



NOTICE ON THE TERMS AND CONDITIONS OF THE ONE-WEEK, ONE-MONTH, THREE-MONTH, SIX-MONTH AND TWELVE-MONTH CENTRAL BANK EUR/HUF FX SWAP TENDER PROVIDING FORINT LIQUIDITY

The Magyar Nemzeti Bank (MNB) announces a EUR/HUF FX swap tender providing forint liquidity (FX swap tender) on an ad hoc basis from 13 July 2020 until withdrawal with the contents published in this notice (Notice), within the framework of which money market counterparty credit institutions (Counterparties) may swap euro for forint with the MNB in one-week, one-month, three-month, six-month and twelve-month transactions (FX swap transactions).

The MNB provides the FX swap transactions in a variable rate tender. For each tender, the MNB determines the announced volume in the invitation to tender. The MNB will announce the tender including or excluding minimum implied forint interest rate (expressed in minimum swap points). If the minimum implied forint interest rate is announced, bids under the minimum swap point value are deemed invalid by the MNB. The MNB decides on accepting the submitted bids by ranking them in the order of prices. Should the full satisfaction of the bids corresponding to the lowest accepted swap point value exceed the maximum amount to be allotted, the MNB satisfies 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 liquidity developments and the bids submitted, the MNB is entitled to diverge from the announced volume both upwards and downwards, or to declare the tender unsuccessful.

The financial settlement and clearing date of the opening leg 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), 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 MNB's official EUR/HUF exchange rate for the given day (T day).

The MNB revalues all open FX swap transactions of the Counterparty specified in the Notice, on a daily basis. The Counterparty and the MNB ensure through a margin deposit that the value of the MNB's outstanding receivable on the forint leg corresponds to the MNB's outstanding payable on the euro leg. The value of the individual legs is determined by charging interest on the initial amounts on a pro rata basis. The euro amount is converted to forint at the MNB's official EUR/HUF exchange rate on the given day.

The MNB keeps a forint margin deposit account for the Counterparty. The MNB keeps a euro margin deposit account for the Counterparty in order to record the Counterparty's outstanding euro liabilities. The MNB settles its outstanding euro payables to the euro nostro account specified by the Counterparty as standard settlement instruction (SSI).

If the Counterparty's payables – due to transactions – exceed its receivables, the MNB shall, simultaneously notifying the Counterparty, debit the amount necessary to ensure coverage to the payment account of the Counterparty held with the MNB and transfer the amount to the Counterparty's forint margin account. If upon revaluation the forint equivalent of the margin exceeds the required amount, the MNB will transfer the surplus amount from the Counterparty's margin account – up to the positive balance thereof – to the Counterparty's forint payment account held with the MNB.

If the Counterparty's payable is lower than its receivables, the amount necessary for reaching coverage shall be settled in euro. If the euro amount, necessary to reach coverage, falls short of the required level, the MNB, simultaneously notifying the Counterparty, shall transfer the corresponding euro amount to the euro nostro account specified by the Counterparty as SSI. If the balance of the euro account exceeds the required level, upon the MNB's notice the Counterparty shall repay the amount indicated in the notice by bank transfer to the euro nostro account specified by the MNB as SSI. The Counterparty shall acknowledge that the MNB may debit the Counterparty's payment account held with the MNB with the forint equivalent of the euro amount payable by the Counterparty, if the Counterparty fails to fulfil its euro payment obligation.

The MNB remunerates the Credit Institution's positive balance of its forint margin account at the prevailing central bank base rate, with interest credited to the Credit Institution's payment account held with the MNB on the last day of each month. On the positive value of its euro liability, i.e. on the positive balance of its euro margin loan account, the Counterparty shall pay interest to the MNB at the prevailing EONIA and transfer it to the euro TARGET account of the MNB on the last day of each month.

Within the framework of this 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 central bank EUR/HUF FX swap tender providing forint liquidity, the MNB applies the payment-after-payment (PaP) principle, meaning that the MNB meets its obligation arising from these transactions only after the Counterparty has honoured its own payment obligation.

Detailed parameters of the one-week, one-month, three-month, six-month and twelve-month central bank EUR/HUF FX swap tender providing forint liquidity

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| Type of transaction | One-week, one-month, three-month six-month and twelve-month central bank EUR/HUF FX swap tender providing forint liquidity |
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| 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 settlement/clearing dates of the opening and closing legs, the announced volume and if the minimum implied forint interest rate is announced, the minimum swap points are announced by the MNB on the day of the transaction on the Reuters NBHP and Bloomberg |
| 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 the quote expressed in swap points |
| Number of bids accepted from any bidder | 3 |
| 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 amount of foreign currency jointly submitted and accepted in the tenders; highest accepted, lowest accepted and average swap points |
| Initial exchange rate | Prevailing official EUR/HUF exchange rate |
| Time of daily valuation and of margin account transactions | The MNB notifies the banks concerned about the results of the valuation on the given day via email. Time of account transactions: Until 6:00 p.m. |

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