

**Regulation**  
**on the fixing procedure**  
**of the HUFONIA Swap Index**

*Effective from 1 January 2021<sup>1</sup>*

From 1 November 2016, the Magyar Nemzeti Bank (hereinafter: **MNB**) is responsible for the production and administration of the HUFONIA (Hungarian Forint Overnight Index Average) Swap Index reference rate.

“HUFONIA Swap” is an interest rate swap where the buyer pays fixed interest, while the seller party pays the variable HUFONIA interest, changing daily.

HUFONIA, – underlying the pricing of the HUFONIA Swap Index – is the effective overnight interest rate, computed as the average interest rate of overnight forint loan and forint deposit transactions in the interbank market, concluded by and between all banks, specialised credit institutions and institutions operating as branch offices, weighted by turnover.

**Article 1**

The **Benchmark Fixing Committee** (hereinafter: **RJB**) of the MNB, authorised to act within its competence related to the administration of the HUFONIA Swap Index based on the decision of the Executive Board, defines the basic conditions applicable to the procedure aimed at the production of the HUFONIA Swap Index and the determination of its value, the requirements for participating in the quotation and the general requirements applicable and related to the quotation in this regulation (hereinafter: Regulation).

**Article 2**

**Definitions**

1. **Panel bank:** all banks – invited by the MNB, based on the RJB’s decision, to participate in the quotation – with registered office in Hungary, active in the derivative market, and banks operating in Hungary as branch offices that have undertaken to participate in the HUFONIA Swap Index

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<sup>1</sup> Based on ruling 5/2020 (12.21) of the Benchmark Fixing Committee (RJB).

quotation process in accordance with Annex B to the Regulation and committed to complying with and observing the rules of the Regulation.

2. **Quotation:** the daily submission of the bid and ask interest rates to the MNB by panel banks. The quotation takes place in the period specified in Section 1 of Annex A, and applies to the interest rate swap bid and ask interest rates quoted for the respective maturity in the interbank market under average market conditions. The interest rate is quoted on the basis of the annual fixed interest rate (ACT / 365 basis) for the respective maturity contrary to the HUFONIA (ACT / 360) quotation.
3. **News agency:** The news agencies authorised to publish the HUFONIA Swap Index, listed in Annex A.
4. **Fixing procedure:** the process of producing HUFONIA Swap Index rates, whereby the MNB determines the daily official HUFONIA Swap Index rates (fixings) based on the quotations submitted by banks.
5. **Determination of the HUFONIA Swap Index:** the process by which the MNB determines the value of the HUFONIA Swap Index based on the quotations, in accordance with the calculation method specified in this Regulation.
6. **Hungarian banking day:** every working day that has been declared as a business day according to the annual VIBER settlement calendar published by the MNB.
7. **Banking day:** every working day that has been declared as a business day according to the annual VIBER settlement calendar published by the MNB, except for the individual bank holidays of the given panel bank.
8. **RJB:** a body entitled to take action in the event of derogation to regulations, to define a set of requirements relating to financial benchmark quotation in the management of the Magyar Nemzeti Bank, and to determine a monitoring framework of the quotation process.

### **Article 3** **The fixing procedure**

- (1) The panel banks shall communicate to the MNB the value of the interest rate by quoting it through the Reuters Eikon system on each banking day, within the period specified in Section 1 of Annex A and with the content stipulated there (in respect of the maturity specified there).
- (2) Panel banks shall perform the quoting in such a way that the content thereof should correspond, to the best of their knowledge, to the interbank interest rate swap levels prevailing at the time of the quote.
- (3) On each Hungarian banking day, following the quotation cut-off time specified in Section 1 of Annex A, the MNB will check whether all panel banks have submitted their quotes in accordance with the Regulation.

- (4) If there is any suspected numerical error, the MNB shall liaise with the panel bank and ask for confirmation.
- (5) If one or several panel banks have failed to submit quotes for one or several maturities, the MNB shall call upon the panel bank to make its quote primarily through Reuters Dealing or over the phone, or using any other communication method.
- (6) The MNB summarises the quotes and on each Hungarian banking day determines that day's value of the HUFONIA Swap Index for all maturities by 11:15 a.m. (CET). The MNB determines the value of the HUFONIA Swap Index by maturities, omitting quotes comprising the two lowest bid and the two highest ask interest rates, thereafter determining the arithmetical mean of the remaining quotes by maturity in accordance with the rounding convention, rounded to two decimals.
- (7) The HUFONIA Swap Index determined based on the quote applies to deals commencing on the second Hungarian banking day after its fixing, corresponding to the spot settlement date of the Hungarian money and capital market.

#### **Article 4**

##### **Publishing the HUFONIA Swap Index**

- (1) After the fixing of the HUFONIA Swap Index, at 11:15 a.m., the MNB publishes the value of HUFONIA Swap Index, the names and quotes of the panel banks on each Hungarian banking day on the website of the news agency. The interest rates published by the MNB on the page of the news agency are to be considered the officially fixed HUFONIA Swap Index.
- (2) The MNB also publishes the official bid and ask HUFONIA Swap Index on the MNB's website simultaneously with the publication specified in paragraph (1).
- (3) If the publication is incorrect due to an IT communication error between the MNB and the news agency, the MNB may modify the quotes up until 11:20 a.m. without the application of the rules laid down in Article 9. In this case the MNB forthwith announces the fact and the timing of the new publication on the page of the news agency.

#### **Article 5**

##### **Contingency policy**

- (1) If more than half of the panel banks fail to provide quotation for a specific maturity up until 11 a.m. on a given Hungarian banking day, the MNB postpones the calculation of the HUFONIA Swap Index for the respective maturity as specified in paragraphs (3) and (4) until 12:00 at the latest. In this case the MNB publishes a notice to this effect on the news agency's and the MNB's website at 11:15.

- (2) If at least 4 panel banks provide quotation until 11:15, then the MNB calculates and publishes the HUFONIA Swap Index based on these quotations.
- (3) If less than 4 panel banks provide quotation until 11:30, then the MNB postpones the publication of the HUFONIA Swap Index until at least 4 panel banks provide quotation but no later than 12:00.
- (4) If less than 4 panel banks provide quotation until 12:00 on a given Hungarian banking day, then the MNB does not use the quotations provided on that day to publish the HUFONIA Swap Index. In this case, at 12:15 the MNB publishes the previous day's HUFONIA Swap Index rate as the official HUFONIA Swap Index rate for this day for the given maturity. The MNB provides information about this repeated publication on its webpage and on the page of the news agency.
- (5) In the contingency policy specified in this Article, if fewer than seven interest rate quotes are received, for the purposes of the calculation the MNB will ignore the quote comprising the highest and lowest interest rate.
- (6) If point (4) becomes effective, the Benchmark Fixing Committee (RJB) convenes for an extraordinary meeting to discuss the situation. If necessary, the treasury heads of the panel banks are invited to a consultation in order to guarantee the continuity of the HUFONIA Swap Index. This does not affect the rights of the Committee described in Article 7 (1).
- (7) The MNB determines the HUFONIA Swap Index rate at most for 3 consecutive Hungarian banking days based on this contingency policy.

## **Article 6**

### **Determining the range of panel banks and voluntary accession**

- (1) Of the institutions that have market information relevant for the HUFONIA Swap Index and comply with the requirements hereof, the MNB invites not more than ten panel banks. If the invited institution accepts the invitation, it shall notify the MNB by sending the declaration included in Annex B.
- (2) The MNB stipulates the range of the invited panel banks in Section 7 of Annex A, and notifies the invited panel banks accordingly 30 calendar days prior to the effective date of the invitation.
- (3) The list of banks in the panel is revised by the RJB on an occasional basis if market developments make it necessary. The panel banks of the previous period are not required to complete and sign Annex B repeatedly, as they automatically preserve their panel bank status.
- (4) Any credit institution with registered office in Hungary or financial institution operating in Hungary as a branch office may initiate its inclusion in the range of panel banks as long as:
  - (a) the bank is an active participant in the relevant markets connected to the HUFONIA Swap Index;
  - (b) the bank is prepared for the participation in the quotation process in terms of technical and organizational requirements.

- (c) it undertakes to participate in the HUFONIA Swap index quotation procedure in accordance with Annex B of the Regulation and has committed to complying with and meeting the requirements of the Regulation.
  - (d) the bank has not been excluded from the HUFONIA Swap Index quotation process in the 12 months preceding the application.
- (5) The RJB shall decide on the initiative specified in paragraph (4) within 60 days from receiving it, ignoring the restriction specified in paragraph (1) with regard to the maximum number of the invited banks. If the RJB agrees to the initiating institution's acting as a panel bank it shall notify the initiating institution in accordance with paragraph (2), which then shall have the rights and be subject to the obligations specified in the Regulation for the panel banks.

## **Article 7**

### **Violation of the Regulation**

- (1) If any of the panel banks makes a quote on several occasions contrary to the provisions of the Regulation, the RJB may apply the sanctions listed below, depending on the gravity of the case:
- (a) Written notice to the bank that its actions are in conflict with the Regulation;
  - (b) Temporary suspension of the HUFONIA Swap Index quotation rights;
  - (c) Permanent exclusion from the HUFONIA Swap Index quotation process.
- (2) If any of the panel banks realises that another panel bank tends to submit interest rate quotations in deviation from the method stipulated in the provisions of this Regulation, it shall notify the RJB.

## **Article 8**

### **Error policy, intraday repeated fixing**

- (1) If a panel bank notices that deviation from the regulations (hereinafter: error) occurred during the quotation process (especially if the HUFONIA Swap Index for that day was not fixed on the basis of the quotation submitted to the MNB by the panel bank; the panel bank's published individual quotation is not in line with the quotation submitted to the MNB; or incorrectly calculated HUFONIA Swap Index was published for any other reason) on a given day then it notifies the MNB until 14:00 on the day of the error.
- (2) Whether a panel bank notices the error or the MNB itself determines that an error occurred during the quotation on that day, the MNB will publish on the news agency's and the MNB's website, as soon as possible after 14:00, that there will be a repeated fixing of the HUFONIA Swap Index, indicating the affected maturity.

- (3) An intraday repeated fixing of the HUFONIA Swap Index only occurs if the difference compared to the original fixing is at least 3 basis points (hereinafter: margin of error). The repeated publication of the HUFONIA Swap Index and the individual rate(s) involved takes place at 15:00 on the same day. It has to be indicated clearly on the MNB's website and on that of the news agency's that a repeated fixing occurred and that the new fixing is the official HUFONIA Swap Index rate for that day for the given maturity.
- (4) A repeated fixing does not take place if the panel bank announces the error or the MNB by its own detection identifies it after 14:00 or no repeated intraday fixing is completed because the distortion caused by the error does not reach the margin of error defined in point (3).
- (5) On the first week after every quarter the MNB publishes all the identified errors (irrespective of the fact whether a repeated intraday fixing occurred or not). The MNB has to indicate if the error was caused by the incorrect quotation of the panel bank or by an error during the fixing process in the MNB. The MNB also has to indicate the absolute value of the errors affecting the HUFONIA Swap Index.
- (6) The margin of error determined in point (3) is regularly revised by the RJB.

## **Article 9**

### **Exit policy**

The panel bank may terminate its participation in the HUFONIA Swap Index quotation procedure (hereinafter: exit) by sending its exit declaration to the RJB at least 60 days before the planned date of the exit.

## **Article 10**

### **Closing provisions**

- (1) This Regulation enters into force on 1 January 2021.
- (2) The MNB shall send the amended Regulation and the annexes thereto to the panel banks – and in the case specified in Article 6(3) to the banks invited to make a quote – 30 days prior to the effective date, except for the amendment of Section 7 of Annex A, in respect of which the MNB is not obliged to send prior notification of the amendment.

## Annex A

1. Interval for submitting the quotes to MNB: 10:30-10:45
2. Maturities quoted: 1 week, 2 weeks, 1 month, 2 months, 3 months, 6 months, 9 months, 12 months
3. Content of the quote: HUFONIA Swap Index bid and ask interest rates for two decimals.
4. Bidders may quote the bid and ask interest rates with a maximum spread of 30 basis points. In extraordinary circumstances the MNB may increase the rate of the maximum spread.
5. Basis of the quoted interest rate swap: HUFONIA
6. News agency: REUTERS, BLOOMBERG
7. Panel banks:
  1. Erste Bank Hungary Zrt.
  2. UniCredit Bank Hungary Zrt.
  3. K&H Bank Zrt.
  4. OTP Bank Nyrt.
  5. MKB Bank Zrt.
  6. Raiffeisen Bank Zrt.

**Annex B**

On behalf of ....., we hereby declare that our institution accepts the invitation of the MNB and will take part in the HUFONIA Swap Index quotation process as a Panel Bank from ..... Our institution will take part in the quotation process in compliance with the prevailing effective legal provisions related and the provisions stipulated in this Regulation and its Annexes.

Date .....

Name

Signature