



Notice on the terms and conditions of the one-week, one-month and three-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 4 October 2016 until withdrawal with the contents published in this notice (Notice), within the framework of which money market counterparty credit institutions (Counterparties) may swap euros for forints with the MNB in one-week, one-month or three-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 and the minimum implied forint interest rate (expressed in minimum swap points) in the invitation to tender. 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). 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 maintains a margin account for the Counterparties, and all the Counterparties' open FX swap transactions specified in the Notice are evaluated on a daily basis. The balance of the Counterparty's margin account has to cover for the difference of MNB receivables on the forint leg and 96 per cent of the MNB's liabilities 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.

If the forint margin of a Credit Institution does not reach the required amount upon the daily revaluation, the MNB, simultaneously notifying the Credit Institution, will debit the Credit Institution's MNB settlement account with the amount needed to restore the required margin and will credit the amount to the Credit Institution's margin account. If the forint margin exceeds the required amount upon the daily revaluation, the MNB will transfer the amount in excess of the required margin from the credit institution's margin account to its MNB settlement account. The MNB remunerates the Credit Institution's positive balance on the margin account at the prevailing central bank base rate, with interest settled on the Credit Institution's MNB settlement account on

the last day of the month. The Credit Institution pays interest to the MNB at the prevailing central bank base rate for the negative balance on the Credit Institution's margin account, with interest debited by the MNB to the counterparty's MNB settlement account on the last day of the 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 and three-month central bank EUR/HUF FX swap tender providing forint liquidity

Type of transaction	One-week, one-month and three-month central bank EUR/HUF FX swap tender providing forint liquidity
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 minimum swap points to be submitted and the announced volume are announced by the MNB on the day of the transaction on the Reuters NBHP 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 Reuters Dealing or 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 VIBER closing

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, 4 October 2016

MAGYAR NEMZETI BANK