



31 March 2010

Conditions for lending series FJ15NF01 mortgage bonds

For the first time under the mortgage bond purchase programme announced by the Monetary Council on 8 February 2010, the MNB purchased an amount of series FJ15NF01 mortgage bonds sold by public auction by FHB Mortgage Bank Plc on 11 March 2010. In accordance with the Council's decision, as from 1 April 2010 the MNB will make available the securities purchased under the scheme for on-lending to domestic credit institutions with direct RTGS or ICS membership that have entered into a written market maker agreement with FHB Mortgage Bank Plc (Counterparties).

To be eligible to use the Bank's mortgage bond lending facility, Counterparties must post cash (forint) margin with the Bank. The Bank will keep margin accounts for Counterparties and will mark to market daily all outstanding mortgage bond lending transactions of Counterparties. In respect of these transactions, the margin account balance (forint margin) must at all times reach the value of mortgage bonds increased by the margin ratio corresponding to the market value of bonds lent through the facility. The market value equals the best available selling price for the Bank. The margin ratio will be calculated in line with the haircuts for L1 category assets set out in the 'Haircuts applied to securities taken as collateral by the MNB', published on the Bank's website (only available in Hungarian). Accordingly, the margin ratio for series FJ15NF01 mortgage bonds is currently set at 4.0%.

If the margin of forint cash collateral of a Counterparty does not reach the required amount at the time the positions are marked to market daily, the Bank, with simultaneous notification to the Counterparty, will debit the Counterparty's forint settlement account at the Bank by the amount needed to restore the required margin and will credit the amount to the margin account of the Counterparty. If the margin of forint cash collateral exceeds the required amount at the time the positions are marked to market daily, the Bank will carry over the amount in excess of the required margin from the Counterparty's margin account to its settlement account at the Bank. The Bank remunerates Counterparties' margin accounts at the prevailing central bank base rate, with interest settled on Counterparties' settlement accounts at the Bank on the last day of the month.

Detailed conditions for lending series FJ15NF01 mortgage bonds

Eligible counterparties	Those resident credit institutions subject to reserve requirements with direct RTGS or ICS membership that have entered into a written market maker agreement with FHB Mortgage Bank Plc in respect of series FJ15NF01 mortgage bonds.
Initiator	Counterparty
Business hours for receiving offers	Between 3:00 and 3:30 p.m. on business days.
Formal properties and contents of bids	Bids can be submitted through the Reuters Dealing platform by specifying the amount of mortgage bonds intended to be borrowed.
Minimum bid amount	At least for HUF 100 million per bid, as a whole-number multiple of HUF 1 million.
Transaction limit	The total amount outstanding of transactions may not exceed HUF 1 billion at nominal value by Counterparty.
Term of lending	Fixed maturity of two weeks, with an option to prolong at most on five occasions without returning the mortgage bond, for a term of two weeks on each occasion.
Settlement date	T+1
Time of sending notices about daily marking-to-market and margin account operations	Until 5:15 p.m. on business days.

To issues not regulated in this document, the ‘Terms and Conditions for Money Market Operations of the Central Bank on Forint and Other Currency Markets’ apply.