

THE MNB'S ACCOUNT MANAGEMENT AND PAYMENT SERVICES POLICY

1. LEGAL BACKGROUND TO THE MNB'S ACCOUNT MANAGEMENT AND PAYMENT SERVICES POLICY

The MNB, in its role as a provider of payment services, provides its account management and payment services under the following legal regulations in force: Act CCVIII. of 2011 on the Magyar Nemzeti Bank (hereinafter: MNB Act), Act LXXXV. of 2009 on the Provision of Payment Services (hereinafter: Pftv.), as well as MNB Decree No. 18/2009. (VIII. 6.) on Execution of Payment Transactions (hereinafter: MNBr.).

The institutions with accounts at the MNB can be divided into two groups, according to whether the Bank provides the given account and the related services under a legal obligation or a right provided in Article 59 of the MNB Act:

- A) The accounts of institutions legally obliged (based on Article 14 of the MNB Act) to hold accounts with the MNB currently include the Single Treasury Account owned by the Hungarian State Treasury and the forint account of the Government Debt Management Agency.
- B) Account management services to all other account holders with accounts at the MNB are and can be provided under Article 59 of the MNB Act and bank account agreements covered by the Pftv. and the MNBr. and concluded by mutual consent between the MNB and the account holder.

The following section outlines the MNB's principles for entering into an account agreement with an account holder belonging to category B.

2. THE MNB'S ACCOUNT MANAGEMENT SERVICES

The framework for the MNB's account management services is provided by its account management policy formulated in accordance with the legal regulations in force, in particular by the MNB Act.

Accordingly, the MNB derives its account management activities from its relevant core functions as a central bank provided in the MNB Act, such as implementation of monetary policy, safeguarding financial stability and ensuring the smooth functioning of the payment and settlement systems, in the spirit of social efficiency and careful management of taxpayers' resources.

Accordingly, the institutions with accounts at MNB are grouped into the following categories:

- 1 Institutions which have concluded separate agreements with the MNB on maintaining accounts with the MNB as a result of national economic priorities, international responsibilities or customary law in the context of the core activities outlined above. These contracts on the provision of account management services are concluded between the MNB and the institution concerned on a bilateral basis. Accounts managed by the MNB include those of international public financial institutions (e.g. the IMF, EU Commission and BIS), foreign central banks and, closely related to the efficient and safe management of foreign exchange, the foreign currency accounts of the Hungarian State Treasury and

the Government Debt Management Agency. For these institutions, the MNB provides, on the basis of mutuality and national economic priorities, correspondent banking services in forint and foreign currency, in conformity with the standard services available in the market, and giving case-by-case consideration to the types of services the account holder wishes to draw on and the grounds for the provision of such services by the central bank.

- 2 The second group comprises all other standard payment services which, while not requiring a bilateral agreement or special, tailored services, can be derived from the above core activities. For this group of institutions the MNB, acting exclusively as a settlement bank, manages the accounts of payment service providers within the EEA as defined in the Pftv., investment firms as defined in the Bszt.¹, as well as of market infrastructures (central securities depository, central counterparty, clearing house). The scope of payment services provided by the MNB to payment service providers is limited to cash transactions and, in addition to the settlement of central bank transactions, to its role as a settlement bank (i.e. ensuring the provision of settlement services arising exclusively from direct payments system membership). This means that the MNB manages accounts exclusively in relation to direct membership/participation in VIBER (the Hungarian RTGS system and the Bank's basic settlement platform). Institutions with accounts at the MNB may use their accounts for such purposes, i.e. for settling payment transactions executed directly in VIBER. Payment transactions conducted in VIBER include settlements of positions arising from transactions executed in VIBER and cleared by other clearing systems.

In accordance with the above activities, the MNB does not provide correspondent banking services relating to transactions directed to either forint payment system. Consequently, institutions cannot apply for indirect membership in the forint payment systems through the MNB either. Payment service providers participating in VIBER and holding accounts with the MNB may not give payment instructions to the MNB as a correspondent bank in respect of their central bank accounts opened for this purpose; they may dispose of the balance on such accounts exclusively through payment instructions sent directly to VIBER.

With respect to standard payment services (i.e. in the absence of special agreements), the MNB does not provide collection-, direct debit- and foreign currency payment (foreign currency account management, and related payment transactions) services.

3. CENTRAL BANK ACCOUNT MANAGEMENT AND SETTLEMENT BANK SERVICES FOR MARKET INFRASTRUCTURES

Consistent with its core duties related to safeguarding financial stability and ensuring the smooth processing of payments, the MNB provides settlement banking services to systematically important forint payment and securities settlement systems. The MNB makes available this service through its VIBER services by facilitating settlements in VIBER for the related systems. This means that all parties directly participating in settlements in central bank money are required to have direct membership in VIBER. The MNB enters into a settlement agency agreement with the clearing house operating the payment system or other market infrastructure in respect of such settlements.

¹ Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing Their Activities

If the operation of a payment or securities settlement system involved is such that a settlement requires opening an account by a central infrastructure (clearing house, central counterparty, central securities depository), such central infrastructure may open an account and become a member of VIBER, provided that such market infrastructure is subject to banking supervision or central bank oversight in a EEA member state.

In respect of market infrastructures applying for account or settlement services, the MNB reserves the right to undertake the role of settlement institution after a case-by-case consideration of the systematic importance, the reasonableness of central bank settlement as well as the potential risks that the MNB may incur. In making its decision, the MNB makes an assessment of whether, based on financial stability or efficiency considerations, it is justified to settle the given infrastructure, or the payment or clearing system served by such infrastructure in central bank money.

4. MEMBERSHIP POLICY FOR THE PROVISION OF VIBER SERVICES BY THE MNB

In accordance with the above rules, the eligible counterparties (members) for VIBER comprise the following entities:

- payment service providers resident inside the EEA, as defined by the PSD (Pftv.),
- investment firms resident inside the EEA, as defined by the MifID (Bszt.),
- EEA-resident financial market infrastructures subject to financial supervision or oversight, such as clearing houses, central securities depositories, central counterparties or entities performing similar activities and subject to supervision or oversight.

Other criteria of eligibility include:

- maintaining a central bank account eligible for settlement within VIBER;
- participation by all VIBER direct participants in SWIFT² and possession of their own BIC³ codes, as well as participation in the HUF Closed User Group, set up by SWIFT in connection with the RTGS system;
- successful test performance verifying existence of the technical capacity needed to send and receive VIBER instructions, as well as compliance with other requirements;
- in accordance with Act XXIII of 2003 on settlement finality, all direct VIBER participants shall be signatories to the Agreement on settlement finality, and
- with regard to the Hungarian branches of non-resident VIBER participants with a remote access and non-Hungarian, but EEA-resident VIBER participants, the founder of the branch office, or in the case of remote access, the legal executive of the non-resident VIBER participant shall issue a formal written statement on full compliance with the provisions of sections ea) - ec), Article 10, Act XXIII of 2003 on the finality of settlement in payment and securities settlement systems;

² SWIFT is the message transmission network of the RTGS system.

³ Bank Identifier Code.

- the MNB shall decide on the manner and extent of verifying compliance with the provisions of section ed), Article 10, Act XXIII of 2003 on a case-by-case basis and in accordance with the purpose of the law.
- the applicant has to be included into the Routing Table as defined by Article 4 of the MNBr. as a direct member of the VIBER (Based on its formal, written request submitted to MNB. This criterion does not pertain to market infrastructures)

In compliance with the principle of equal treatment, the MNB shall offer its VIBER services to non-resident participants and Hungarian branches at the same fees as those charged to participants incorporated in Hungary.

5. INTRADAY CREDIT

In the context of participation in VIBER, the MNB grants intraday collateralised forint loans to credit institutions that are subject to reserve requirements in Hungary, such as resident credit institutions and the Hungarian branches of non-resident credit institutions. Under a further requirement, the credit institution or branch institution shall be included in the list of eligible counterparties for the overnight collateralised standing lending facility provided by the MNB for monetary policy purposes.

The MNB extends no intraday credit to credit institutions inside the EEA that have remote access to the RTGS.

Entities maintaining a bank account with the MNB but not qualified as credit institutions receive no intraday credit from the MNB.

As a prerequisite for receiving credit, eligible VIBER participants are required to deposit collateral in the form of eligible securities in a blocked account held with the Central Clearing House and Depository Ltd (KELER), naming the MNB as beneficiary.

6. INTEREST RATE CONDITIONS

Unless otherwise agreed, the MNB pays account holders no interest on their account balances other than that payable on the reserves credit institutions are required to maintain with the central bank.

7. FOREIGN CURRENCY CONVERSION

In the absence of a special arrangement, the MNB will perform no cross-currency or forint/foreign currency conversion associated with payment transactions. Similarly, the MNB accepts no payment instructions initiated in a currency different from the principal currency of the account. Should the incoming payment transaction be denominated in a currency different from that of the recipient account, the MNB will refuse to execute such a transaction.

The MNB reserves the right to act, under a separate arrangement, in a different manner from that indicated in this notice.

MAGYAR NEMZETI BANK