



Notice on the terms and conditions of central bank EUR/HUF foreign exchange swap tenders providing euro liquidity with maximum two-week maturity held occasionally

1 Description of the transaction, access conditions

The Magyar Nemzeti Bank (MNB) announces occasionally a EUR/HUF FX swap tender providing euro liquidity (FX swap tender) from 11 September 2020 until withdrawal with the contents published in this notice (Notice). Within the framework of EUR/HUF FX swap tenders, money market counterparty credit institutions (Counterparties) may swap forints for euros with the MNB in transactions with maturities of up to two weeks (FX swap transactions).

The MNB will provide the FX swap transactions in a variable or fixed rate tender. The MNB may announce the tenders including or excluding quantitative limits.

- For variable rate FX swap tenders, the MNB will set the maximum swap point value for individual tenders in the tender announcement. Bids submitted beyond the maximum swap point value will be considered invalid by the MNB. The MNB will decide on accepting the submitted bids by ranking them in the order of prices. Should the full satisfaction of the bids corresponding to the highest accepted swap point value exceed the maximum amount to be allotted, the MNB will satisfy these bids in EUR 1 million units in line with the rules of card allocation, until the maximum amount to be allotted is exhausted.
- For fixed rate FX swap tenders, the MNB will set the fixed swap point value for individual tenders in the tender announcement. Should the full satisfaction of the bids exceed the maximum amount to be allotted, the MNB will satisfy these bids in EUR 1 million units in line with the rules of card allocation, until the maximum amount to be allotted is exhausted.

Depending on market developments and the submitted bids, the MNB is entitled to declare the FX swap tender unsuccessful or diverge from the announced volume both upwards and downwards if a volume was announced beforehand.

The financial settlement and clearing date of the opening leg of transactions, concluded at FX swap tenders, is the second working day following the transactions (T+2). In exceptional circumstances, the date of payment and settlement is the first working day following the trade date (T+1) or the date of the transaction (T), which the MNB will state separately in the tender announcement. The exchange rate used for the opening leg of the transactions in the FX swap tender is the current EUR/HUF exchange rate on the date of the tender.

The MNB will keep a margin deposit account for the Counterparty and will reevaluate all open FX swap transactions of the Counterparty specified in the Notice on a daily basis. The balance on the

Counterparty's margin deposit account shall provide coverage for 104 per cent of the difference between the MNB's outstanding liability on the forint leg and its outstanding receivable on the euro leg of the transaction. The value of the individual legs will be determined by charging interest on the initial amounts on a pro rata basis. The euro amount will be converted to forint at the MNB's official EUR/HUF exchange rate on the given day.

Upon each revaluation, the balance on the Counterparty's margin account shall be equal to the sum of the margin requirement on the Counterparty's transactions. If upon revaluation the Counterparty's forint coverage does not reach the required amount, the MNB will debit the amount of the shortfall required to reach the necessary coverage and will transfer the amount to the Counterparty's margin account. If upon revaluation the forint coverage exceeds the necessary amount, the MNB will transfer the surplus from the Counterparty's margin account to the Counterparty's settlement account held with the MNB. The MNB will remunerate the Credit Institution's positive balance on its margin account at the prevailing central bank base rate, with interest credited to the Counterparty's settlement account held with the MNB on the last working day of each month. The Counterparty shall pay interest to the MNB at the prevailing central bank base rate, the amount of which the MNB will debit to the Counterparty's settlement account held with the MNB on the last working day of each month.

Within the framework of this FX swap tender and the MNB's other EUR/HUF FX swap tenders, the MNB and the Counterparty mutually impute and net out their payment obligations against each other arising from the maturing and new EUR/HUF FX swap transactions on the same value date and in the same currency, and only the resulting balance will be paid to each other.

In the case of the FX swap tender, the MNB will apply the payment-after-payment (PaP) principle, i.e. the MNB will meet its obligation arising from the FX swap transaction transactions only after the Counterparty has honoured its own payment obligation.

2 Detailed parameters and technical conditions

Type of transaction	Central bank EUR/HUF FX swap tender providing euro liquidity with up to two-week maturity held occasionally
Date, place and contents of notice/invitation	The date of the tender, the date of the announcement of the results, the transaction date, the maturity, the EUR/HUF exchange rate, the settlement/clearing dates of the opening and closing legs, the maximum swap points in the case of a variable rate tender and the fixed swap points in the case of a fixed rate tender as well as the amount announced in the case of a quantitative limit will be announced by the MNB on the day of the transaction on the Reuters NBHM and Bloomberg NBH6 pages

Eligible counterparties	Domestic credit institutions (subject to reserve requirements) with direct VIBER or BKR membership
Initiator	Counterparty
Contents and formal requirements for the bids	The bids may be submitted via Refinitiv Auction System, or by encrypted, signed email and encrypted fax, specifying the euro amount and, in the case of a variable rate tender, the quote expressed in swap points
Number of bids accepted from any bidder	3 in the case of a variable rate tender and 1 in the case of fixed rate tender
Bid limit	At least EUR 1 million per bid, as an integral multiple of EUR 1 million
Adjustments	Not permitted
Bid increment	EUR 1 million
Place of the announcement of the results	On the date indicated in the invitation to tender, on the Reuters NBHN and Bloomberg NBH6 pages
Contents of the announcement of the results	The sum of bids submitted, the sum of bids accepted and, in the case of a variable rate tender, the highest accepted, the lowest accepted and average swap point
Initial exchange rate	Current EUR/HUF market rate
Time of daily valuation and of margin account transactions	The Counterparty will be notified via a SWIFT message Time of account transactions: until close of VIBER

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, 14 December 2020

MAGYAR NEMZETI BANK