



*Unofficial translation*

**NOTICE ON THE CONDITIONS OF THE FIXED-RATE COLLATERALISED LOAN INSTRUMENT  
WITH MATURITIES OF 3, 6 AND 12 MONTHS AS WELL AS 3 AND 5 YEARS  
FOR INVESTMENT FUNDS<sup>1</sup>**

**I. Description of the transaction**

The Magyar Nemzeti Bank (MNB) includes investment funds in eligible counterparties of tenders for fixed-rate collateralised loan instruments with maturities of 3, 6 and 12 months as well as 3 and 5 years, announced for credit institutions (collateralised loan instruments) under the conditions specified in this Notice. The purpose of the collateralised loan instrument is to support the liquidity management of investment funds.

The following items may serve as collaterals for collateralised loans:

Securities owned by the investment fund, not excluded according to the Terms and conditions of the operations of the central bank in forint and foreign currency markets, and pledged in favour of the MNB, i.e. blocked at KELER Zrt. in favour of the MNB as beneficiary.

**II. General conditions of using the collateralised loan instrument**

1. Investment funds may participate in tenders announced on the basis of the notice on fixed-rate collateralised loan instrument tenders with maturities of 3, 6 and 12 months as well as 3 and 5 years in cooperation with credit institutions. In exceptional cases, the MNB may announce collateralised loan instrument tenders for investment funds only.

2. The MNB announces tenders with or without quantitative restrictions. Depending on the liquidity conditions and the submitted bids, upon the acceptance of bids the MNB is entitled to apply quantity restrictions not announced previously, depart from the announced volume both upwards and downwards or declare the tender unsuccessful. Upon applying quantitative restriction, in the event of excess demand the MNB satisfies the bids using the rules of card allocation. In the allocation, a combined bid submitted by a fund manager representing an investment fund qualifies as one bid. On each tender day, the MNB may announce the collateralised loan instrument for several maturities.

3. Of the investment funds falling within Act XVI of 2014 on Collective Investment Trusts and Their Managers, and on the Amendment of Financial Regulations, public open-ended AIF (Fund), not

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<sup>1</sup> Effective from 1<sup>st</sup> September 2021.

qualifying as a Money Market Counterparty and UCITS, which has already been registered by the MNB on the 1<sup>st</sup> of April 2020, may participate in the tenders.

4. It is possible to submit a bid under the tender as soon as the custodian of the Fund - as the holder of the securities account managed by KELER Zrt. - opens a dedicated securities sub-account at KELER Zrt.

5. On behalf of the Fund, the fund manager submits a bid under the tender, with the conditions defined in this Notice.

a) The form of the bid is a bid, in an electronic document, submitted to [forexdesk@mnbb.hu](mailto:forexdesk@mnbb.hu), with the content and in the format complying with other conditions of the bid, bearing the electronic signature of the sender's authorised signatories or advanced electronic signature based on qualified certificates, or Identity-based Document Authentication and received by the MNB through encrypted channel (TLS).

b) The bid shall be signed by the authorised signatories of the fund whose details (name, phone number, e-mail address) were reported to the MNB by the fund manager in advance. The fund manager may send this notice either in paper form, or in the form of an electronic document to the [forexdesk@mnbb.hu](mailto:forexdesk@mnbb.hu) address, certifying the authorisations and the sample signatures of the signatories (with original sample signatures or with electronically certified sample signatures). If the fund manager submits a paper-based report, the scanned version shall be sent to this e-mail address, while the paper-based version shall be sent to the MNB via a courier service.

c) The bid shall specify the amount and the tenor of the requested collateralised loan. The fund manager may submit one bid per tenor at each tender. If the fund manager participates in the tender on behalf of managed Funds, it shall submit a combined bid in line with its order allocation policy. At each tender any fund manager may submit one combined bid per maturity on behalf of not more than three managed Funds, indicating the aggregate amount of the requested collateralised loan.

d) By submitting the bid, the Fund declares that the MNB is entitled to a claim against collateral on the balance of the securities sub-account managed by KELER Zrt. and opened for the custodian Fund, on the securities blocked in favour of the MNB, in order to secure the MNB's receivables from the Fund originating from collateralised loans. The collateral contract between the MNB and the Fund will be concluded with the implementation of the blocking by the Fund. By submitting the bid, the Fund, as the entity providing the collateral, declares that it is aware of the fact that if it does not fulfil its obligations originating from the collateralised loan, or not fully, the MNB is entitled to directly exercise its claim against collateral on the balance of the securities account held with KELER Zrt., i.e. on the securities pledged and blocked in favour of the MNB as beneficiary. By submitting the bid, the Fund agrees to make sure that only securities possessed by the Fund and satisfying the Terms and conditions of the operations of the central bank in forint and foreign currency markets

will be blocked on the securities sub-account, in accordance with the maturity conditions set out therein.

6. If the MNB accepts the bid, the fund manager shall, after the MNB's notification to this effect, notify the MNB, not later than on the first working day after the tender, on the breakdown of the combined bid by Funds, indicating the name and the MNB registration number of the Funds, the maturity and the loan amount, and – if not provided earlier through one of the channels specified in this Notice for submitting bids – the name of the account-keeping bank and bank account number of the Fund, to which the collateralised loan should be disbursed.

7. The collateralised loan shall be repaid in lump sum, upon the expiry of the following tenors: 13 weeks, 26 weeks, 52 weeks, 156 weeks or 260 weeks. The tenor starts on the day of the loan disbursement. The Fund may repay the loan in a lump sum prior to the maturity at any time, as long as it notifies the MNB of its intention to make a prepayment at least two working days in advance through any of the transaction channels specified in this Notice for the submission of bids.

8. The interest rate of the collateralized loan shall be the fixed interest published in the announcement of the tender. The Fund shall pay interest quarterly; the first interest payment shall be made on the interest payment due date of the quarter following the disbursement, while the last interest payment shall be due upon the maturity or prepayment date, simultaneously with the repayment of the total principal amount. The interest calculation is based on the actual/360 interest calculation algorithm.

9. The Fund shall fulfil any of its payment obligations arising from the collateralised loan by sending a notice to the MNB to the [tbo@mn.hu](mailto:tbo@mn.hu) e-mail address and transferring the funds to account No. 19017004-01785060-01901008.

10. The MNB shall not be liable for any claim arising from the legal relationship between the Fund and the fund manager, and particularly no claim shall be lodged to the MNB due to the fact that fund manager submits a bid on behalf of the Funds managed by it acting in accordance with its statutory obligations and order allocation policy, and in the case of combined bids it allocates the loan amount provided by the MNB on an aggregate basis between the Funds managed by it accordingly.

11. The amount of the collateralised loan may not exceed the value of the collateral blocked by the Fund - also considering other collateralised loans extended to the Fund - defined according to the rules of Combined collateral evaluation (<https://www.mnb.hu/en/monetary-policy/monetary-policy-instruments/collateral-management>).

12. If the loan transaction is concluded between the MNB and the Fund, the provisions of this Notice and of the Terms and conditions of the operations of the central bank in forint and foreign currency markets applicable to the Money Market Counterparty providing the collateral shall be applied to the Fund with the following difference:

a) The MNB grants an intraday credit line to the Fund only for the disbursement of the collateralised loan defined in this Notice, but in addition to that, the MNB will not make any

commitment to extend other loans or credit limits specified in the Terms and conditions of the operations of the central bank in forint and foreign currency markets and in the Business terms and conditions for bank accounts.

b) If the daily and the extraordinary collateral valuation shows that the collateral value of the securities offered by the Fund as collateral do not provide satisfactory coverage for the MNB'S receivables from the Fund, the Fund shall provide additional margin pursuant to the provisions of the Terms and conditions of the operations of the central bank in forint and foreign currency markets, and the MNB will request the Fund to fulfil this obligation by sending an e-mail to the competent fund manager who is entitled to make an offer according to section 4. b), in a password-protected document.

c) If the Fund does not fulfil its obligation to provide additional margin, as one of its obligations stemming from the collateralised loan instrument, the MNB will enforce the collateral as defined in the Terms and conditions of the operations of the central bank in forint and foreign currency markets and in the Business terms and conditions for bank accounts.

13. If the collateral or cover necessary for the Fund's collateralised loan is available from the VIBER cut-off time on the working day preceding the disbursement date, the loan will be disbursed during the VIBER opening hours by bank transfer to the Fund's bank account on the fifth working day after the tender (T+5). In exceptional cases the day of the disbursement may differ from this, which the MNB shall specifically indicate in the announcement of the tender.

14. If the collateral or cover is not available as specified in Section 13, the MNB shall not be obliged to make the disbursement.

### III. Detailed parameters and technical criteria

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| <b>Description of transaction</b>                 | Fixed-rate collateralised loan instrument with maturities of 3, 6 and 12 months as well as 3 and 5 years for investment funds  |
| <b>Date and place of notice/tender invitation</b> | On Reuters COLLATLOAN and COLLATLOAN2, Bloomberg NBH7 and the MNB website on the day of the tender   |
| <b>Notice/tender invitation content</b>           | Date and time of the tender, tenor, settlement date, maturity date and fixed interest rate of the loan (and offered quantity in the case of quantitative restrictions) |
| <b>Eligible counterparties</b>                    | Investment funds complying with the conditions prescribed in the notice.   |
| <b>Maturity period</b>                            | 13 weeks, 26 weeks, 52 weeks, 156 weeks or 260 weeks. The tenor starts on the day of the loan disbursement.  |
| <b>Initiator</b>                                  | MNB  |
| <b>Business hours for receiving bids</b>          | As per the tender invitation   |

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| <b>Content and formal requirements for bids</b>             | A bid, in an electronic document, submitted to forexdesk@mnbb.hu, with the content and in the format complying with other conditions of the bid, bearing the electronic signature of the sender's authorised signatories or advanced electronic signature based on qualified certificates, or Identity-based Document Authentication and received by the MNB through encrypted channel (TLS).<br>Amount and maturity of the requested collateralised loan. |
| <b>Number of bids accepted from any bidder per maturity</b> | Each asset manager may submit one aggregate bid on behalf of not more than three managed funds   |
| <b>Bid limit</b>  | At least HUF 100 million, an integer multiple of HUF 10 million  |
| <b>Adjustments</b>  | Of the amended bids received within the deadline for submission the bid received last shall be accepted for processing   |
| <b>Bid increment</b>  | HUF 1 million  |
| <b>Method of allocation</b>                                 | Card allocation  |
| <b>Date and place of announcements</b>                      | As per the tender invitation   |
| <b>Contents of announcements</b>                            | <ul style="list-style-type: none"> <li>- Announced parameters of the tender</li> <li>- Sum of bids submitted</li> <li>- Sum of bids accepted</li> </ul>  |
| <b>Financial settlement / date of settlement</b>            | Fifth working day after the tender (T+5)   |
| <b>Day of interest payment</b>                              | Every three months following disbursement, last payment is due on the day of repaying the collateralised loan.   |

The issues not regulated in this Notice shall be governed by the "Terms and conditions of the operations of the central bank in forint and foreign currency markets".

Budapest, 1 September 2021

**MAGYAR NEMZETI BANK**

*ANNEX - DETAILED RULES OF PROVIDING THE COLLATERAL SPECIFIED IN SECTION I.*

The custodian of the Fund - as the holder of the securities account managed by KELER - may initiate the opening of a dedicated securities sub-account at KELER Zrt. for the Fund, by submitting the Sub-account opening form produced for this purpose.

On the sub-accounts opened by KELER Zrt, the Custodian performs securities transfer orders submitted in the KID system to deposit the securities that satisfy the Terms and conditions of the operations of the central bank in the forint and foreign currency markets.

Blocking of securities:

The Custodian initiates the blocking of securities in favour of the MNB as beneficiary with a securities blocking order submitted in the KID system, thus pledging the securities on behalf of the Fund and in favour of the MNB.

When performing the order to block the securities, KELER Zrt. will not check whether the Custodian initiated the blocking of securities that meet the requirements defined in the Terms and conditions of the operations of the central bank in forint and foreign currency markets. The blocking of the securities specified in this Notice is the responsibility of the Fund or the Custodian.

Release of block on securities based on order:

The Fund (manager) may initiate the release of the block at the Custodian, based on which the Custodian will initiate the release of the block at KELER Zrt. with the following contents:

- blocking securities account,
- beneficiary securities account,
- ISIN,
- nominal value to be released,
- start date of blocking,
- original maturity date of blocking

It is possible to release subsets, too.

Pursuant to Section 144 (4) of Act CXX of 2001 on capital markets, the block can be released with the agreement of the MNB only.

Placing or releasing blocks with the current date as value date is possible from 8.00 to 15.00 on the settlement days of KELER Zrt., if orders to place or release blocks arrive after 15.00, they will be fulfilled with the following day as value date.