

# Terms and Conditions<sup>1</sup>

## of refinancing loans of the Funding for Growth Scheme Go!<sup>2</sup>

### 1. SUBSTANTIVE ELEMENTS AND BUSINESS PARAMETERS OF THE FUNDING FOR GROWTH SCHEME GO!

#### 1.1. Objective and structure of the programme

As part of its monetary policy instruments, on 1 June 2013 the Magyar Nemzeti Bank (MNB) has launched the Funding for Growth Scheme (FGS) to alleviate disruptions observed in lending to small and medium-sized enterprises, to strengthen financial stability and to reduce the external vulnerability of the country. In order to mitigate the negative economic effects of the coronavirus outbreak and to avoid credit market turbulences, on 20 April 2020 the MNB launched the FGS Go! programme that forms part of the FGS and for which an overall amount of HUF 1500 billion was allocated by the Monetary Council.<sup>3</sup>

In the framework of this programme<sup>4</sup>, the central bank extends a refinancing loan with an interest rate of 0 per cent and a term of maximum 20 years (on condition that the term of the refinancing loan may be maximum 3 years for working capital loans defined in this Terms and Conditions) to credit institutions. They will lend it further to SMEs in the form of a loan or financial leasing with capped annual costs (hereinafter as: SME Contract), and, at the same time, will refinance financial enterprises for the same purpose<sup>5</sup>.

#### 1.2. Conditions of participation

Resident credit institutions subject to reserve requirements, with 'VIBER' (Real-time Gross Settlement System) or 'BKR' (Interbank Clearing System) membership and a securities account with KELER Zrt. can directly participate in the programme as contractual counterparties of the MNB. Other banks, integrated savings cooperatives and cooperative credit institutions and financial institution may participate indirectly in the programme through their directly participating umbrella bank (correspondent credit institution). The umbrella bank is required to manage correspondent credit institutions participating through their intermediation in accordance with the parameters set out in the framework contract concluded with the MNB and in the Terms and Conditions, i.e. it must apply all terms and conditions to them, which are applied by the MNB to its contractual counterparties. Only those credit institutions are eligible for participating in the programme which return the relevant and duly signed framework contract to the MNB by 29 May 2020 at the latest. Credit institutions and financial enterprises participating in the programme may provide only loans and financial leasing<sup>6</sup> to SMEs in this programme.

The fulfilment of the MNB's data provision requirement with identification code AL8 is a condition of participation in the programme, in accordance with this Terms and Conditions and the MNB Decree referenced in it, concerning data provision to the central bank information system primarily for the performance of the basic tasks of the Magyar Nemzeti Bank<sup>7</sup> (hereinafter as: MNB Decree on data provision). As to SME Contracts concluded by credit institutions

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<sup>1</sup> This Terms and Conditions is in effect from 20 April 2020.

<sup>2</sup> This Terms and Conditions only sets out the conditions of the FGS Go! starting 20 April 2020. Conditions applicable to loans provided in the first, second and third phases of the Scheme, in the FGS+ and the FGS *fix* are set out in the relevant Terms and Conditions accessible through the following link: <https://www.mnb.hu/en/monetary-policy/funding-for-growth-scheme-fgs>

<sup>3</sup> If the total amount of SME Contracts concluded under the FGS *fix* until the end of the day of 29 May 2020 and reported to the MNB with identification code AL8 exceeds HUF 500 billion, then, if necessary, the MNB refinances the amount over HUF 500 billion from the overall amount of HUF 1500 billion available for the FGS Go! programme.

<sup>4</sup> Hereinafter in this Terms and Conditions programme shall mean the Funding for Growth Scheme Go! (FGS Go!).

<sup>5</sup> The "refinancing loan" extended by the MNB and mentioned in this Terms and Conditions shall mean the loan specified by the Civil Code. The "SME loan" or "loan" extended to the SME by a credit institution - even with the involvement of a financial enterprise - shall mean the loan defined by the Civil Code and the financial leasing specified by the Act on Credit Institutions and Financial Enterprises, and the "SME Contract" shall include financial leasing contracts, too, in addition to loan contracts specified by the Civil Code.

<sup>6</sup> Including open-end and closed-end financial leasing, but excluding operative leasing.

<sup>7</sup> On the effective date of this Terms and Conditions, MNB Decree 37/2019. (XI. 19.).

and financial enterprises indirectly participating in the programme, the umbrella bank will perform data provision with identification code AL8 to the MNB.

### **1.3. Upper limit of the refinancing loan and availability period**

#### *1.3.1 Overall amount*

The amount available to credit institutions participating in the programme is defined by the MNB as follows. Up to the first HUF 1200 billion of the overall amount of HUF 1500 billion (joint overall amount), credit institutions may get funds in the sequence of sending in the SME Contracts in the 'AL8' data provision. As of the day following the exhaustion of the HUF 1200 billion, the participating credit institutions may draw additional refinancing loans maximum from the remaining part of the overall amount (max. HUF 300 billion<sup>8</sup>), up to the credit line allocated to them (hereinafter: allocated credit line). Within 5 working days of using up the HUF 1100 billion joint overall amount, the MNB will inform credit institutions on the allotment ratio of each credit institutions from the remaining amount. On the working day following the using up of HUF 1200 billion, the MNB will inform credit institutions on the exact amounts of their allocated credit lines (hereinafter as: allocated credit line notice).<sup>9</sup>

#### *1.3.2. Portfolio transfer*

Credit institutions and correspondent credit institutions participating in the programme may transfer the SME Contracts concluded in the framework of the programme to one another, according to the terms defined in the Act on Credit Institutions and Financial Enterprises<sup>10</sup> (hereinafter as: portfolio transfer). Following the date of the portfolio transfer, the MNB will provide the refinancing loan to the recipient credit institution, and not to the transferring credit institution, in connection with the transferred SME Contracts.<sup>11</sup> The transferring and the recipient credit institution inform the MNB about their intention of transferring the portfolio in a joint statement duly signed by them (and by the correspondent credit institutions, too, if applicable), at least 5 working days before the date of the portfolio transfer. The joint statement shall include the date of the portfolio transfer, the contract identifiers of transferred SME Contracts used at the transferring credit institution (or correspondent credit institution) and at the recipient credit institution (or correspondent credit institution), the contractual amounts and the current loan amounts expected at the time of the transfer, and they shall declare that both the transferring and the recipient party (and the correspondent party, if applicable) have all the official permits required for the transfer.

#### *1.3.3. Use of the overall amount*

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<sup>8</sup> On the day when the utilisation of the HUF 1500 billion credit line reaches HUF 1200 billion, credit institutions may still apply for refinancing loans for all SME Contracts reported with AL8 data provision, from the joint overall amount, therefore the portfolio financed from the joint overall amount may exceed HUF 1200 billion, and this will automatically reduce the remaining amount that can be allocated. From the following working day, refinancing loans applied for SME Contracts reported through data provision will be covered from the allocated credit line of the credit institution. Furthermore, the MNB reserves the right to reduce the overall amount available to the programme in a way that following the exhaustion of the joint overall amount, an amount lower than HUF 300 billion will be distributed among credit institutions. In this case, within 5 working days of reaching the HUF 1100 billion utilisation of the joint overall amount, the MNB informs credit institutions on the modified overall amount available to the programme and on the amount distributed after the exhaustion of the joint overall amount (concurrently with a notice on the ratios due to individual credit institutions from the remaining amount).

<sup>9</sup> Loans applied for the refinancing of financial enterprises – following the coming into force of allocated credit lines – will also be taken from the allocated credit line of the credit institution that has a contract with the MNB and that forwards the funds, similarly to the SME Contracts concluded by it directly. A financial institution that qualifies as an organisation controlling the integration of co-operative credit institutions and is a partner of the MNB may distribute the credit line allocated to it (including the amount used by it from the joint overall amount) in its own discretion, between itself and the individual correspondent credit institutions involved in the integration and participating in the programme through it, but it has to be carried out in a way that does not hinder the realisation of the FGS GoI objectives.

<sup>10</sup> Section 17/A of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises

<sup>11</sup> For the purposes of redeeming loans provided in the programme and transferring portfolios, the MNB is entitled to unilaterally limit the amount of refinancing provided to credit institutions, by modifying the Terms and Conditions, and this limitation comes into force at the earliest on the 60th day following the publication of the relevant modification in the Terms and Conditions.

The repaid instalments of loans drawn earlier by the credit institution cannot be used again, i.e. there is no revolving option. Exceptions:

- a) a refinancing loan repaid by the transferring credit institution after the exhaustion of the joint overall amount, in the course of a portfolio transfer, and this can be used to refinance other SME Contracts - without revolving - within the contracting period defined in this Terms and Conditions, up to the allocated credit line of the credit institution, and
- b) refinancing of the working capital loan according to this Terms and Conditions, and
- c) refinancing of the loan provided for the preliminary financing of the subsidy specified in this Terms and Conditions (in the case of normative subsidy due every year).

As of 20 April 2020, in the FGS Go!, SME Contracts may be concluded until the day indicated in the notice on the allocated credit line, sent out following the exhaustion of the joint overall amount (contracting period), and they may be reported to the MNB through AL8 data provision.<sup>12</sup> The refinancing loan related to SME Contracts may be drawn down first on 21 April 2020 (value date), and the final deadline of draw-down is 3 years from the date of concluding the individual SME Contracts (availability period), but the first draw-down shall take place within 1.5 years (i.e. 548 calendar days) of the date of signing the SME Contract. If the first draw-down does not take place within 1.5 years (i.e. within 548 calendar days) of concluding the SME Contract, availability is terminated for the given SME Contract.

A portfolio transfer is possible even after the end of the contracting or availability period, therefore the first data provision - by the recipient credit institution - on SME Contracts related to the portfolio taken over may also be sent in, and the related refinancing loan may be drawn down, too. A refinancing loan related to those parts of the contractual amounts of the SME loans taken over that were not disbursed earlier by the transferring credit institution may be drawn down until the end of the availability period, in the case of portfolio transfers, too.

In this programme, only new investment loans or working capital loans may be provided, or loans aimed at redeeming the loans specified in this Terms and Conditions.<sup>13</sup> An investment loan and a financial leasing defined in point 1.5 qualifies as a new investment loan if it is not used for the repayment of a loan or financial leasing that already exists at a credit institution or a financial enterprise, or the SME did not take any other loan to finance these. (The definition of the working capital loan and the loan redemption loan and the relevant detailed rules are specified in point 1.5.)

The SME is required to provide documented proof (according to paragraph 1.6) of the targeted use of the loan, which the disbursing credit institution or the financial institution has to verify. The MNB publishes the current usage of the facility amount on the first business Tuesday of each calendar month once the usage of the programme reaches HUF 100 billion, on the basis of the sum of SME contract amounts submitted by the last business day of the previous week.

#### *1.3.4. Conditions regarding loan assessment time*

The time of loan assessment may not exceed 10 working days after the receipt of the loan application and its annexes as well as additional documents and information required for the decision, and the scope of these documents shall be determined by the financial institution in its own procedures.<sup>14</sup> If no decision is made on the loan within that period, the financial institution is not entitled to use the refinancing available under the programme for the given loan application. The requirements specified in this point shall be applied in the case of loan (or financial leasing) applications below HUF 300 million.

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<sup>12</sup> The different dates related to SME Contracts concluded for the replacement of (FGS) loans provided in the programme shall be included in point 1.9.

<sup>13</sup> It is also possible to redeem loans extended in the programme earlier, as specified in point 1.9.

<sup>14</sup> The financial institution shall keep records of the requirements related to the loan assessment time, and these records shall be presented at the request of the MNB for the revision of the performance of the obligations. The records shall contain at least the following data: SME's statistical master number, SME's name, type of required loan, amount, date of submitting the application, the date when all the documents/ information required for the assessment are fully available (start date of loan assessment), date of assessment and reason for possible rejection.