

Notice on the terms and conditions of the preferential deposit facility linked to the FGS *fix* programme¹

I. Description of the transaction, terms of use

At the beginning of 2019 the Magyar Nemzeti Bank (MNB) will launch the Funding for Growth Scheme Fix (FGS *fix*), in order to facilitate the domestic micro, small and medium-sized enterprises' access to long-term fixed interest rate loans. With the preferential deposit instrument described in this Notice the MNB intends to sterilise the surplus liquidity resulting from disbursements under the FGS *fix* at the central bank base rate.

Any credit institution participating in the FGS *fix* as a direct counterparty (hereinafter: Counterparty) shall be eligible to take recourse to the preferential deposit facility. The preferential deposit account is a deposit account separated from the Counterparty's bank account, where the Counterparty can place an overnight (O/N) deposit on any VIBER business day specified in the settlement calendar, solely by the way of a transfer from its bank account held with the MNB. Deposits placed on this preferential deposit account are not part of the reserve requirement system; Counterparties shall comply with the reserve requirement in accordance with MNB Decree No. 10/2005 (VI. 11.). Counterparties may initiate placing preferential deposit transactions via SWIFT messages. The placed preferential deposit and the amount of the interest due is credited to the Counterparty's bank account upon maturity; i.e. before the opening of VIBER on the first central bank working day following the deposit placement, in accordance with the business terms and conditions for bank accounts managed by the Magyar Nemzeti Bank and the settlement of forint and foreign exchange transactions.

By signing the Framework Contract linked to the FGS *fix*, the Counterparty entrusts the MNB – without any further action – to open a preferential deposit account for the Counterparty. From 1 March 2019 until the revocation of the preferential deposit account, the MNB shall provide the opportunity to place deposits from bank accounts held with the MNB. The preferential deposit account may be cancelled with a revocation by the MNB, its balance shall be transferred to the Counterparty's bank account.

At the end of the third working day (T–3) preceding the first working day of the each month (T), the MNB sets an upper limit for the availability of the deposit facility, which is valid on the days of

¹ This Notice is effective from 1 March 2019. At the end of February 2019, the preferential deposit facility linked to the Market-Based Lending Scheme will be terminated. From 1 March 2019 the preferential deposit facility linked to the FGS *fix* will be available to banks participating in that programme with the present terms and conditions.

the given month. Daily deposit placements shall not exceed this limit (hereinafter: daily limit). The whole submitted bid will be rejected if the resulting deposit holdings would exceed the value of the daily limit. The applied daily limit over the given month equals to the actual value of the Counterparty's refinancing loans from the MNB under the FGS *fix* as at the end of the third working day (T-3) preceding the first working day of the given month (T). The Counterparty is notified about the amount of the daily limit through GIROHáló after the closure of VIBER on that day (T-3). If the daily limit set by the MNB differs from the limit calculated by the Counterparty based on its own records, the Counterparty may submit a request for modification of the daily limit until the closure of VIBER on the next working day (T-2). This request shall be submitted in an official letter sent to the NHPupdate@mnbb.hu email address. If the modification request was granted, the MNB notifies the Counterparty of the modified value of the daily limit through GIROHáló by the end of the working day preceding the first working day of the given month (T-1). The MNB reserves the right to modify the daily limit – even during the month – if it learns that under the terms and conditions of the FGS *fix*, the Counterparty was not eligible to take recourse to a part or all of its refinancing loans granted under the FGS *fix* programme. The MNB informs the Counterparty about the modification of the limit on the working day preceding the day of the modification.

The interests on the preferential deposit shall be calculated based on the end-of-day closing balance of the preferential deposit account. The interest rate of the preferential deposit equals to the central bank base rate effective on the day of the deposit placement. The MNB calculates the interest amount payable on the preferential deposit according to the following formula:

$$\frac{\text{deposit amount} \times \text{deposit rate \%} \times \text{number of deposit interest days}}{36000}$$

36000

, where the deposit rate is the central bank base rate as at the end of the day.

Any conditions not regulated in this Notice are subject to the provisions of the Terms and Conditions of the Central Bank's Operations in Hungarian Forint and Foreign Exchange Markets, as well as the Framework Contract and the Terms and Conditions of refinancing loans of the Funding for Growth Scheme Fix.

II. Detailed parameters and technical requirements

Description of the transaction	Standing preferential deposit facility
Maturity	Overnight
Date and place of notice/invitation	Standing facility
Eligible counterparties	Resident credit institutions subject to reserve requirements that are direct members of the Hungarian real-time gross settlement system (VIBER) or direct members of the Interbank Clearing System (BKR), that participate in the Funding for Growth Scheme Fix as a direct counterparty.
Initiator	Counterparty
Business hours for receiving bids	Identical with the business hours of the O/N deposit facility
Formal requirements and content of the bids	In SWIFT MT298 SMT550 messages as specified in Annex 9 to the business terms and conditions for maintaining bank accounts, or in accordance with the format defined in Annex 12 to the business terms and conditions for bank accounts, in letter, encrypted fax or through the “viber” channel of the GIROFile service of GIROHáló.
Maximum number of offers per bidder	No limit
Transaction limit	In accordance with the daily limit
Corrections	not permitted
Financial settlement / date of settlement	T (day of the transaction)

Budapest, 1 March 2019

MAGYAR NEMZETI BANK