



NOTICE ON THE CONDITIONS OF THE FIXED-RATE COLLATERALIZED LOAN INSTRUMENT WITH MATURITIES OF 3, 6 AND 12 MONTHS AS WELL AS 3 AND 5 YEARS – FOR INVESTMENT FUNDS

I. Description of the transaction and access conditions

The Magyar Nemzeti Bank introduces fixed rate collateralized loan instrument (collateralized loan instrument) under the terms and conditions stipulated in the Notice from 30 April 2020 until further notice. The purpose of the instrument is to support the liquidity management of investment funds.

1 The MNB will announce the tenders for the collateralised loan instruments weekly, on Wednesdays, together with the tenders announced for credit institutions based on the “Notice on the tender for fixed-rate collateralised loan instrument with maturities of 3, 6 and 12 months as well as 3 and 5 year”, from which it may depart in exceptional cases.

The MNB announces tenders with or without quantitative restrictions. Depending on the liquidity conditions and the submitted bids, upon the acceptance of bids the MNB is entitled to apply quantity restrictions not announced previously, depart from the announced volume both upwards and downwards or declare the tender unsuccessful. Upon applying quantitative restriction, in the event of excess demand the MNB satisfies the bids using the rules of card allocation. On each tender day, the MNB may announce the collateralized loan instrument for several maturities.

2 Of the investment funds falling within Act XVI of 2014 on Collective Investment Trusts and Their Managers, and on the Amendment of Financial Regulations, public open-ended AIFs (Fund), not qualifying as a Money Market Counterparty and UCITS, may participate in the tenders.

The MNB grants collateralised loan to the Fund

- under the collateral of the securities portfolio, possessed by the Money Market Counterparty in accordance with the Terms and conditions applicable to the Central Bank’s forint and foreign exchange market operations, and pledged in favour of the MNB, i.e. blocked on the securities account held with KELER Zrt, or the corporate receivable portfolio pledged by the same Money Market Counterparty in favour of the MNB
- solely in respect of the aggregate amount of the receivables of the MNB from the respective Money Market Counterparty and the Fund, in the amount corresponding the collateral value determined in line with rules applicable to the Consolidated Collateral Valuation.

Bids may be submitted at the tender by the fund manager on behalf of the Fund after that a trilateral agreement has been concluded between the Fund, the Money Market Counterparty providing the collateral and the MNB, and – if the Money Market Counterparty also pledges

corporate receivables in favour of the MNB as collateral – after that the modified lien has been registered in the loan collateral register at the initiative of the Money Market Counterparty. Each fund manager may conclude a trilateral agreement of such content only with one Money Market Counterparty.

The bid submitted by the fund manager on behalf of the Fund, shall contain the requested amount and maturity of the collateralised loan, and the Money Market Counterparty, providing the MNB with a collateral for its receivables from the Fund, shall make a declaration with regard to the respective collateralised loan instrument that it is ready to provide the collateral specified in this Notice.

If the fund manager participates in the tender on behalf of managed Funds, it shall submit a combined bid in line with its order allocation policy. At each tender any fund manager may submit one combined bid per maturity on behalf of not more than three managed Funds, indicating the aggregate amount of the requested collateralised loan.

If the MNB accepts the Fund's tender bid, the fund manager shall, after the MNB's notification to this effect, notify the MNB, not later than on the first working day after the tender, on the breakdown of the combined bid by Funds, indicating the name and the MNB registration number of the Funds, the maturity and the loan amount, and – if it has not provided the MNB in advance with this information – the name of the account-keeping bank and bank account number of the Fund – to which the collateralised loan should be disbursed.

If the collateralised loan transaction is concluded between the MNB and the Fund, the provisions of this Notice and of the Terms and conditions related to the Central Bank's forint and foreign exchange market operations applicable to the Money Market Counterparty providing the collateral shall be applied to the Money Market Counterparty acting on behalf of the Fund, rather than to the Fund.

If as a result of the daily revaluation collateral value of the collaterals provided by the Money Market Counterparty no longer provides sufficient coverage for the MNB's receivable from the Fund and the Money Market Counterparty providing the collateral, or the Fund fails to fulfil its obligation stemming from the collateralised loan, the Money Market Counterparty shall provide additional margin in accordance with the provisions of the Central Bank's Business Conditions and the Terms and Conditions of Account Management and the MNB shall act in accordance with the provisions of the Central Bank's Business Conditions and the Terms and Conditions of Account Management.

3 The collateralized loan shall be repaid in lump sum, upon the expiry of the following tenors: 13 weeks, 26 weeks, 52 weeks, 156 weeks or 260 weeks. The tenor starts on the day of the loan disbursement. The Fund may repay the loan in a lump sum prior to the maturity at any time, as long as it notifies the MNB of its intention to make a prepayment at least two working days in advance through any of the transaction channels specified in this Notice for the submission of bids.

4 The interest rate of the loan shall be the fixed interest published in the announcement of the tender. The Fund shall pay interest quarterly; the first interest payment shall be made on the interest payment due date of the quarter following the disbursement, while the last interest payment shall be due upon the maturity or prepayment date, simultaneously with the repayment of the total principal amount. The interest calculation is based on the actual/360 interest calculation algorithm.

5 If the collateral necessary for the Fund’s collateralised loan – not including the balance of the Money Market Counterparty’s bank account held with the MNB, as collateral (minimum balance) – is available from the VIBER cut-off time on the working day preceding the disbursement date, the loan will be disbursed during the VIBER opening hours by bank transfer to the Fund’s bank account on the fifth working day after the tender (T+5). In exceptional cases the day of the disbursement may differ from this, which the MNB shall specifically indicate in the announcement of the tender.

6 If the collateral is not available as specified in Section 5, the MNB shall not be obliged to make the disbursement.

7 The Fund shall discharge any of its payment obligation arising from the collateralised loan by bank transfer to account no. 0178506001901

8 The MNB shall not be liable for the claims arising from the legal relationship between the Fund and the Money Market Counterparty providing the MNB with collateral for its receivables from the Fund, and particularly no claim shall be lodged to the MNB due to the fact that the Money Market Counterparty fails to provide the collateral corresponding to the Fund’s tender bid, the Fund submits a tender bid without consulting the Money Market Counterparty or as a result of the loan transaction concluded by the Fund the Money market counterparty is obliged to provide additional margin. Furthermore, the MNB shall not be liable for any claim arising from the legal relationship between the Fund and the fund manager, and particularly no claim shall be lodged to the MNB due to the fact that fund manager submits a bid on behalf of the Funds managed by it acting in accordance with its statutory obligations and order allocation policy, and in the case of combined bids it allocates the loan amount provided by the MNB on an aggregate basis between the Funds managed by it accordingly.

II. Detailed parameters and technical criteria

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| Description of transaction | Fixed-rate collateralised loan instrument with maturities of 3, 6 and 12 months as well as 3 and 5 years for investment funds |
| Date and place of notice/tender invitation | On Reuters COLLATLOAN and COLLATLOAN2, Bloomberg NBH716 and the MNB website on the day of the tender |
| Notice/tender invitation content | Date and time of the tender, tenor, settlement date, maturity date and fixed interest rate of the loan (and offered quantity in the case of quantitative restrictions) |
| Eligible counterparties | Investment funds complying with the conditions prescribed in the notice. |

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| Maturity period | 13 weeks, 26 weeks, 52 weeks, 156 weeks or 260 weeks. The tenor starts on the day of the loan disbursement. |
| Initiator | MNB |
| Business hours for receiving bids | As per the tender invitation |
| Content and formal requirements for bids | A bid, in an electronic document, submitted to forexdesk@mnbb.hu, with the content and in the format complying with other conditions of the bid, bearing the electronic signature of the sender's authorised signatories or advanced electronic signature based on qualified certificates, or Identity-based Document Authentication and received by the MNB through encrypted channel (TLS). Amount and maturity of the requested collateralised loan. |
| Number of bids accepted from any bidder per maturity | Each asset manager may submit one aggregate bid on behalf of not more than three managed funds |
| Bid limit | At least HUF 100 million, an integer multiple of HUF 10 million |
| Adjustments | Of the amended bids received within the deadline for submission the bid received last shall be accepted for processing |
| Bid increment | HUF 1 million |
| Method of allocation | Card allocation |
| Date and place of announcements | As per the tender invitation |
| Contents of announcements | Announced parameters of the tender Sum of bids submitted Sum of bids accepted |
| Financial settlement / date of settlement | Fifth working day after the tender (T+5) |
| Day of interest payment | Every three months following disbursement, last payment is due on the day of repaying the collateralised loan. |

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, 30 April 2020

MAGYAR NEMZETI BANK