



## **Notice on the terms and conditions of securities swap transactions**

### *I. Description of the transaction, access conditions*

From 16 June 2014, the Magyar Nemzeti Bank (MNB) introduces a securities swap transaction subject to the terms and conditions specified in this Notice. The instrument aims at facilitating the access of resident credit institutions to liquidity in foreign currency by providing euro denominated securities accepted as collateral by the Eurosystem.

The securities swap transaction constitutes part of the MNB's potential monetary policy instruments and accordingly, it is not announced on a regular basis. The MNB decides on the activation of the instrument in consideration of prevailing financial market conditions. In case the instrument is announced, in the context of the tender and subject to the detailed parameters, terms and conditions of the tender, the Magyar Nemzeti Bank offers euro denominated securities eligible as collateral for the Eurosystem's credit operations against securities pledged in favour of the MNB to its eligible credit institutions (Counterparties).

The maturity of the securities swap is three months. The MNB announces the tenders with a maximum allotment amount of EUR 2 billion, and reserves the right to declare the tenders unsuccessful. If the sum of the amount of concluded securities swap transactions and the total amount of the bids submitted exceeds the maximum allotment amount, the MNB shall satisfy the bids submitted according to the method of card allocation. The MNB charges a fee for the use of securities swap transactions, the level of which is determined on the basis of prevailing money market trends and in consideration of the value of liquidity in forint and foreign currency relative to each other. The MNB does not maintain rights of disposal over the securities denominated in foreign currency provided to the Counterparty; however, during the term of the transaction, it is entitled to the cash flows of securities provided on the due dates.

The Counterparty may terminate its securities swap transaction before the maturity date. In case of termination, the MNB reimburses to the Counterparty the pro-rata portion of the transaction fee paid.

The MNB provides securities denominated in foreign currency to the Counterparty in the form of securities lending, against securities collateral of the Counterparty pledged on the securities account of the Counterparty held by KELER Zrt. in favour of the MNB in accordance with the "Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets". In order to reduce the market risk arising from changes in the prices of securities accepted as collateral in the operation, the MNB reevaluates, on a daily basis, both the securities pledged in favour of the MNB and the securities denominated in foreign currency provided to the Counterparty. The MNB also addresses expected changes in the prices of securities by determining acceptance ratios and delivery ratios. The acceptance ratios of margin securities are identical with the acceptance ratios used by the MNB for secured lending transactions. In order to manage the potential price shifts of the securities denominated in foreign currency provided, the value of the securities denominated in foreign currency as expressed in foreign currency is increased by adjustment values corresponding to the haircut values specified in the ECB/2011/14 Guidelines. In order to manage potential shifts in the forint exchange rate, the MNB stipulates that the acceptance value of the securities pledged as collateral must reach 105 per cent of the delivery value of the securities denominated in foreign currency provided, expressed in forint. The EUR amount is converted to forint at the official EUR/HUF exchange rate of the MNB as at the specific date. If the value of collateral pledged does not reach the required amount upon daily revaluation, the MNB applies the

procedure defined in the “Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets”.

In respect of any conditions not addressed in this Notice, the transaction shall be subject to the provisions laid down in the “Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets”.

## *II. Detailed parameters, technical terms and conditions*

<b>Type of transaction</b>	Securities swap transaction
<b>Date and place of notice/invitation</b>	By 9:00 am on the day of the tender on Reuters’ NBH0 and Bloomberg’s NBH5 pages and on the website of the MNB
<b>Contents of notice/invitation</b>	Date of tender, maturity date of the securities swap transaction, quantity of securities denominated in foreign currency offered, transaction fee
<b>Eligible counterparties</b>	Resident credit institutions (subject to reserve requirements) with direct VIBER or BKR membership and with KELER securities account
<b>Maturity</b>	Three months
<b>Proposed by</b>	MNB
<b>Eligible securities</b>	Securities acceptable as collateral during the credit operations of the MNB pursuant to the “Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets”
<b>Foreign currency securities offered</b>	Euro securities with a maturity of maximum five years that, pursuant to the ECB/2011/14 Guideline, belong to liquidity categories I and II and can be used as eligible collateral
<b>Business hours for receiving bids</b>	As indicated in the Invitation
<b>Content and formal requirements for the bids</b>	Via the Reuters Dealing platform or by fax by indicating the euro denominated face value of the requested securities denominated in foreign currency
<b>Number of bids accepted from any bidder</b>	1
<b>Minimum bid amount</b>	Minimum EUR 5 million, multiples of EUR 1 million in round figures
<b>Modifications</b>	Within the deadline for submission, the last received bid shall be accepted for processing.
<b>Bid increment</b>	EUR 1 million
<b>Date and place of announcement</b>	On the day of the tender at the time specified in the invitation, on Reuters’ NBH0 and Bloomberg’s NBH5 pages and on the website of the MNB

<b>Description of the announcement</b>	Tender conditions as contained in the notice; amount of bids submitted; amount of bids accepted
<b>Time and date of security delivery</b>	By 3:00 pm on the day of the transaction (T)
<b>Time of daily marking-to-market and margin account operations</b>	Disclosure: At 2:00 pm on each trading day, time of account operations: Between 12:00 pm and VIBER closing

Any issues not regulated herein shall be subject to the provisions laid down in the “Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets”.

Budapest, 10 June 2014