hpt.) (Hereinafter Credit Institutions eligible for participation in the tenders jointly referred to as: Counterparties). The maximum amount that any one Credit Institution may purchase at the tenders is the stock of retail foreign currency denominated mortgages<sup>2</sup> (i.e. home or general purpose mortgage loans to households) it held on 31 August 2011, reported pursuant to F01 data reporting and calculated into euros at the MNB's official HUF/EUR rate on that day net of the FX amounts allocated to the Credit Institution at earlier tenders. The maximum amount to be allocated to Magyar Takarékszövetkezeti Bank Zrt. at the tenders also includes the stock of the FX-denominated home and general purpose mortgage loans as of 31 August 2011 reported pursuant to F01 data reporting obligation and pertaining to the credit institution members other than the Counterparties of the National Institution Protection Fund of the Savings Co-operatives (hereinafter: Indirectly Connected Credit Institutions).

The tenders will be free tenders, with bids accepted starting from the highest EUR/HUF exchange rate. Each accepted bid is settled at the exchange rate specified in the bid (multiple price auction method). If the full satisfaction of the bids submitted at the lowest exchange rate that is still acceptable exceeds the amount that the MNB intends to sell, then such bids will be satisfied on a pro-rata basis, i.e. an identical amount in respect of each bid to be satisfied will be accepted in each round of allocation until the amount to be sold is depleted.

The MNB will publish information on the volume approved at the tenders on a monthly basis, parallel with the publication of its preliminary statistical balance sheet, with the first publication on 14 November 2011.

A condition for Credit Institutions to use the foreign exchange purchased at the tenders is for the Credit Institution and the Indirectly Connected Credit Institution to report data on early repayments on FX loans, the related FX and forint loans refinancing such loans and the components behind the changes in their foreign liabilities. The Credit Institution and the Indirectly Connected Credit Institution shall comply with their weekly data reporting obligation in accordance with the applicable MNB decree. The MNB may exclude a Credit Institution that fails to comply with its data reporting obligation from further tenders and may re-exchange the foreign exchange in the revolving swaps at the EUR/HUF rates used by the given Credit Institution at the tenders or the actual market rate whichever is the lowest.

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<sup>1</sup> Credit institutions registered in Hungary, non-resident credit institutions established in any Member State of the European Economic Area by way of their Hungarian branches, and the Hungarian branches of non-resident credit institutions established outside the European Economic Area.

<sup>2</sup> Data reporting reference: Based on Table 11 of F01 data report, the sum of the following: stock of other than HUF-denominated retail home loans (home loans to households): Lines 175-177, columns 2 and 3, stock of other than HUF-denominated general purpose mortgage loans: Lines 169 to 171, columns 2 and 3.

By submitting its bid, the Credit Institution agrees that until the foreign currency is used up under these terms the MNB will, without a separate further declaration to this effect from the Credit Institution, automatically roll over the euros allocated to the Credit Institution in spot/next EUR/HUF FX swaps. The MNB applies its official EUR/HUF rate valid for the day in question to the spot leg of FX swaps and determines the rate to be applied to the forward leg on the basis of HUFONIA and EONIA valid for the previous day. The participating Credit Institution and the Indirectly Connected Credit Institution will also have to undertake that if they repay foreign liabilities related to the early mortgage repayments, they will repay short-term (within one-year maturity) foreign liabilities in the first place. Failure to comply with this undertaking may lead to the MNB's excluding the Credit Institution from further tenders and may re-exchange the foreign exchange in the revolving swaps at the EUR/HUF rates used by the given Credit Institution at the tenders or the actual market rate whichever is the lowest.

Until the foreign currency is used up under these terms, no EUR payments will be made; only the net settlement of the HUF-denominated payments are performed daily on the basis of the exchange rate difference between the expiring and starting swap deals (for the first transaction the difference between the exchange rate specified in the tender and the spot rate applied to the spot leg of the first swap transaction).

Of the foreign currency allocated to it, the Credit Institution is obliged to use such an amount that is equal to the amount of the early repayments made in accordance with Section 200/B of the Hpt., and specified by it or the Indirectly Connected Credit Institution in the reported data. On the second working day from receipt of the reported data the MNB automatically reduces the amount of the swap to be revolved by such amount, which is equal to the total amount of the early repayments made by that date that the MNB has not yet placed at the Credit Institution's disposal. The foreign currency-denominated amount of the early repayments must, in the case of a currency other than euro, be converted into euro at the MNB's official cross-currency rates as of 3 October 2011 in order that the euro amount to be used can be determined.

Credit institutions will have to re-exchange any unused euros into forints with the MNB between 1 March and 14 March 2012. The re-exchange rate is set by the MNB on the basis of the FIFO ('first in first out') principle, i.e. the amount of the allocated foreign currency is depleted at the successive exchange rates at which the various amounts are purchased (i.e. from among the amounts purchased at the same auction, starting with the amount purchased at the highest HUF/EUR exchange rate); repurchase is performed at the remaining buying rates (i.e. chronologically speaking, those applied in the most recent tenders).

Once the Credit Institution has used up the allocated foreign currency-denominated amount, the MNB will settle with it on a payment after payment (PaP) basis, which means that it complies with its payment obligation arising from the transaction only after the Credit Institution has complied with its.

## 2 Detailed terms and conditions

### Details of the euro sale tenders

Type of tender	Free tender
Eligible counterparties	Direct RTGSS or IBCS member resident credit institutions (obliged to hold a statutory reserve) meeting the conditions laid down in the Tender Notice on the terms and conditions of euro sale tenders
Place and date of invitation	On Reuters NBHM and Bloomberg NBH11 at 11:00 on the day of the tender
Content and formal requirements for bids	Indicating the requested euro amount and the offered EUR/HUF exchange rate to the second decimal place, bids can be submitted via the Reuters Dealing or telefax (428-2529).
Business hours for receiving bids	Between 11:15 and 11:30 on the day of the tender
Number of bids, highest bidding amount accepted from any bidder	3 bids, the combined amount of which cannot exceed the maximum amount per credit institution specified in the Tender Notice on the terms and conditions of euro sale tenders
Transaction limit	At least EUR 1 million or multiples of thereof in round figures
Corrections	Not allowed
Date of payment/financial settlement	T+2
Place and date of announcement of results	On Reuters NBHM and Bloomberg NBH11 and at the MNB's website at 12:00:00 on the day of the tender
Content of announcement of results	The lowest EUR/HUF exchange rate still accepted (i.e. the strongest HUF exchange rate)

No foreign currency is paid upon its allocation related to the tenders.<sup>3</sup> Foreign currency is paid only when it is used up by the Credit Institution. Besides this transaction forint is paid when the difference between the spot rate applied at the tender and the spot rate applied to the spot leg of the first swap deal is settled; subsequently, the difference between the rate of the starting and expiring swaps deals is settled, and finally, when the unused amount is re-exchanged, the difference between the rate of the last expiring swap deal and the re-exchange rate is settled.

- 1 The MNB transfers any HUF amount due to the Credit Institution to the Credit Institution's current account kept with the MNB. In the event that a HUF-denominated amount is due from the Credit Institution to the MNB, the MNB is entitled to debit such amount to the Credit Institution's current account kept with the MNB.

<sup>3</sup> Except when the Credit Institution is entitled to use the FX amount already on the day of the auction on the basis of its early repayment data reported at least two working days earlier.

Payment of foreign currency

- a) to the account specified in the bid submitted by the Credit Institution (the name of the account-managing institution, the place of account management and the number of the account must be specified), or
- b) on the basis of the Credit Institution's list (Standard Instructions) prepared in accordance with the 'Terms and conditions for money market operations of the Central Bank on forint and other currency markets' pertaining to conversion between foreign currencies and forint and containing the Credit Institution's standing correspondent accounts.

Selected by the Credit Institution, method a) or b) cannot alternate; it must be applied to all the tenders consistently.

- 2 Specifying the currency, the name of the account-managing financial institution, the place of account management, the account number and the value date, the list (Standard Instructions) containing the standing correspondent accounts mentioned in Section 1.b) can be submitted, in writing and duly signed, to the MNB's Money and Foreign Exchange Market Department at least 7 (seven) working days before the value date (the same procedure applies to modification). The list can also be sent in the form of an authentic SWIFT message. No ad hoc departure from the account relations specified by the Credit Institution is allowed.
- 3 Any issue that is not regulated in these tender terms is governed by the 'Terms and conditions for money market operations of the Central Bank on forint and other currency markets'.

Budapest, 30 September 2011

MAGYAR NEMZETI BANK