



Notice on the terms and conditions of the three-month central bank deposit tender

With the effective date of 26 October 2016, the Magyar Nemzeti Bank (MNB) defines the three-month central bank deposit tender in this Notice.

The interest rate of the three-month MNB deposit will not change during the term, and it will be identical with the central bank base rate valid on the tender date. The placement and the settlement of the three-month MNB deposit take place on the business day following the meeting of the Monetary Council marked as an interest rate-setting meeting in the Council's meeting schedule published on the MNB's website. It expires on the business day following the third meeting of the Monetary Council, marked as an interest rate-setting meeting in the Council's meeting schedule published on the MNB's website, after the tender. The dates of deposit tenders and their maturity are published by the MNB in the invitation to tender. The tender calendar of the three-month MNB deposit is available on the website of the MNB (www.mnb.hu).

The three-month central bank deposit will be sold by the MNB in tenders, on the basis of the bids submitted by its money market counterparties (Counterparty), resident credit institutions subject to reserve requirements with direct VIBER or BKR membership. Each Counterparty may submit one bid under the tender, and the submitted bid may be modified during the period of receiving the bids. In the case of modifications, the bid submitted at the latest point of time is to be considered valid. The MNB determines an indicative announced volume that is published in the invitation to tender. Based on the submitted bids, the MNB is entitled to accept quantities which may diverge upwards or downwards from the announced volume.

In the distribution of the limited quantity available in the tender, the MNB attempts to make sure that each Counterparty is able to utilise the three-month deposit in the ratio of its size compared to the whole of the banking system¹. Another key consideration in the distribution is that the full quantity offered by the MNB in the tender is distributed to the Counterparties. Considering these two principles, the following allocation mechanism of two rounds will be used in the three-month central bank deposit tender:

In the first round of the allocation, the MNB applies an allocation in the ratio of balance sheet totals. The basis for the allocation is the quantity accepted in the tender, which will be multiplied by a certain ratio for each Counterparty by the MNB, and then it will be rounded down to million forints. The value received this way shows the size of the deposit the Counterparty may place from the first-round allocation.

¹ Also considering MNB Decree 10/2005 (VI.11.) on the Calculation, the Method of Allocation and Placement of Minimum Reserves.

$$\text{Ratio} = \frac{\text{Individual banks' balance sheet total (including balance sheet total of correspondent banks)}}{\text{Summarised balance sheet total of credit institutions subject to reserve requirements}}$$

In the numerator of the ratio:

- up to and including the tender of June 2017, for the last month of the second quarter preceding the quarter that contains the tender date, in the “Supervisory balance sheet and profit and loss statement” data supply – without the data of foreign branches – submitted by the Counterparty (MNB identifier code: F01, F03; hereinafter: Supervisory balance sheet), the balance sheet total in the fourth, “Total” column of table 01, line 1. “Total assets”, a value increased by the balance sheet total in the Supervisory balance sheet data supply of the Counterparty's correspondent credit institutions subject to reserve requirements in the same period,
- as of the tender of June 2017, for the last month of the second quarter preceding the quarter that contains the tender date, in the “Statistical balance sheet and profit and loss account of credit institutions” – without the data of foreign branches – submitted by the Counterparty (MNB identifier code: M01; hereinafter: Statistical balance sheet), in the fourth column entitled “Total” of table 01, line 987. “Balance sheet total”, a value increased by the balance sheet total in the Statistical balance sheet data supply of the Counterparty's correspondent credit institutions subject to reserve requirements in the same period.

In the denominator of the ratio:

- up to the tender of June 2017, for the last month of the second quarter preceding the quarter including the tender date, the total sum of balance sheet totals included in the Supervisory balance sheet data supply submitted by all the credit institutions subject to reserve requirements,
- as of the tender of June 2017, for the last month of the second quarter preceding the quarter including the tender date, the amount of balance sheet totals included in the Statistical balance sheet data supply submitted by all the credit institutions subject to reserve requirements (i.e. the summarised balance sheet total of credit institutions subject to reserve requirements).

Because of the subsequent modifications in the data supplies, the changes in balance sheet totals and the modifications in correspondent bank relations shall be considered by the MNB up to the 10th working day preceding the date of the first tender of the current quarter. The denominator of the figure will be published by the MNB in the tender invitation in HUF billion, rounded to three decimals.

Following the first round of allocation, if there are still unsatisfied requests on the basis of the submitted bids, in the second round of the allocation, the volume not distributed in the first round will be distributed in units of HUF 1 million, according to the rules of card allocation, until the quantity to be accepted is exhausted. The quantity of the three-month MNB deposit due to a Counterparty in the tender equals to the sum of the quantities due in the allocations of the first and second round.

Type of transaction	Three-month central bank deposit tender
Date and place of notice/invitation	Published by the MNB latest until 16:00 CET on the second working day before the tender on its website and on the Reuters NBHJ and Bloomberg NBH5 pages
Contents of notice/invitation	The type and the date of the tender, the date of the announcement of the results, the settlement and maturity date of the deposit, the interest rate of the deposit, the announced volume, and the summarised balance sheet total of credit institutions subject to reserve requirements (considered in the first round of the allocation)
Eligible counterparties	Resident credit institutions subject to reserve requirements with direct VIBER or BKR membership
Proposed by	MNB
Business hours for receiving offers	On predetermined days between 09:30 and 10:30 CET.
Content and formal requirements for bids	Via Reuters Dealing or fax with the content specified in the tender bid form attached as Annex 2 to the “Terms and conditions of the operations of the Central Bank in forint and foreign currency markets”
Number of bids accepted from any bidder	1
Transaction limit	At least HUF 10 million per bid, in integral multiples of HUF 1 million
Corrections	Before the bid submission deadline, on a new bid form marked “Amendment” with the indication of the earlier bid; the earlier bid becomes void with the new bid
Date and place of announcement of result	On the day of tender at 12:00, on the official MNB website and on the Reuters NBHJ and Bloomberg NBH5 pages
Description of announcement of result	- announced parameters of the tender
	- sum of bids submitted
	- sum of bids accepted
Financial settlement / date of settlement	T (tender day)

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, 11 October 2016

MAGYAR NEMZETI BANK