

RISK MANAGEMENT PARAMETERS APPLIED TO ELIGIBLE COLLATERAL ACCEPTED
BY THE MNB FROM 16 APRIL 2012

Unofficial translation only!
The official version is the Hungarian one!

After reviewing the haircuts and acceptance ratios used in the daily revaluation of collateral, the MNB is announcing some changes to the acceptance ratios it applies to the securities it takes as collateral. The changes will take effect from 16 April 2012.

The table below sets out the size of new haircuts in effect from 16 April 2012 (i.e. applied for the first time in the end-of-day revaluation of eligible securities on 13 April 2012) by residual maturity and security categories:

	L1		L2		L3		L4		L5		L6		L7		
	fix rate	zero	fix rate	zero	fix rate	zero	fix rate	zero	forint	FX	fix rate	zero	fix rate	zero	
Residual maturity	0-0,5 year	0,5%	0,5%	1,0%	1,0%	1,5%	1,5%	1,5%	1,5%	30,0%	40,0%	4,0%	4,0%	6,0%	6,0%
	0,5-1 year	1,0%	1,0%	2,0%	2,0%	2,0%	2,5%	2,5%	3,0%			4,0%	4,0%	7,0%	7,0%
	1-3 years	3,0%	3,0%	6,0%	6,5%	7,5%	7,5%	9,5%	9,5%			4,5%	4,5%	8,5%	8,5%
	3-5 years	4,5%	5,0%	9,0%	11,0%	10,0%	12,0%	12,5%	15,0%			5,0%	5,0%	11,0%	12,5%
	5-7 years	5,0%	6,5%	11,5%	14,0%	12,0%	14,0%	15,0%	18,5%			6,0%	7,0%	13,0%	14,5%
	7-10 years	6,5%	8,0%	14,0%	16,5%	14,5%	16,5%	18,5%	21,5%			9,5%	11,0%	16,5%	18,0%
	10- years	7,5%	12,5%	15,5%	20,5%	16,0%	23,0%	21,0%	24,5%			16,0%	19,5%	24,0%	27,5%

where

Security category L1: comprises publicly issued forint-denominated Hungarian government securities for which primary dealers provide two-way quotes on a continuous basis and securities previously belonging to this category but excluded as they were nearing maturity as well as publicly issued forint-denominated Hungarian government securities and MNB bills which have an initial maturity of three months or less. The initial price equals the reference gross bid market price of the security on the business day preceding the settlement day of the central bank transaction discounted over the reference period, or the price calculated on the basis of the yield curve estimated by the MNB (fair-value).

Security category L2: comprises forint-denominated corporate bonds and mortgage bonds with contracted market makers accepted by the MNB. The initial price equals the price calculated on the basis of the yield curve estimated by the MNB (fair-value), or the discounted reference gross bid market price of the security on the business day preceding the settlement day of the central bank transaction.

Security category L3: comprises forint-denominated corporate bonds and mortgage bonds with no contracted market makers. The initial price equals the price calculated on the basis of the yield curve estimated by the MNB (fair-value).

Security category L4: comprises forint-denominated Hungarian government securities and MNB bills not included category L1. The initial price equals the price calculated on the basis of the yield curve estimated by the MNB (fair-value).

Security category L5: comprises bonds issued by local governments. The initial price of local government bonds equals the actual face value of securities (adjusted for redemptions).

Security category L6: comprises euro-denominated Hungarian government securities and MNB bills. In the case of Hungarian government securities and MNB bills denominated in currencies other than euro, a 1 percentage point additional haircut is added to those applied to security category L6. The initial price equals the price calculated on the basis of the yield curve estimated by the MNB (fair-value), or the

discounted reference gross bid market price of the security on the business day preceding the settlement day of the central bank transaction.

Security category L7: comprises foreign currency-denominated corporate bonds. The initial price equals the price calculated on the basis of the yield curve estimated by the MNB (fair-value), or the discounted reference gross bid market price of the security on the business day preceding the settlement day of the central bank transaction.

Variable-rate securities are classified according to residual maturity on the basis of the period remaining until the next interest rate fixation date.

Zero coupon bond, if it has only one cash flow element.

Acceptance ratios applied to forint-denominated corporate bonds and mortgage bonds with contracted market makers will be defined on the basis of the haircuts for category L3 securities at the latest from the third business day following provision of the document certifying the market making. The document should be provided to the address of the MNB's Money and Capital Markets Department or at least in electronic document format with advanced electronic signature to the pdftit@mnbn.hu address.

The prevailing acceptance ratios for securities are available on the REUTERS RISKCONTROL page. The description of the MNB's collateral valuation system is included in Annex 1 of the 'Business conditions for maintaining bank accounts'. The list of accepted collateral securities and their acceptance values is published daily on the MNB's website at the following address: http://english.mnb.hu/Monetaris_politika/mnben_jegybanki_eszkozta_r/mnben_fedezetertkeles.

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MAGYAR NEMZETI BANK