



17 October 2008

## **Notice on the MNB's auctions for the purchase of government securities**

From 17 October 2008, the Magyar Nemzeti Bank is announcing a variable-rate auction for the purchase of Hungarian government securities. Primary dealers of the Debt Management Agency, who fulfil their obligations undertaken in the agreement concluded with the MNB on 16 October 2008 and accept the conditions in this notice and in the invitation, are eligible to participate in the auction.

The first auction will be held on 17 October 2008. The deadline for submitting offers is 12:45–13:00. Subsequently, from 27 October 2008 the MNB expects to announce auctions for the purchase of government securities weekly, on Mondays, with cash settlement on Wednesday.

- 1 The seller takes responsibility that the securities are free from lawsuit, claim, encumbrances or defects.
- 2 The MNB reserves the right to deviate from the target purchase amount in a range between  $\pm 25\%$  after receipt of offers at its discretion.
- 3 The MNB reserves the right to declare the auction as failed by separate government securities.
- 4 The prices of government securities, expressed as a percentage of their face value, are determined with an accuracy of four decimals, based on the resolution of the Debt Management Agency on the financial calculations concerning the government securities market of 1 January 2003.
- 5 Transactions are settled in accordance with the relevant rules and procedures of KELER Zrt.
- 6 During the settlement of the transactions, the MNB uses the Delivery Versus Payment (DVP) mechanism.
- 7 If, on the day of financial settlement, the delivery of securities fails due to a default of the counterparty, the MNB may exclude temporarily or permanently a counterparty that has not or not adequately fulfilled its liabilities to the MNB from further auctions and may pass all costs incurred on to the counterparty.
- 8 Following notification of results, the MNB sends a confirmation to the bidders about the acceptance of their bids in document form via telefax.

**Detailed procedures and conditions for the auctions for the purchase of government securities**

<b>Type of transaction</b>	<b>Auction for the purchase of government securities</b>
<b>Time and place of announcement/invitation</b>	Until 9:00 a.m. at the latest on the day of the auction on the Reuters and Bloomberg wire service pages indicated in the invitation
<b>Contents of invitation</b>	Time of the auction, the short name of securities to be offered at the auction, and the nominal value of the announced quantity
<b>Eligible counterparties</b>	Primary dealers of the Debt Management Agency
<b>Business hours/time of acceptance of bids</b>	Until the time specified in the invitation
<b>Number of bids accepted from any bidder</b>	At maximum three bids for each government security
<b>Formal properties and contents of bids</b>	Bids can be submitted either through the Reuters Dealing platform or via telephone; offers must be submitted in terms of yield and the quantities in terms of nominal value
<b>Minimum bid limit</b>	At least HUF 10 million per bid at nominal value; as a whole-number multiple of HUF 10 million
<b>Modification of bids permitted</b>	No
<b>Minimum bid increment</b>	HUF 1 million
<b>Method of evaluating bids</b>	Auction offers are evaluated by ranking bids for yields. Bids are ranked in descending order from the highest yield bid, by cumulating according to the quantities targeted. The MNB takes a decision on the acceptance of bids submitted by taking into account the cumulative amount, in light of the offers made.
<b>Evaluating identical bids</b>	If the yields, submitted with several bids, are identical, the remaining amount, defined on the basis of the total accepted quantity, is allotted in increments of HUF 1 million between the competing bids for the lowest accepted yields, until the total accepted amount is reached, in accordance with the rules of card allocation.
<b>Time and place of announcement of results</b>	On Reuters and Bloomberg pages, at the time indicated in the invitation
<b>Contents of notification of results</b>	For each government security, the accepted amount, the highest and lowest accepted yield as well as the average yield weighted by quantities.
<b>Day of financial settlement</b>	T+2

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