



## MAGYAR NEMZETI BANK

### PROCEDURES AND CONDITIONS FOR BIDDING FOR THE MNB'S EURO LIQUIDITY PROVIDING EUR/HUF FX SWAPS WITH 1-WEEK MATURITY 27 DECEMBER 2011

<b>Bidding time:</b>	12:30 pm -1:00 pm
<b>Settlement date of opening leg:</b>	28/12/2011
<b>Settlement date of closing leg:</b>	04/01/2012
<b>Technical spot exchange rate:</b>	<b>307.00</b>
<b>Announced quantity:</b>	EUR 500 million
<b>Highest acceptable swap points (defined with reference to the spot EUR/HUF exchange rate):</b>	<b>23.86</b> swap points
<b>Time of announcement of results:</b>	1:30 pm

Bids received will be ranked in order by the Bank, from the lowest to the highest price bid. If the total amount of accepted bids for funds at the highest accepted swap point exceeds the maximum amount the Bank wishes to allot, then the Bank will satisfy such bids on a pro-rata basis, in parcels of EUR 1 million, until the total amount of liquidity to be allocated is exhausted. The Bank reserves the right to raise the maximum acceptable amount after bids are received.

The exchange rate used in the spot leg of transactions conducted via 1-week euro liquidity providing FX swap tenders will be equal to the prevailing EUR/HUF market exchange rate. The Bank will keep margin accounts for Counterparties and will mark to market Counterparties' all outstanding EUR/HUF FX swap transactions on a daily basis. In respect of these transactions, the sum of the forint leg amounts, plus interest, and the amount on the margin account (collectively: forint margin) must reach 105 per cent of the forint equivalent of a Counterparty's euro liabilities to the Bank arising from such transactions. The euro amounts are converted into forints at the Bank's daily official EUR/HUF exchange rate.

If the forint margin of a Counterparty does not reach the required amount at the time the positions are marked to market daily, the Bank, while simultaneously notifying the Counterparty, will debit the Counterparty's 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 forint margin 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 the Counterparty's margin account balance at the prevailing central bank base rate, with interest settled on the Counterparty's settlement account at the Bank on the last day of the month. The Counterparty pays interest to the Bank at the prevailing central bank base rate for the negative balance on the Counterparty's margin account, with interest debited by the Bank to the Counterparty's settlement account at the Bank on the last day of the month.

All mutual obligations between the Bank and the Counterparty arising from any maturing transactions conducted under this and other EUR/HUF FX swap tenders of the Bank, as well as from new EUR/HUF FX swap transactions, which are for the same value date and denominated in the same currency, will be offset and settled on a net basis, by paying the resulting balance.

The payment after payment (PaP) principle will be applied to the euro liquidity-providing 1-week FX swap facility, meaning that the Bank will honour its obligation arising from such transactions after the Counterparty has met its settlement obligation.

**Detailed procedures and conditions for  
the euro liquidity providing 1-week FX swap facility**

Type of operation	Euro liquidity providing 1-week FX swap tender
Time, place and contents of announcement/invitation	The Bank will announce the highest swap point and maximum acceptable amount in the current procedures and conditions, on Reuters' NBHP and Bloomberg's NBH19 wire service pages
Eligible counterparties	Resident credit institutions subject to reserve requirements, with direct membership in VIBER or BKR
Initiator	Counterparty
Business hours/time of acceptance of bids	12:30 pm - 1:00 pm
Formal properties and contents of bids	Bids can be submitted either through the Reuters Dealing platform or by fax by indicating the required euro amount and the price bid expressed in swap points
Number of bids that an individual bidder may submit	3
Minimum bid amount	At least EUR 5 million per bid, in whole-number multiples of EUR 1 million
Modification of bids	Not permitted
Minimum bid increment	EUR 1 million
Time of announcement of results	At 1:30 pm on the day of the operation on Reuters' NBHN and Bloomberg's NBH10 wire service pages
Date of settlement of initial leg	28/12/2011
Date of settlement of closing leg	04/01/2012
Time of daily marking-to-market and margin account operations	Counterparties will be notified of the results by email until 4:00 pm on the day of tender.  Time of margin account operations: between notification and VIBER closing.

<b>Fulfilment of euro settlement obligations vis-à-vis the MNB</b>	To the euro account designated in the standing correspondent accounts of the Magyar Nemzeti Bank used in spot FX market operations
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Issues not regulated by this document are regulated by the 'Terms and Conditions for Money Market Operations of the Central Bank on Forint and Other Currency Markets'.