

**MAGYAR NEMZETI BANK**

**Budapest, 5 April 2022**

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**TERMS AND CONDITIONS  
OF THE OPERATIONS OF THE CENTRAL BANK IN FORINT AND FOREIGN CURRENCY  
MARKETS**

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## INTRODUCTION

The Magyar Nemzeti Bank (hereinafter referred to as 'MNB' or central bank) conducts money market operations within the framework of monetary policy with a view to implementing an effective transmission of central bank interest rates, to assist banks' liquidity management and contribute to banking sector stability. Efforts made to improve the effectiveness of financial intermediary operations and to enhance competition in the money market foster the achievement of the central bank's objectives.

The central bank strives to devise its monetary policy instruments in a simple and transparent structure, and in view of cost-efficiency and the principle of equal treatment.

From 19 December 2018 the key policy instrument of the MNB is the minimum reserves. The notice about the minimum reserves can be found on the MNB's website ([www.mnb.hu](http://www.mnb.hu)).

The MNB provides overnight deposits and collateralised loans to its partners to help the liquidity management activities of credit institutions, and hence to smooth volatility of interbank interest rates.

As of 23 March 2020, in addition to securities, the MNB will accept corporate receivables, too, as collateral for collateralised loans. The members of the group of monetary policy counterparties may offer performing corporate receivables denominated in Hungarian forint and other foreign currencies as eligible collateral. The details of the measure and the criteria for the liabilities are included in this Terms and Conditions. The acceptance ratio is included in the document titled "Risk management parameters applied in the case of collateral accepted by the MNB".

To manage unexpected and massive liquidity shocks, the MNB may announce deposit, collateralised loan or quick tenders, apart from regularly employed instruments, and may conduct operations with securities. The MNB will foster increases in forint liquidity, using one-week, one-month, three-month, six-month or twelve-month forint liquidity-providing EUR/HUF FX swap instruments as necessary, and foster decreases in forint liquidity using one-week fixed rate deposit tenders. The rules governing the instruments introduced for the management of liquidity processes will be published by the MNB in a separate notice.

The MNB may also perform foreign exchange market operations in the form of spot purchase/sales, other FX swap transactions or the acceptance of currency deposits. In that case when the forint is pegged to foreign currency within a fluctuation band, the conditions are different for the spot foreign exchange transactions conducted at the prevailing edges of the band announced by the MNB (Chapter VI.B.1.) and the intraband spot foreign exchange transactions (Chapter VI.B.2.). In the case of a floating exchange rate regime the MNB does not conduct foreign exchange operations at the edges of the band, the conditions for spot foreign exchange transactions are outlined in Chapter VI.B.2. "Terms and conditions of the operations of the Central Bank in forint and foreign currency markets" (hereinafter: Terms and Conditions) do not cover all money market operations performed by the MNB; the rules pertaining to money market operations not regulated here are laid down in separate notices.

Within the framework of its money market operations, the MNB shall transact with resident credit institutions that meet the particular eligibility criteria specified for the various instruments, and beyond these particular conditions – except the overnight collateralised loan instrument – with money market counterparties commissioned to be quoting banks according to the fixing procedure of the Budapest Interbank Offered Rate (hereinafter the BUBOR Regulation) who undertake and meet their obligations arising from the BUBOR Regulation.

Each money market counterparty shall participate directly in VIBER or BKR for entering into any deal with the MNB on the forint market, and have a securities settlement account at the national CSD (KELER Zrt.) for loan and securities transaction, unless otherwise specified in the separate notes on the rules on money market operations not covered by the Terms and Conditions. The framework of corporate receivables pledged to the MNB is governed by mortgage contracts.

## I. DEFINITIONS

For the purposes of these Terms and Conditions:

1. **'Offer/Bid'** means a communication of an intent to conclude a deal under analogous conditions.
2. **'Liquidity providing instruments'** means central bank operations for supplying liquidity (e.g. collateralised central bank loans).
3. **'Government securities'** means debt securities issued by Hungary, the European Union, a Member State of the European Union - including a government department, an agency, or a special purpose vehicle of the Member State - , in the case of a federal Member State of the European Union, a member of the federation, a common special purpose vehicle for several Member States, an international financial institution established by two or more Member States which has the purpose of mobilizing funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems, or the European Investment Bank.
4. **'Auction'** means a method of trading where the MNB provides an opportunity – subject to specific conditions – to the counterparty to make an offer. Where so required by the prescribed conditions (for example the volume of issue is maximised), the purchase offers submitted compete against one another. In this case – unless the conditions of the specific auction do not specify differently –, Offers are accepted as arranged in sequence, according to the relevant regulations at the price offered (multiple rate auction).
5. **'Business conditions for maintaining bank accounts'** means the currently effective Business Terms and Conditions for bank accounts managed by the Magyar Nemzeti Bank and for settlement of forint and foreign exchange transactions.
6. **'Acceptance value'** means the value of securities or corporate receivables in forint, calculated by the MNB according to its collateral valuation principles, at which the MNB accepts the securities or corporate receivables in question as collateral for money market operations.
7. **'Acceptance ratio'** means a risk control measure applied by the MNB used to multiply the initial value of collateral to indicate the value at which the MNB will ultimately accept the securities or corporate receivables in question (acceptance value).
8. **'Resident bank'** means banks registered in Hungary, also non-resident banks established in any Member State of the European Economic Area by way of their Hungarian branches, and the Hungarian branches of non-resident banks established outside the European Economic Area.
9. **'Resident credit institution'** means credit institutions registered in Hungary, also non-resident credit institutions established in any Member State of the European Economic Area by way of their Hungarian branches, and the Hungarian branches of non-resident credit institutions established outside the European Economic Area.
10. **ICS:** Interbank Clearing System.
11. **'Enforcement of collateral'** means the direct legal enforcement of the claim against collateral on a stock of securities and the enforcement of mortgage against outstanding corporate receivables pledged as collateral for Collateralised loans that were cancelled by the MNB for failure to comply with the Minimum account balance requirement specified in the Business conditions for maintaining bank accounts.
12. **'Collateral value'** means the total of the Acceptance value of all securities and corporate receivables in the portfolio at the time of pooled collateral valuation.

13. **‘Collateralised loan’** means any loans collateralised by securities held on account at KELER Zrt. or corporate receivables pledged in favour of the MNB as collateral security.
14. **‘Payment after payment (PaP) principle’** means in case of transactions in which payments are due in both forint and foreign currencies the MNB shall only meet its obligations stemming from these transactions after the money market counterparty has made its payment due by no later than 13:00 CET on the value date.
15. **Affiliates** mean enterprises
- a) that are engaged in a legal relationship of qualifying holding as defined in Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, with the proviso that, upon calculating the indirect holding, instead of applying the calculation method set forth in Schedule No. 3 of the Act, the MNB shall, for each enterprise, inspect the existence of equity holdings or voting rights of at least 10 per cent (that is, in the event of a qualifying holding between enterprises “A” and “B”, as well as between enterprises “B” and “C”, for the purposes of this concept, enterprises “A” and “C” shall be considered affiliates);
  - b) where an enterprise holds a qualifying holding as calculated under Point a) both in the money market counterparty and in the enterprise that issued the security or corporate receivables pledged by the money market counterparty in favour of the MNB; and
  - c) that are members of the Integration Organisation of Cooperative Credit Institutions.
- For the purposes of Point a) and Point b), if the Hungarian Government has a qualifying holding in more than one enterprises, the enterprises concerned need not be deemed affiliated to one another merely on the ground of the Hungarian Government’s qualifying holding; the affiliated nature shall be established irrespective of the qualifying holding of the Hungarian Government.
16. **‘Initial price’** means the gross (net price + cumulative interest) market price of assets that is most representative, or in the absence of this, the price calculated by the MNB with the yield curve estimation method, or the face value. The MNB shall define the initial price for groups of assets separately.
17. **‘Minimum account balance’** means the minimum account balance specified in the Business conditions for maintaining bank accounts.
18. **‘MNB-limit’** means the maximum volume of transactions determined by the MNB for each individual counterparty, relying on the credit rating of international credit assessment institutions.
19. **Corporate receivable’** a receivable which meets the conditions set out in point II. 6.6. of the Terms and Conditions.
20. **‘End-of-day collateral revaluation’** means the revaluation of collateral at the end-of-day closing based on the principles laid down in Annex 1 to the Business conditions for maintaining bank accounts, using the collateral value published by the MNB.
21. **‘Public offer’** means the document defined in accordance with the provisions of the Act CXX of 2001 on the Capital Market.
22. **‘Pooled collateral valuation’** means the method of collateral assessment performed in accordance with Annex 1 to the Business conditions for maintaining bank accounts, in the context of which the total value of stock of securities and corporate receivables pledged as collateral security to the MNB is assessed so that it provides coverage for all Collateralised loans.
23. **‘Liquidity absorbing instruments’** means central bank operations offering investment opportunities to counterparties (e.g. in central bank deposits).

24. **'Money market counterparty, counterparty'** means a partner of the group of monetary policy counterparties or a Resident credit institution complying with the conditions set out in the transactions defined in the Terms and Conditions or the notice with whom the MNB concludes Liquidity providing instruments or Liquidity absorbing instruments.
25. **'Special collateral revaluation'** means an intraday collateral revaluation conducted by the MNB, by the entitlement conferred in the Terms and Conditions, where the Initial prices and Acceptance ratios may differ from the values communicated upon the End-of-day collateral revaluation.
26. **'SWIFT'** is a financial communication system operated by the Society for Worldwide Interbank Financial Telecommunication.
27. **'Regulated market'** is a concept defined in the Act CXX of 2001 on the Capital Market.
28. **'Notice'** means the document published on the MNB's website and containing the terms and conditions for Liquidity providing instruments or Liquidity absorbing instruments; matters not regulated in the notice are governed by the Terms and Conditions.
29. **'Tender procedure'** means a procedure relating to the Liquidity providing and Liquidity absorbing operations announced by the MNB. If necessitated by the prescribed terms and conditions, the Offers received by the MNB compete with each other. In this case, unless the conditions of the tender notice do not specify differently, Offers are accepted as arranged in sequence, according to the relevant regulations at the price offered (multiple rate tender).
30. **'Encrypted, signed email'** means an electronic message sent via an encrypted channel (TLS), that contains the advanced electronic signatures – either qualified, or certified with a qualified certificate – of the authorised signatories of the sending party recorded in the company register, or contains an AVDH (Identification Based Document Authentication) certification.
31. **'Residual maturity'** means the period between the conclusion of the transaction until its maturity.
32. **'VIBER'** is an acronym, stands for the Real-Time Gross Settlement System in Hungary.

## II. GENERAL CONDITIONS

1. The MNB shall perform the following operations in accordance with its Terms and Conditions:
  - buying and selling of Hungarian Government and other type of securities on the secondary market,
  - sale of forint bills of own issue in the primary market,
  - providing short-term collateralised loans,
  - acceptance of short-term forint deposits,
  - FX transactions resulting from FX swap transactions,
  - spot currency conversion transactions, and
  - foreign currency deposit transactions.

(either of the above transactions hereinafter referred to as 'money market operation', all of the above transactions hereinafter referred to collectively as 'money market operations').

2. In addition to what is contained in Point 1, the MNB may conduct any other type of transactions in accordance with Points 3-21 under the II. General Provisions of the Terms and Conditions and within the framework of the MNB Act.
3. The MNB provides the opportunity to participate in the Money Market Operations to different money market counterparties with respect to a specific Money Market Operation.
4. Of the money market counterparties the MNB shall conclude Money Market Operations only with those having made the Declaration (Annex 1). The money market counterparty shall inform the MNB on any change in the registered data by submitting the officially signed Declaration.
5. Unless stated otherwise in the Notice, Tenders and quick tenders shall be evaluated as described below:

### 5.1. Variable rate Tenders and quick tenders:

5.1.1. The evaluation of Offers begins with sorting the interest rate offers and arranging them in a sequence. Offers will be satisfied until the quantity offered by the MNB is exhausted in a growing sequence beginning with the lowest interest rate offer for deposit Tenders, and in a decreasing sequence beginning with the highest interest rate offer for collateralised loan Tenders, cumulated according to the quantity offered by the counterparty. Unless the conditions of the tender notice do not specify differently, all of the Offers are accepted at the offered price (multiple rate Tender). The MNB may also announce uniform price Tender, where all accepted Offers will be completed at an accepted price level which is most favourable to the money market counterparties.

5.1.2. If several Offers contain the same interest rate offer as the highest accepted interest rate for deposit Tenders and the lowest accepted interest rate for Collateralised loan tenders, the remaining quantity determined according to the quantities to be satisfied shall be allocated as described in the Tender notice among the competitive offers containing the same interest rate until the total quantity is exhausted.

5.1.3. Following the receipt of Offers, in light of their contents, the MNB may alter the quantity offered.

### 5.2. Fixed rate Tenders and quick tenders:

5.2.1. If there is no maximum in the offered quantity all Offers will be satisfied. If the quantity offered is maximised and if the total of the Offers does not exceed the quantity offered, all Offers will be satisfied. If the total of the Offers exceeds the quantity offered, the Offers will be satisfied according to the allocation procedure described in the tender notice until the total quantity is exhausted.

5.2.2. Following the receipt of Offers, in light of their contents, the MNB may alter the quantity offered.

### 5.3. Free Tenders and quick tenders

5.3.1. The evaluation of Offers begins with sorting the interest rate offers and arranging them in a sequence. Offers will be arranged in a growing sequence beginning with the lowest interest rate offer for deposit Tenders and in a decreasing sequence beginning with the highest interest rate offer for collateralised loan tenders, cumulated according to the quantity offered. Depending on the Offers, the MNB shall satisfy the Offers based on the cumulated quantity or the interest rates offered in the Offers.

5.3.2. If several Offers contain the same interest rate offer as the highest accepted interest rate for deposit Tenders and the lowest accepted interest rate for collateralised loan tenders, the remaining quantity determined according to the quantities to be satisfied shall be allocated as described in the Tender notice among the competitive Offers containing the same interest rate until the total quantity is exhausted.

## 6. Eligible collateral

6.1. The MNB shall accept securities as collateral for Collateralised loan transactions provided that they are owned by the money market counterparty and kept on securities settlement account at KELER Zrt. and pledged in favour of the MNB as deposit and satisfy other criteria specified in the Terms and Conditions.

- The collateral may be accepted until the 3<sup>rd</sup> working day before maturity, unless claim by the MNB against collateral is valid. The securities pledged as collateral are stated at 0 acceptance value from the end-of-day revaluation performed on the 3<sup>rd</sup> working day preceding the maturity.
- Registered securities issued in Hungary and outside Hungary may be accepted as collateral. Bearer securities issued in Hungary are eligible collaterals. Bearer securities issued outside Hungary may be accepted as collateral when issued under the New Global Note structure; the Classic Global Note structure shall not be eligible.

6.1.1. Forint or foreign currency-denominated Government securities issued by the Hungarian Government and forint and foreign currency-denominated bonds issued by the National Deposit Insurance Fund and the Investor Protection Fund under joint and several guarantee provided by the Hungarian State holding the security.

6.1.2. Forint or foreign currency-denominated marketable covered bonds issued by a mortgage credit institution specified in the Mortgage Credit Institution and Mortgage Bond Act, listed on a Regulated market or a non-regulated market recognised by the MNB.

6.1.3. Forint or foreign currency-denominated marketable bonds meeting the following requirements:

- Listed on a Regulated market or a non-regulated market recognised by the MNB.
- The issuer of a forint-denominated bond shall be a legal person registered in Hungary or in any Member State of the European Economic Area or an international financial institution registered in the European Economic Area; the issuer of a foreign currency-denominated bond shall be a legal person registered in Hungary.
- The issuer, the issue or the issue guarantor shall have a long term credit rating at least equal to that of securities issued by the Hungarian Government by at least one credit rating agency accepted by the MNB. (If the long term credit ratings of Hungarian foreign currency-denominated and forint-denominated Government securities are different, the MNB shall take into consideration the lower credit rating. In the case of the issuer and the issue guarantor, the MNB shall take into consideration the credit rating corresponding to the denomination of the issue, if available.) If securities issued by the Hungarian Government have a higher rating than 'BBB-' ('Baa3'), the issuer, the issue or the issue guarantor shall have minimum 'BBB-' ('Baa3') long term credit rating by at least one credit rating agency accepted by the MNB. (The MNB accepts the ratings of issuers, issues and issue guarantees of Moody's, S&P, Fitch as well as other rating agencies listed on its website.) In the case of securities with maturity of less than one year if the



issuer, the issue or the issue guarantor have only short term credit rating, the issuer, the issue or the issue guarantor shall have a short term credit rating at least equal to that of published on the official website of the MNB.

- May not establish a right to acquire another security or other financial instrument through conversion or exercising the right in such security.

6.1.4. Eligible bonds on top of section 6.1.3. are (i) securities in compliance with the criteria in the documentation of the Bond Funding for Growth Scheme and (ii) securities belonging to a series purchased by the MNB under the Bond Funding for Growth Scheme or acquired upon issuance.

6.2. The MNB shall not accept securities issued by the MNB as a collateral. The MNB shall not accept from money market counterparties securities of own issue or issued by Affiliates as collateral. The MNB shall not accept from money market counterparties securities issued by a special employee share ownership program (Special ESOP) organisation under the section 6.1.4., which holds an ownership interest in that money market counterparty or its affiliates. In addition, the MNB shall not accept securities as collaterals from money market counterparties if the money market counterparty provides partial or full guarantee or undertakes an equivalent obligation regarding the payment obligation originating from the securities or to be satisfied by the issuer. The MNB shall accept from money market counterparties covered bonds as collateral irrespective of this restriction, whose issuer discloses on its own website the Covered Bond Transparency Report, available in csv file format on the MNB's website, based on data for the previous quarter until the end of the quarter concerned, and ensures the availability of its Covered Bond Transparency Reports for at least four quarters preceding the respective quarter at the same place. In the case of securities where the payment obligation arising from the security are covered, as required by law, by the Hungarian Government's first demand guarantee to the debit of the central budget, the MNB shall accept these securities as collateral from all money market counterparties with the exception of the issuer.

6.3. Following the publication of the report the MNB shall have the right to verify the issuer requirement referred to in point 6.2. and, in order to verify the Covered Bond Transparency Report, to invite the money market counterparty to provide information in connection with data disclosed therein. Such information shall complement the Covered Bond Transparency Report concerned. If the data disclosed in the Covered Bond Transparency Report continue to be incomplete, contradictory and there is doubt with regard their robustness despite such request by the MNB, the restriction referred to in point 6.2 shall be applied, i.e. the MNB shall not accept on a temporary basis as collateral such securities from the money market counterparty and its affiliated company.

6.4. The MNB shall accept as eligible collateral assets other than securities issued by the Hungarian Government which are traded on a Regulated market or a non-regulated market accepted by the MNB as well as securities referred to in section 6.1.1. (where such securities are deemed marketable only to a limited extent among organisations classified as institutional investors under the Act on the Capital Market), as of the fifth business day at the latest following notification to the MNB where the notification to the MNB of the name and ISIN code of the security needs to be conducted by the issuer or the money market counterparty holding the security. The notification shall be delivered in an electronic document format with qualified electronic signature or advanced electronic signature with qualified certificate to the fedezetek@mn.b.hu address. Related to the Bond Funding for Growth Scheme, the Mortgage Bond Purchase Programme and the Green Mortgage Bond Purchase Programme, the MNB registers the security on the list of eligible collateral upon purchase.

6.5. The issuer or money market counterparty may propose an expansion of the list of non-regulated markets accepted by the MNB and that of credit rating agencies accepted by the MNB in an electronic document format with qualified electronic signature or advanced electronic signature with qualified certificate to the fedezetek@mn.b.hu address. The MNB may decide, at its own discretion, to expand the list of eligible non-regulated markets and

eligible credit rating agencies, which it shall immediately notify to the issuer or money market counterparty with no obligation to state the reasons.

6.6. As a security for its receivables from collateralised loans, the MNB accepts the following corporate receivables pledged to the MNB as long as they satisfy the following conditions:

(i) they are receivables from business association debtors that are not subject to the Acts specified in Article 39 of the MNB Act, have a registered seat in Hungary, not classified as an affiliate of a financial institution according to the Terms and Conditions, not being subject to bankruptcy, liquidation, dissolution, involuntary de-registration proceedings,

(ii) qualify as performing exposure, but not restructured,

(iii) in any currency and with any term,

(iv) meet the criteria of corporate receivables defined in the Terms and Conditions,

(v) originate from a loan contract and concluded by the money market counterparty as creditor, pursuant to Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (where the loan contract and its collateral contracts are governed by Hungarian law, and which contains no provision for jurisdiction other than Hungarian jurisdiction and the language of the contract - or a certified translation thereof - is Hungarian or English),

(vi) not refinanced by MNB in any phases of NHP (Funding for Growth Scheme),

(vii) receivables with existing exposure of at least HUF 1 billion.

The receivable arising from refinancing loan contracts granted to ultimate debtors identifiable individually for the purpose of relending shall be regarded as corporate receivables and the MNB accepts them as collaterals securing its receivables from collateralised loans, if the obligee of the receivable is credit institution – not including mortgage credit institutions – and its obligor is also a credit institution, and otherwise the receivable satisfies the conditions set forth in sub-points (i)-(vii). The money market counterparty may pledge its receivable from its refinancing loan contract as a collateral for the central bank's receivables from collateralised loans only up to the amount in respect of which the debtor of the refinancing loan contract has no outstanding receivable from the money market counterparty under any title, i.e. amount of the money market counterparty's outstanding receivable from the refinancing loan contract shall be always reduced by the outstanding receivable of the debtor of the refinancing loan contract from the money market counterparty under any title.

6.7. The money market counterparty shall supply data on the corporate receivables pledged to the MNB – by sending in the underlying data of corporate loan contracts in the table presented in Annex 3 , via the *'viber' channel of the GIROHáló GIROFile service* – provided the following conditions are met:

(i) both the corporate receivables and the corporate loan contract meet the conditions specified in the mortgage contract and in the Terms and Conditions,

(ii) the corporate receivables are not used as security for any other loan, neither in full, nor in parts, neither money market counterparties, nor third parties have any right to them, and they are free from any litigation, incumbrances and claims,

(iii) in relation to the corporate receivables, no third party has any right that would limit or exclude the establishment of a mortgage for the benefit of the MNB and the exercising of the resulting satisfaction right,

(iv) the money market counterparty guarantees that in the case of the transfer of the corporate receivables, the collateral due to it can be enforced by the MNB, too, therefore it agrees to refrain from any legal statement – and holds the agreement of the corporation to do the same – that would terminate the MNB's satisfaction right originating from the corporate receivables or may have an adverse effect on that.

- (v) if the corporate receivable is a receivable stemming from a refinancing loan contract specified in Section 6.6, the money market counterparty has, on the one hand, the commitment of the debtor of the refinancing loan contract – as money market counterparty – that it shall not pledge to the MNB as corporate receivable the loan receivables pledged to the benefit of the money market counterparty as a collateral for the refinancing loans contract, and on the other hand, its declaration to the effect that by pledging the receivable from the refinancing loan contract to the MNB, the loan receivables pledged to the money market counterparty to secure the receivables from the refinancing loan contract are encumbered by the MNB's second lien.

If the corporate receivable is a receivable from the refinancing loan contract specified in Section 6.6, the money market counterparty shall perform data reporting by submitting the table in Annex 3 through the *'viber' channel of the GIROHalo GIROFile service*

- a) in respect of the corporate receivables pledged to the MNB in the way that as the data related to the outstanding (current) balance of the corporate receivables in the table in Annex 3, it reduces the amount of the current receivable from the refinancing loan by the amount of any outstanding cash receivable, irrespective of the due date, of the debtor of the refinancing loan from the money market counterparty,
- b) and also in respect of the data of the loan receivables securing the corporate receivable pledged to the MNB.

The MNB is entitled to exclude the corporate receivable securing the central bank receivables from collateralised loans from the scope of eligible collaterals, if it does not find it proven that the obligee of the receivable from the refinancing loan contract or the debtor of the refinancing loan is entitled to pledge the respective corporate receivable to the MNB.

- 6.8. The money market counterparty shall make sure that the collateral available to it under the corporate loan contract can be enforced by the MNB or a third person – when the mortgage on the corporate receivables is enforced by the MNB – in a case when the MNB acquires the pledged asset at collateral value and according to the principles specified in the document titled “Risk management parameters to be applied for collateral accepted by the MNB” or a third party acquires it. The money market counterparty shall not make any statement that would terminate the MNB's or third party's right to satisfaction from the corporate receivables, or would have an adverse effect on that. It shall also take all the necessary steps to ensure that the corporate receivables can be collected, including the enforcement of collateral, too. Based on all that, the money market counterparty shall not accept a collateral to secure the corporate receivables if the collateral cannot be enforced by the MNB or a third party on the transfer of the corporate receivables. When the mortgage is enforced, the extent of the coverage of the corporate receivables may not be lower than it was at the time of extending the corporate loan to the money market counterparty.
- 6.9. If an earlier created mortgage – that secures other bank receivables, too, in addition to corporate receivables - is also available to the money market counterparty to secure the corporate receivables, a separate new mortgage – that can be transferred to the MNB - covering the corporate receivables shall be recorded for the money market counterparty. In addition, the following conditions shall be met:
- (i) the new mortgage created to secure the corporate receivables takes precedence over the earlier mortgage, and the approval for the change in ranks (with other documents required for the registration) shall be submitted to the mortgage records;
  - (ii) if the above provisions cannot be applied, it is also possible to record the mortgage with the next available ranking, provided the loan collateral value of the pledge is high enough to cover – in addition to receivables related to the mortgage and possible other mortgages – the corporate receivables of this ranking, too.

- 6.10. The money market counterparty and the corporation may modify the collateral behind the corporate receivables of the money market counterparty during the term of their contract, if
- (i) the conditions specified in points 6.7. - 6.9. still apply, and
  - (ii) the modification will not have an adverse impact on the MNB, or
  - (iii) the rate of the coverage of the corporate receivables of the money market counterparty will not change.
- 6.11. By supplying the necessary data, the Credit Institution guarantees that all the conditions specified in the mortgage contract and in the Terms and Conditions exist both at the time of the data supply and continuously during the period in which the mortgage for the benefit of the MNB exists on the corporate receivables. The money market customer is authorized by the corporation to transfer the data of the corporate loan contract to the MNB for the examination of the match between the corporate receivables and the corporate loan contract and the mortgage contract and the Terms and Conditions. The basic rules applicable to the examination of the fulfilment of the conditions set forth in the Terms and Conditions and in the Notice by the MNB are included in Annex 4.
- 6.12. The money market counterparty shall send the following items to the MNB through the MNB's „Electronic system for the reception of authenticated data”(ERA system), NHP KKV (Funding for Growth Scheme, SME) documentation service, on a new form
- (i) on the working day following the data supply, the corporate loan contract reported in the data supply and its collateral contracts,
  - (ii) on the working day following the data supply, all the documents related to the corporate receivables that may be required for their possible enforcement by the MNB. They will include the money market counterparty's statement confirming that in case the MNB enforces its mortgage on the corporate receivables by selling the corporate receivables, and if the corporate receivables are secured by a mortgage, too, for the money market counterparty, the approvals required for the transfer of the mortgage or the pledge on movable assets will be issued to the new holder of the corporate receivables, together with the statements on the transfer in the records,
  - (iii) within 1 month of the submission of the data supply, the obligors of the corporate receivables pledged to the MNB are informed about the mortgage recorded for the MNB.
- 6.13. If, in relation to a corporate loan contract or corporate receivables already reported in the data supply, the data specified in Annex 3 are modified or the conditions specified in the mortgage contract, the Terms and Conditions do not exist, the money market counterparty shall immediately inform the MNB about this fact through the *'viber' channel of the GIROHáló GIROFile service*. Regardless of whether the data specified in Annex 3 are modified in respect of the corporate loan contract or corporate receivable already reported in the data supply, the money market counterparty shall send to the MNB through *the 'viber' channel of the GIROHáló GIROFile service* all data supplies specified in Annex 3 containing corporate receivables pledged in favour of the MNB under a mortgage contract one month after the last data supply (if this day is not a working day, on the following working day).
- 6.14. The groups of securities and corporate receivables that are eligible as collateral and the related Acceptance ratios are available at the REUTERS RISKCONTROL page. The official website of the MNB ([www.mnb.hu](http://www.mnb.hu)) contains an itemised list of eligible collateral, eligible non-regulated markets and accepted credit rating agencies, as well as the requirements on the format and the content of the Covered Bond Transparency Report.
- 6.15. Eligible non-regulated markets constitute non-regulated markets recognised by the MNB with regard to forint or foreign currency-denominated government securities issued by the Hungarian Government or forint and foreign currency-denominated bonds issued under joint and several guarantee provided by the Hungarian State. In all other cases, the MNB may decide at its own discretion at the initiative of the issuer or the money market counterparty.

6.16. The MNB reserves the right to exclude any securities or corporate receivables from the pool of eligible collateral without any justification.

6.17. With regards to the securities specified in 6.1.1. the MNB has the following powers:

6.17.1. The MNB reserves the right to exclude securities deemed marketable only to a limited extent among organisations classified as institutional investors under the Act on the Capital Market out of the securities issued by the Hungarian Government, from the pool of eligible collateral, based on the assessment of the liability of the money market counterparty, in the case of money market counterparties, if, based on the available data, the MNB finds that the money market counterparty and a member of the group under consolidated supervision is entitled to a collateral relationship which was entered into after 4 October 2019 and in this relationship the collateral itself is a security issued by the Hungarian Government and deemed marketable only to a limited extent among organisations classified as institutional investors under the Act on the Capital Market. The MNB shall notify the money market counterparty of the ban.

6.17.2. The MNB reserves the right to exclude securities deemed marketable only to a limited extent among organisations classified as institutional investors under the Act on the Capital Market out of the securities issued by the Hungarian Government, from the pool of eligible collateral, based on the assessment of the liability of the money market counterparty, in the case of a money market counterparty, if based on the available data, the MNB finds that after 4 October 2019, the money market counterparty , except transactions existing on 4 October 2019,

a) offers a service defined as lending in Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises,

b) concludes a transaction defined as financial instrument in Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (hereinafter: IDA),

c) concludes a transaction defined as investment loan in the IDA (excluding deferred payment arrangement as defined in the IDA) and

d) sells a product or other instrument combined with the services, transactions specified in sections a)-c) above,

with the explicit objective, laid out in the related agreement, other documents or commercial communication, to purchase securities issued by the Hungarian Government and deemed marketable only to a limited extent among organisations classified as institutional investors under the Act on the Capital Market, to which any collateral type relationship (collateral and lien in particular) is connected, and its subject is a security issued by the Hungarian Government and deemed marketable only to a limited extent among organisations classified as institutional investors under the Act on the Capital Market. The MNB shall notify the money market counterparty of the ban.

7. Parties shall agree on the conditions of Money Market Operations via Refinitiv FX Trading (code: HUNB) or over the phone. In addition, in the case of foreign currency deposit transactions, it is possible to use Bloomberg and carry out transactions by sending encrypted and signed emails to the MMandColl@mn.b.hu email address. On the contrary, for Auctions and Tenders – unless the related Notice states otherwise - offers may be submitted via Refinitiv Auction System as well as by encrypted fax or encrypted, signed email to forexdesk@mn.b.hu. Exceptions are deposits with overnight maturity under the standing deposit facility, for which requests may be submitted via SWIFT MT298 SMT550 message, the overnight collateralised loans, which may be initiated by SWIFT MT298 SMT500 message, in the form and manner specified in the business conditions applicable to the keeping of bank accounts. The MNB shall record the deals concluded over the phone. Any deals made over the phone shall be confirmed in writing sent by fax or SWIFT. Counterparties are required to send this confirmation by 18:45 CET on the trade date. Procedures in derogation from the above are contained under the particular provisions for Money Market Operations.

8. Offers not meeting the contents and format requirements stipulated in the Terms and Conditions and in the Notices and Offers arriving with a delay shall be invalid.

9. Offers submitted by encrypted fax shall be signed by the authorised signatories recorded in the company register. The MNB shall accept Offers sent by fax or in encrypted and signed emails only if all data and information on the offer form is legible. In the case of individual Offers, the time of arrival shall be as follows:
  - if the offer is sent in encrypted fax, the time recorded by the fax machine of the MNB,
  - with regard to offers submitted via GiroHáló, the time when the message containing the Offer arrives in the MNB,
  - in the case of offers submitted in encrypted and signed emails, the times of their arrivals at the forexdesk@mbn.hu or at the MMandColl@mbn.hu address.
10. Bidders shall remain committed to their Offers until receiving notice from the other party as to the partial or full rejection or acceptance of the Offer. Procedures for the amendment of Offers are contained in the provisions of the Terms and Conditions pertaining to each Money Market Operation and the relevant Notices.
11. In the absence of a special arrangement, the MNB shall send a confirmation to counterparties on forint deposits on the day of trading in a documented format (in connection with O/N deposits, the MT298 SMT550 SWIFT message, in connection with other deposits with a maturity over one day MT320 SWIFT message or fax).
12. The MNB shall send a confirmation to counterparties on Collateralised loans with a maturity of over one day on the day of trading in a documented format (MT320 SWIFT message or fax). In the case of collateralised loans under the standing collateralised lending facility the Customer is notified of the fact that the loan is made available by means of an MT581 message, or if the loan application is refused, the Customer is notified of the refusal and of its reasons in the same manner as the application was submitted.
13. The MNB shall confirm concluded spot foreign exchange transactions by sending a MT300 SWIFT message or by way of encrypted fax, and concluded foreign currency deposit transactions by sending a MT320 SWIFT message or by way of encrypted fax by the business day that follows the trade day.
14. The MNB reserves the right to suspend the participation of the money market counterparties in its operations transacted in forint on a money or foreign exchange market for a fixed period or indefinitely, without any justification.
15. The money market counterparty may not cancel any deal concluded with the MNB within the scope of the present Terms and Conditions on its own accord. The MNB may terminate the transaction in the event of any default, delay or non-performance of any payment obligation of the money market counterparty, or in the event of any default, delay or non-performance of the money market counterparty's payment obligations under any other transaction with the MNB or any other event occurs which entitles the MNB to terminate any other transaction under the contractual provisions applicable to it, as well as in the cases set out in the Terms and Conditions and the Business conditions for maintaining bank accounts. Upon termination, all claims arising from transaction, together with any additional claims, shall expire on the day following receipt of the notice of termination.
16. The MNB reserves the right to ban any counterparty defaulting upon the obligations toward the MNB from all or specific types of operations, temporarily or permanently, and to charge the related expenses to the counterparty in question. If the money market counterparty appointed as a quoting bank refuses to perform its obligations arising from the BUBOR Regulation, or, based on the data available, the MNB finds that the money market counterparty defaulted thereupon on multiple occasions, with the exception of overnight collateralised loans and based on the assessment of the liability of the money market counterparty, the MNB shall be entitled to ban – even multiple times, if the conditions occur repeatedly – the money market counterparty from the range of eligible counterparties allowed to participate in Liquidity-providing or Liquidity-absorbing operations for a period of maximum 3 months. The MNB shall notify the money market counterparty of the ban. In the event of any delay of the counterparty the MNB shall proceed in accordance with the Business conditions for maintaining bank accounts in connection with the types of transactions where it is possible.
17. To secure its receivables (e.g. principal amount, interest, commission, fee, special fee, cost) originating from its monetary policy activities and arising from its Liquidity-providing or Liquidity-absorbing operations the MNB is entitled to a claim against collateral on the balance on the Customer's bank account managed by the MNB for the Customer as collateral security. When exercising this claim against collateral right, the MNB is entitled to reduce the

balance on the Customer's bank account by the amounts of its receivables arising from the Liquidity-providing or Liquidity-absorbing operations concluded with the Customer. The collateral is created on the basis of Terms and Conditions, by the agreement on Active transactions and Passive transactions.

18. The outstanding receivables of the MNB originating from contracts concluded under the Terms and Conditions shall be treated as originating from the transactions defined under Article 18 of Act CXXXIX/2013 on the Magyar Nemzeti Bank ("MNB Act"). Therefore in accordance with Article 160 (4) of the MNB Act, the MNB may satisfy its claims from the bank accounts held with it by the counterparties in question in the order of claims prior to the accomplishment of transfers to authorities and transfers based on warrants for payment.
19. Parties may agree to derogate from the Terms and Conditions by mutual consent fixed in a separate agreement.
20. The MNB reserves the right to unilaterally amend the Terms and Conditions and the Notices. The MNB shall notify money market counterparties concerning the amendment of the Terms and Conditions 10 days before the amendment takes effect, 8 days in the case of the Notices, and shall send a copy of the amended Terms and Conditions or Notices. The MNB is entitled to unilaterally modify Annex 3, and that modification shall come into force at the earliest on the 10<sup>th</sup> day following its publication.
21. The matters not regulated in the Terms and Conditions shall be governed by the provisions of Act V of 2013 on the Civil Code of the Republic of Hungary, Act CXX of 2001 on the Capital Market, MNB Act, MNB decrees, other applicable statutory provisions, and the provisions of standards on money and foreign exchange markets.

### III. SECURITIES TRANSACTIONS

#### III.A. GENERAL CONDITIONS FOR SECURITIES TRANSACTIONS

1. Offers for securities transactions may be presented by the associates notified to the Bank of money market counterparties or by the authorised associates of the MNB.
2. Settlement of these transactions is carried out in accordance with the relevant regulations and procedural order of KELER Zrt.
3. The seller of securities shall guarantee that they are free and clear of encumbrances and free of any legal defects.
4. The MNB shall enter into any deals with securities between the day of issue and the fourth clearing house business day before maturity.
5. In the event of a financial settlement fail on the date of settlement for reasons attributable to the money market counterparty, the MNB shall have the option to apply the sanctions listed in Point 16 under Chapter II. General Provisions, and may cancel the transaction in question.

#### III.B. OUTRIGHT PURCHASE/SALE OF SECURITIES

| Description of transaction                   | Outright purchase/sale of securities   |
|--|--|
| Date of notice/invitation                    | Occasionally   |
| Contents of notice/invitation                | —  |
| Eligible counterparties                      | Resident credit institutions subject to reserve requirements with direct VIBER membership and KELER securities account |
| Proposed by                                  | Money market counterparty/MNB  |
| Business hours for receiving Offers          | As described in the notice   |
| Content and formal requirements for Offers   | According to relevant KELER regulations  |
| Number of Offers accepted from any bidder    | No restrictions  |
| Transaction limit                            | Minimum 10 million HUF at nominal value  |
| Corrections                                  | Not interpretable  |
| Allocation procedure                         | —  |
| Acceptance measure                           | —  |
| Date and place of announcements, description | —  |
| Financial settlement / date of settlement    | T or T+1 or T+2  |

1. The MNB shall conclude the purchase transaction for Hungarian Government, covered bonds or other type of securities owned by the money market counterparty, and which are held at KELER Zrt. on securities accounts or sub-accounts and are in unrestrained possession of the counterparty, and are separate from the securities owned by others.
2. Seller agrees to sell the securities it owns, to which the transaction pertains, to the buyer, and buyer agrees to buy them.



### **III.C. AUCTIONS ANNOUNCED FOR BILLS OF OWN ISSUE**

1. The MNB issues dematerialised bills denominated in forint, and sell them by way of Auction.
2. The detailed rules of the Auction shall be set out in the information sheet published by the MNB, in the public offer published three working days prior the Auction Day and in the call for bid published no later than the working day prior to the Auction day.
3. The MNB shall publish the information sheet on its website, the public offer and the call for bid on its website and on Refinitive and Bloomberg trading systems.

#### IV. SHORT-TERM CENTRAL BANK FORINT DEPOSITS

##### IV.A. GENERAL DEPOSIT CONDITIONS

1. The MNB can accept deposits between 1 to 365 days of maturity from its counterparties
2. The fixed-term deposits cannot be recalled before the original date of maturity
3. Interest is calculated according to the following formula:

$$\frac{\text{amount of deposit} \times \text{interest rate \%} \times \text{interest day-count}}{36000}$$

4. The order placed by depositor counterparty shall be also regarded as an authorisation of the MNB to debit the counterparty's bank account with the amount of the deposit to be placed with it on the appropriate value date.
5. The MNB will not execute the transaction if the account and the intra-day credit line amount specified in the bank account management terms and conditions do not provide sufficient cover for it.
6. Upon maturity the MNB shall credit the amount of deposit plus interest to the bank account of the depositor counterparty.

##### IV.B. STANDING DEPOSIT FACILITY

| Description of transaction                 | Standing deposit facility  |
|--|--|
| Date and place of notice/invitation        | Standing facility  |
| Eligible counterparties                    | Resident credit institutions subject to reserve requirements with direct VIBER or BKR membership   |
| Proposed by                                | Money market counterparty  |
| Business hours for receiving Offers        | On business days between 08:30 and 18:15 CET, on Saturdays qualified as business days, between 08:30 and 15:15.  |
| content and formal requirements for Offers | In SWIFT MT298 SMT550 message specified in Annex 9 to the Business conditions for maintaining bank accounts or in a form specified in Annex 12 of the Business conditions for maintaining bank accounts and in the manner specified in the Business conditions for maintaining bank accounts |
| Number of Offers accepted from any bidder  | No restrictions  |
| Transaction limit                          | No restrictions  |
| Corrections                                | Not allowed  |
| Financial settlement / date of settlement  | T (transaction date)   |

1. In the event of any extraordinary modification of VIBER business hours Offers are accepted understanding deposit facilities until 15 minutes past the closing of VIBER.

#### IV.C. DEPOSIT TENDERS AND QUICK TENDERS

The MNB applies two different tender procedures: Tenders and quick tenders, subject to the following conditions:

| Description of transaction                        | Deposit tender  | Deposit quick tender   |
|---|---|--|
| <b>Date and place of notice/invitation</b>        | Latest by 09:00 CET on the day of the Tender on Reuters NBHK and Bloomberg NBH5 pages   | Latest by 16:00 CET on the day of the quick tender on Reuters NBHK and Bloomberg NBH5 pages  |
| <b>Contents of notice/invitation</b>              | Date, type, maturity, quantity of Tender and/or interest rate conditions consistent with the type of Tender, type of allocation   |  |
| <b>Eligible counterparties</b>                    | Resident credit institutions subject to reserve requirements with direct VIBER or BKR membership  |  |
| <b>Proposed by</b>                                | MNB   |  |
| <b>Business hours for receiving Offers</b>        | On the day of the Tender between 09:00 and 12:00 CET  | As described in the tender notice  |
| <b>Content and formal requirements for Offers</b> | Via Refinitiv Auction System, encrypted fax or encrypted, signed email (in case of fax or encrypted, signed email the tender-offer form attached as Annex 2 shall be used) in accordance with Point 7 under the General Conditions. |  |
| <b>Number of Offers accepted from any bidder</b>  | For variable rate and free Tenders 5, for fixed rate Tenders 1  | 1  |
| <b>Transaction limit</b>                          | At least HUF 10 million per Offer, which may be increased by integral multiples of HUF 1 million  | At least HUF 500 million per offer, which may be increased by integral multiples of HUF 10 million   |
| <b>Corrections</b>                                | Before the deadline for submission of Offers, on a new Offer form with the indication 'Amendment', showing all offers; previous Offers will be abolished  | Before the deadline for submission of Offers, on a new Offer form with the indication 'Amendment', showing all offers; previous Offers will be abolished |
| <b>Acceptance measure</b>                         | HUF 1 million   |  |
| <b>Date and place of announcements</b>            | On the day of the Tender at 14:00 CET, on the official MNB website and on the Reuters NBHK and Bloomberg NBH5 pages   | On the day of the Tender at 18:00 CET, on the official MNB website and on the Reuters NBHK and Bloomberg NBH5 pages                                      |
| <b>Description of announcements</b>               | - Tender conditions as contained in the tender notice   |  |
|   | - amount of Offers submitted  |  |
|   | - amount of Offers accepted   |  |
|   | - highest, lowest and average interest approved for the type of Tender, where applicable  |  |
| <b>Financial settlement / date of settlement</b>  | T (same as the trade date)  |  |

## **V. COLLATERALISED CENTRAL BANK LOANS**

### **V.A. GENERAL CONDITIONS FOR COLLATERALISED LOANS**

1. The MNB provides loans to money market counterparties in the context of Collateralised loan transactions against collateral in the form of securities and outstanding receivables of corporations owned by the money market counterparty with value established according to the rules of Pooled collateral valuation and pledged as collateral to the benefit of the MNB and blocked at KELER Zrt. in favour of the MNB by the money market counterparty. The procedure for the valuation of the stock of securities shall be defined by the MNB.
2. The MNB determines the Collateral value of the pledged securities and outstanding receivables of corporations or the stock of Collateralised loans on each working day based on the rules of End-of-day collateral revaluation, the Terms and Conditions, Notices and the terms of bank account management. At the end of every business day, the MNB compares the stock of outstanding Collateralised loans with the Collateral value of the stock of securities serving as collateral. At the MNB's request, the money market counterparty shall provide additional collateral if the Collateral value drops below the revalued Collateralised loan value.
3. The MNB reserves the right to revalue the pledged securities portfolio at any time during the day (Special collateral revaluation), during which the MNB may deviate in the process of the revaluation from the predetermined Initial prices and Acceptance ratios announced earlier and used during the previous End-of-day collateral revaluation.
4. The MNB reserves the right to unilaterally amend the risk control measure (Acceptance ratio) at any time. The MNB shall notify money market counterparties and market participants of any changes in the central bank's risk control measures and their effective date on the official MNB website and on the designated page of Reuters.
5. By concluding Collateralised loan, the money market counterparty guarantees that the securities pledged as collateral are free and clear of litigation, claims, encumbrances and legal defects, and corporate receivables are free and clear from litigation, claims and encumbrances.
6. The interest on securities and corporate receivables provided as collateral for the Collateralised loan for the duration of the Transaction is due to the money market counterparty.
7. Securities denominated in forint and in currencies different from forint will be accepted by the MNB until the third business day – until the collateral valuation at the end of the business day – before maturity, as collateral. Corporate receivables are accepted as collateral up to 1 month before their maturity date specified in the corporate loan contract.
8. The money market counterparty undertakes to repay the Collateralised loan amount indicated in the agreement on the value date of repayment plus interest.
9. Upon the collateral valuation of the Collateralised loans, the MNB shall take into consideration the underlying securities and corporate receivable(s) pledged for the maturing Collateralised loan. The MNB takes the securities and corporate receivable(s) representing collateral for the Collateralised loan repaid by the money market counterparty into account as the collateral for the Collateralised loan concluded on the day of settlement of the central bank claim arising from the Collateralised loan. If a central bank claim arising from a one-day or longer maturity collateralised loan is not repaid in compliance with the conditions applicable to the transaction in question (because the funds available on the money market counterparty's account are insufficient – not counting the underlying securities and corporate receivable(s) pledged as collateral for the Collateralised loan – or the money market counterparty did not apply for a new Collateralised loan to finance the repayment), the MNB may, at its own discretion and without being required to state the reasons for its decision – also in the absence of a specific new loan application on the part of the money market counterparty – extend an overnight collateralised loan to the money market counterparty in conformity with Point V.B of the Terms and Conditions for the same amount as the claim arising from the maturing Collateralised loan transaction. The money market counterparty shall pledge securities and offer corporate receivables under mortgage, meeting the requirements defined in the Terms and Conditions for eligible collateral

for such overnight collateralised loans to the MNB. The MNB shall notify the money market counterparty of the disbursement of such overnight collateralised loan. If the total Collateral value of the money market counterparty's free securities and corporate receivables portfolio and the securities underlying the maturing loan remain below the receivable due from this new overnight collateralised loan, the MNB shall define a Minimum account balance for the money market counterparty.

10. If the volume of the money market counterparty's Collateralised loans exceeds the Collateral value of the stock of securities and outstanding receivables of corporations pledged as collateral in the course of End-of-day or Special collateral revaluation, additional collateral shall be requested. If the money market counterparty fails to block additional collateral to the benefit of the MNB, the MNB shall define a Minimum account balance for the money market counterparty. If by 12:00 CET of the following business day the money market counterparty fails to comply with the Minimum account balance requirement of the previous day and the balance of its bank account does not reach the value of the Minimum account balance, the MNB shall have the right to cancel all loans of the counterparty with immediate effect. Upon termination, all claims arising from the loan, together with the related charges, shall become due and payable on the day following the receipt of the notice of termination. The MNB is entitled to exercise its claim against collateral on the stock of securities and its mortgage on the corporate receivables pledged to the MNB (Enforcement of collateral).
11. In performing the Enforcement of collateral the MNB provides for obtaining title to the securities pledged as collateral through direct enforcement, as well as for the enforcement of the mortgage on corporate receivables in a way selected by it. The MNB shall open a separate account for central bank's claims originating from the cancelled Collateralised loan contracts. The MNB shall record all cash flow occurred in connection with the securities and corporate receivable(s) in the course of enforcing its claims (deposits, payments, including the income from the sale of the securities or receivables to any extent) on this account.
12. The money market counterparty is aware of the rights of the MNB in the enforcement of the collateral, as specified by the MNB Act. In the enforcement of the collateral, the MNB exercises its rights originating from the collateral and defined by the MNB Act on the basis of any receivables related to the performance of its central bank functions, by way of direct satisfaction.
13. The MNB is entitled to satisfy its matured receivables from the money market counterparty from the assets and collateral available to the MNB, in a sequence defined by the MNB.
14. Until final financial settlement with the money market counterparty interest is paid daily on the current balance on the account. The rate of interest due on the negative (debit) balance of this account is the double of the prevailing central bank base rate, while the interest rate paid on the positive (credit) balance is the prevailing central bank base rate. Interest is booked at the time of final financial settlement.
15. In the context of the enforcement of pledged securities, final financial settlement with the counterparty is executed upon the sale of the enforced securities or upon their maturity if the sale failed. If the proceeds from the sale of securities exceed the total amount due by the money market counterparty, the MNB shall credit the difference to money market counterparty's bank account. If the money received does not cover the total amount due by the money market counterparty, the MNB shall debit the difference to the money market counterparty's bank account. If the difference cannot be recovered, the MNB shall record the amount as an outstanding receivable from the money market counterparty. The interest rate charged on this outstanding receivable is the double of the prevailing central bank base rate.
16. When enforcing the mortgage on pledged corporate receivables, the settlement with the customer shall be governed by the provisions of Act V of 2013 on the Civil Code.
17. A counterparty that is removed from the list of eligible money market counterparties shall repay its collateralised loan portfolio to the MNB at or before 12:00 CET on the day of removal, otherwise enforcement of the securities portfolio will be conducted
18. The matters not regulated in this chapter shall be governed by the Business conditions for maintaining bank accounts.

## V.B. STANDING COLLATERALISED LENDING FACILITY

1. The MNB shall extend overnight collateralised loans to money market counterparties payable at the end of day with (T) value date, secured by the securities portfolio and pledged corporate receivables of the money market counterparty pledged on an account at KELER Zrt. in favour of the MNB as collateral security.
2. The money market counterparty shall be entitled to repay the overnight collateralised loan during VIBER business hours. After VIBER business hours the MNB shall be entitled to recover the loan amount plus interest from money market counterparty's bank account.
3. In the event of any extraordinary modification of VIBER business hours Offers are accepted under collateralised lending facility until 15 minutes past the closing of VIBER.
4. If the money market counterparty appointed as a quoting bank refuses to undertake or to perform its obligations arising from the BUBOR Regulation, upon the money market counterparty's receipt of the MNB's notice thereon, the MNB shall offer the overnight collateralised loan to the money market counterparty against an interest rate 200 basis points higher than the announced interest rate.

| Description of transaction                        | Standing collateralised lending facility   |
|---|--|
| <b>Date and place of notice/invitation</b>        | Standing facility  |
| <b>Eligible counterparties</b>                    | Resident credit institutions subject to reserve requirements with direct VIBER or BKR membership and with KELER securities account, who specify directly their bank accounts maintained at the MNB or the accounts maintained under their own GIRO-code in order to transfer by the KELER Zrt. the sum of money stemming from the maturing securities, in the case of forint denominated securities pledged in favour of the MNB |
| <b>Proposed by</b>                                | Money market counterparty  |
| <b>Business hours for receiving Offers</b>        | On business days between 08:30 and 18:15 CET, on Saturdays qualified as business days, between 08:30 and 15:15   |
| <b>Content and formal requirements for Offers</b> | After a prior notice is given by phone, by way of an MT298 SMT500 SWIFT message specified in Annex 9 to the Business conditions for maintaining bank accounts or in a form specified in Annex 5 to the Business conditions for maintaining bank accounts and in the manner specified in the Business conditions for maintaining bank accounts  |
| <b>Number of Offers accepted from any bidder</b>  | No restrictions  |
| <b>Transaction limit</b>                          | The securities portfolio and outstanding receivables of corporations pledged in security for the loan  |
| <b>Corrections</b>                                | Not allowed  |
| <b>Financial settlement / date of settlement</b>  | T  |

## V.C. COLLATERALISED LOAN TENDERS AND QUICK TENDERS

1. Once concluded, the MNB may satisfy the transaction even if the securities and corporate receivables collateral is insufficient, in which case the money market counterparty is given a Minimum balance in accordance with the Business conditions for maintaining bank accounts (Point V.A.10) upon collateral revaluation.
2. Confirmation is sent to the money market counterparty on the day of the Tender concerning the transaction by encrypted fax.
3. The money market counterparty is not allowed to make prepayments.

The MNB applies two different Tender procedures: tenders and quick tenders, subject to the following conditions:

| Description of transaction                        | Collateralised loan tender   | Collateralised loan quick tender   |
|---|--|--|
| <b>Date and place of notice/invitation</b>        | At or before 11:30 CET on the day of the Tender on Reuters COLLATLOAN and Bloomberg NBH7 pages   | At or before 11:30 CET on the day of the Tender on Reuters COLLATLOAN and Bloomberg NBH7 pages   |
| <b>Contents of notice/invitation</b>              | Date, type, maturity, quantity of Tender and/or interest rate conditions consistent with the type of tender, type of allocation and date of settlement   |  |
| <b>Eligible counterparties</b>                    | Resident credit institutions subject to reserve requirements with direct VIBER or BKR membership and with KELER securities account, who specify directly their bank accounts maintained at the MNB or the accounts maintained under their own GIRO-code in order to transfer by the KELER Zrt. the sum of money stemming from the maturing securities, in the case of forint denominated securities pledged in favour of the MNB | Resident banks subject to reserve requirements with direct VIBER or BKR membership and with KELER securities account, who specify directly their bank accounts maintained at the MNB or the accounts maintained under their own GIRO-code in order to transfer by the KELER Zrt. the sum of money stemming from the maturing securities, in the case of forint denominated securities pledged in favour of the MNB |
| <b>Proposed by</b>                                | MNB  |  |
| <b>Business hours for receiving Offers</b>        | As specified in the tender notice  | 45 minutes following the quick tender notice   |
| <b>Content and formal requirements for Offers</b> | Via Refinitiv Auction System, encrypted fax or encrypted, signed email (in case of fax or encrypted, signed email the tender-offer form attached as Annex 2 shall be used) in accordance with Point 7 under the General Conditions.  |  |
| <b>Number of Offers accepted from any bidder</b>  | As specified in the tender notice  | 1  |
| <b>Transaction limit</b>                          | At least HUF 100 million per offer, which may be increased by integral multiples of HUF 10 million   | At least HUF 500 million per offer, which may be increased by integral multiples of HUF 10 million   |

|  |   |   |
|--|---|---|
| <b>Corrections</b>                               | Before the deadline for submission the last received Offer shall be accepted for processing | Before the deadline for submission the last received Offer shall be accepted for processing   |
| <b>Acceptance measure</b>                        | HUF 1 million   |   |
| <b>Date and place of announcements</b>           | On the Refinitiv COLLATLOAN and Bloomberg NBH7 pages and on the official MNB website        | On the day of quick tender 45 minutes following the final deadline on Reuters and Bloomberg pages specified in the notice and on the official MNB website |
| <b>Description of announcements</b>              | - Tender conditions as contained in the notice  |   |
|  | - amount of Offers submitted  |   |
|  | - amount of Offers accepted   |   |
|  | - highest, lowest and average interest approved for the type of Tender, where applicable    |   |
| <b>Financial settlement / date of settlement</b> | T, T+1 or T+2   | T (same as the trade date)  |



## **VI. TERMS AND CONDITIONS FOR OPERATIONS BETWEEN FORINT AND OTHER CURRENCIES, AND IN FOREIGN CURRENCIES**

### **VI.A. FX SWAP TRANSACTIONS CONDUCTED BY THE MNB**

1. The MNB shall apply the prevailing exchange rate in the starting leg of the transactions.
2. In relation to those operations when the MNB receives forint in the starting leg of the transaction, the MNB shall maintain a margin account to the money market counterparty in forints and shall reevaluate the money market counterparty's all existing FX swap transactions associated with the foreign currency liquidity providing of the MNB, on a daily basis according to the prevailing foreign exchange rate. In respect of these operations the sum of the amount on the forint leg increased by interest, and the amount on the margin account (collectively: forint margin) shall reach every day the minimum amount defined by the process described in the Notice announced by the MNB regarding the current type of transaction. The current balance of the margin account shall serve as collateral to cover the claim of the MNB arising from the FX-swap transaction of the central bank. If the forint margin of a money market counterparty does not reach the required amount upon the daily revaluation, the MNB, while simultaneously notifying the money market counterparty (via MT900 swift message), will debit the money market counterparty's bank account at the MNB by the amount needed to restore the required margin and will credit the amount to the margin account of the money market counterparty. If the forint margin exceeds the required amount upon the daily revaluation, the MNB will subtract the amount in excess of the required margin from the money market counterparty's margin account and add to its bank account at the MNB, while simultaneously notifies the money market counterparty (via VIBER MT202 swift message). The balance on the money market counterparty's margin account turns negative when the MNB incurs an obligation to place margin on the same account. The MNB remunerates the money market counterparty's positive balance on the margin account at the prevailing central bank base rate, with interest settled on the money market counterparty's bank account at the MNB on the last working day of the month. The money market counterparty pays interest to the MNB at the prevailing central bank base rate for the negative balance on the money market counterparty's margin account, with interest debited by the MNB to the money market counterparty's bank account at the MNB on the last working day of the month. If the FX rates or yields change in the market by more than the usual extent, the MNB reserves the right – up to the extent of the changes – to modify the margin values defined according to the process described in the Notice published by the MNB on the given transaction type, even within the same day, about which the MNB shall notify the Counterparties.
3. The MNB shall reevaluate the money market counterparty's all existing FX swap transactions associated with the forint liquidity providing of the MNB, on a daily basis according to the prevailing foreign exchange. The value of each leg is determined by charging pro rata interest on the initial amounts. The foreign currency amount is converted into forint at the official exchange rate quoted by the MNB on the given day. By placing collateral, the money market counterparty and the MNB ensure that the value of the MNB's claim in the HUF leg and the MNB's liability in the FX leg calculated as described in the Notice – considering the value of the collateral – is equal. Details of the required collateral placement are set out in the Notice for the relevant FX swap transaction.
4. All mutual obligations between the MNB and the money market counterparty arising from any maturing as well as new transactions conducted under all FX swap tenders of the MNB, 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. In the case of operations where there is a delay in fulfilment upon maturity, unless the MNB provides otherwise, the money market counterparty shall keep the collateral amount defined by the MNB, compliant with the current market conditions on the margin account, until the amount belonging to the maturity leg of the FX swap operation has been received or the MNB has terminated the operation.
5. The MNB shall be entitled to terminate the FX swap transaction in the event of the money market counterparty's default or late performance or non-performance, a result of which, all claims arising from the FX swap transaction, including additional charges, shall become due on the day following receipt of the termination notice, and - taking

into account monetary policy considerations - the MNB shall determine in its termination notice the settlement method by choosing one of the following two options:

a) the MNB and the money market counterparty shall mutually set off their payment obligations (taking into account the nominal value and interest) arising from the terminated central bank FX swap transaction(s) in the same currency, settle them on a net basis and pay each other only the difference in the respective currency; or

b) the MNB shall convert the foreign currency payment obligations (including nominal value and interest) resulting from the terminated central bank FX swap transaction(s) into forint on the basis of the prevailing foreign exchange rates and the parties shall mutually set off their payment obligations in forint resulting from the terminated central bank FX swap transaction(s), on a net basis, and shall pay each other only the value of the difference.

6. In relation to the FX swap transactions conducted by the MNB (including the event of termination), the MNB may apply the Payment after payment principle, meaning that the MNB shall meet any of its payment obligation stemming from these transactions only after the money market counterparty's performance of its payment obligation.
7. Relating to its FX swap transactions, the MNB shall apply fixed, variable or free Tenders.
8. The MNB publishes the Notice of the various types of transactions on the official MNB website and also announces the detailed conditions of each Tender as an invitation at designated Reuters and Bloomberg pages.

| Description of transaction                         | FX swap tender of the MNB   |
|--|---|
| <b>Contents of notice/invitation</b>               | Time for submission of Offers, date of settlement of the starting and maturing legs (value date and maturity date), , the current spot exchange rate used in the transactions, maximum or minimum acceptable swap point and maximum offered amount or the price of the foreign exchange liquidity expressed in swap point   |
| <b>Date and place of notice/invitation</b>         | On the designated Reuters and Bloomberg pages defined in the Notice   |
| <b>Eligible counterparties</b>                     | Those resident credit institutions subject to reserve requirements with direct VIBER or BKR membership, that comply with conditions set out in the Notice   |
| <b>Proposed by</b>                                 | MNB   |
| <b>Business hours for receiving Offers</b>         | As specified in the Notice  |
| <b>Content and formal requirements for Offers</b>  | Offers may be submitted via Refinitiv Auction System, encrypted fax or encrypted, signed email with the content described in the Notice   |
| <b>Content of Notice beyond the aforementioned</b> | <ul style="list-style-type: none"> <li>• Allocation procedure</li> <li>• Number of Offers accepted from any bidder</li> <li>• Transaction limit</li> <li>• Corrections</li> <li>• Date and place of announcements, description</li> <li>• Settlement date of the starting leg (value date)</li> <li>• Conditions of completion of the payment obligations toward the MNB</li> </ul> |

## VI.B. SPOT FOREIGN EXCHANGE TRANSACTIONS IN FORINT AND OTHER CURRENCIES

### VI.B.1. Spot foreign exchange transactions at the edge of the intervention band

|  |  |
|--|--|
| <b>Description of transaction</b>                | <b><i>Spot foreign exchange transactions at the edge of the intervention band</i></b>                              |
| <b>Date of notice/invitation</b>                 | Standing facility  |
| <b>Contents of notice/invitation</b>             | —  |
| <b>Eligible counterparties</b>                   | Resident credit institutions with an MNB bank account and with a SWIFT code  |
| <b>Proposed by</b>                               | Money market counterparty  |
| <b>Business hours for receiving Offers</b>       | Between 9:00 and 17:00 CET   |
| <b>Number of Offers accepted from any bidder</b> | No restrictions  |
| <b>Transaction limit</b>                         | Minimum EUR 4 million or an amount of foreign currency exceeding it with round multiples of hundred thousand units |
| <b>Corrections</b>                               | Not allowed  |
| <b>Quoted HUF exchange rate</b>                  | At the prevailing intervention margins of MNB  |
| <b>Intervention currency</b>                     | Euro   |
| <b>Financial settlement / date of settlement</b> | T+2  |

1. Forint payment may be made to the forint accounts specified by the money market counterparty, managed by the MNB, identified in terms of name of bank, premise, and account number (the latter if applicable).
2. Payment in other currencies:
  - a) will be made to the accounts the money market counterparty has designated at the time of the transaction indicating the bank, business establishment, and account number specification where applicable, or
  - b) based on the list containing the money market counterparty's standing correspondent accounts for conversion between foreign currencies and forint under the Terms and Conditions (Standard Instructions).

The procedures referred in a) and b) may not be alternated in relation to a given money market counterparty.

3. The notification or the modification of the list containing the standing correspondent accounts referred to in 1.b) (Standard Instructions) shall be sent to the MNB Directorate Money and Foreign Exchange Market indicating the currency, the bank, business establishment and the account number specification where applicable, and the value date at least 7 (seven) business days before the value date, in writing with the authorised signature affixed, or on SWIFT. The correspondent accounts indicated by the money market counterparty may not be altered on a case-by-case basis. The standing correspondent accounts of the MNB under the Terms and Conditions relating to forint and foreign currency conversions are contained on the official MNB website.
4. The MNB shall accept all Offers for forint and foreign currency conversions at the edge of the band under the Terms and Conditions.
5. The MNB shall apply the principle of payment after payment (PaP) in all spot foreign exchange transactions at the edges of the band, meaning that the MNB shall honour its obligations stemming from these transactions after the money market counterparty's performance on value date (at or before 13:00 CET).

*VI.B.2. Intraday spot foreign exchange transactions*

| <b>Description of transaction</b>                | <b><i>Intraday spot foreign exchange transactions</i></b>   |
|--|---|
| <b>Date of notice/invitation</b>                 | During business hours   |
| <b>Contents of notice/invitation</b>             | Conversion Offer or invitation  |
| <b>Eligible counterparties</b>                   | Resident credit institutions with an MNB bank account and with a SWIFT code, and non-resident credit institutions with MNB-limit and SWIFT code |
| <b>Proposed by</b>                               | Money market counterparty/MNB   |
| <b>Business hours for receiving Offers</b>       | Market business hours   |
| <b>Number of Offers accepted from any bidder</b> | No restrictions   |
| <b>Transaction limit</b>                         | No restrictions   |
| <b>Corrections</b>                               | Not allowed   |
| <b>Financial settlement / date of settlement</b> | T+2   |

1. Forint payment may be made to the forint accounts specified by the money market counterparty, managed by the MNB, identified in terms of name of bank, premise, and account number (the latter if applicable).
2. Payment in foreign currencies
  - a) will be made to the accounts the money market counterparty has designated at the time of the transaction indicating the bank, business establishment, and account number specification where applicable, or
  - b) based on the list containing the money market counterparty's standing correspondent accounts for conversion between foreign currencies and forint under the Terms and Conditions (Standard Instructions).

The procedures referred in a) and b) may not be alternated in relation to a given counterparty.

3. The notification or the modification of the list containing the standing correspondent accounts referred to in 2.b) (Standard Instructions) shall be sent to the MNB Directorate Money and Foreign Exchange Market indicating the currency, the bank, business establishment and the account number specification where applicable, and the value date at least 7 (seven) business days before the value date, in writing with the authorised signature affixed, or on SWIFT. The correspondent accounts indicated by the money market counterparty may not be altered on a case-by-case basis. The standing correspondent accounts of the MNB under the Terms and Conditions relating to forint and foreign currency conversions are contained on the official MNB website.

## VI.C. FOREIGN CURRENCY DEPOSIT TRANSACTIONS

|  |  |
|--|--|
| <b>Description of transaction</b>                | <b><i>Foreign currency deposit transactions</i></b>  |
| <b>Date of notice/invitation</b>                 | Standing facility  |
| <b>Contents of notice/invitation</b>             | —  |
| <b>Eligible counterparties</b>                   | Resident banks and specialised credit institutions   |
| <b>Proposed by</b>                               | Money market counterparty  |
| <b>Business hours for receiving Offers</b>       | Between 08:30 and 16:00 CET<br>O/N - daily, from 8:30 to 12:00 CET, in case of EUR or USD to 16:00 CET |
| <b>Number of Offers accepted from any bidder</b> | No restrictions  |
| <b>Transaction limit</b>                         | Minimum EUR 3 million or equivalent in another convertible currency (2.) rounded to 100,000            |
| <b>Corrections/opening</b>                       | Not allowed  |
| <b>Maturity</b>                                  | Maximum 1 year   |
| <b>Financial settlement / date of settlement</b> | T+2; in case of T/N: T+1; in case of O/N: T  |

1. The interest rate will be established at the time of contracting in tune with current trends on international money markets.
2. A transaction may be executed in a convertible currency in which the MNB has an account relationship and which the MNB gives information of at the time of concluding the transaction.

**DECLARATION**

We, the undersigned ....., as the money market counterparty of the Magyar Nemzeti Bank (hereinafter: MNB) hereby

– declare to understand the Terms and Conditions of the operations of the central bank in forint and foreign currency markets (hereinafter: Terms and Conditions)

– acknowledge that the above Terms and Conditions shall comprise a part – unless otherwise agreed – of the individual contracts to be concluded in connection with forint and foreign exchange transactions,

– acknowledge that the MNB has the right to unilaterally alter the above Terms and Conditions, upon notifying the money market counterparty in advance.

|  |            |        |
|--|------------|--------|
| Our contact person money market dealers: | Telephone: | Email: |
| .....                                    | .....      | .....  |
| .....                                    | .....      | .....  |
| .....                                    | .....      | .....  |

Particulars of the KELER Zrt. securities account:

KELER securities account number and type:

.....

Budapest,..... 20

.....  
Authorised signature of money market counterparty

**TENDER OFFER FORM<sup>1</sup>**

– FOR DEPOSIT TENDERS

– FOR COLLATERALISED LOAN TENDER

.....  
name of bidder

Concerning the period from ..... to ..... the amount we propose to conclude with the MNB:

| No. | Amount (million HUF) | Offered/expected interest <sup>2</sup> (%) <sup>3</sup> |
|-----|----------------------|---|
| 1.  | .....                | .....   |
| 2.  | .....                | .....   |
| 3.  | .....                | .....   |
| 4.  | .....                | .....   |
| 5.  | .....                | .....   |

.....  
date

.....  
authorised signature

<sup>1</sup> Clearly indicate the type of transaction (e.g. by circling).

<sup>2</sup> For 360 days, rounded to two decimal places.

<sup>3</sup> Does not apply to fixed rate Tenders. If, in the case of a fixed rate Tender, the offered/expected rate is announced, it shall not be taken into consideration and the offered quantity shall be valid at the fixed rate announced by the MNB.



**Expansion of the scope of eligible collateral with corporate receivables**

Name of money market counterparty :.....

**01. Data of corporate receivables offered for collateral\***

| N o. | Refere nce date | GIRO code of reporti ng party | Type of data supply | Information on the corporation |                        |                      |                      | Information on the receivables |                          |                        |                    |                |                              |                       |                          |                               |                        |                   |  |                         |                                    |                                       |   |  |  |
|------|-----------------|-------------------------------|---------------------|--------------------------------|------------------------|----------------------|----------------------|--------------------------------|--------------------------|------------------------|--------------------|----------------|------------------------------|-----------------------|--------------------------|-------------------------------|------------------------|-------------------|--|-------------------------|------------------------------------|---------------------------------------|---|--|--|
|      |                 |                               |                     | KSH (HCSO) No. of corporat ion | Sector of corporat ion | Name of corporat ion | Seat of corporat ion | Loan contr act ID              | CRS ID of loan contr act | Date of loan contr act | Disbur sement date | Loan maturit y | Loan amount in loan contract | Curre nt loan amou nt | Type of loan collate ral | Star t date of olde st dela y | Date of restruc turing | Funds in arrea rs | Reas on for remo val from eligib le collat erals | Curren cy type ISO code | Date of due principl al repay ment | Amoun t of due principl al repay ment | ID of the refina ncing loan receiv able |  |  |
| 01   |                 |                               |                     |                                |                        |                      |                      |                                |                          |                        |                    |                |                              |                       |                          |                               |                        |                   |  |                         |                                    |                                       |   |  |  |
| 02   |                 |                               |                     |                                |                        |                      |                      |                                |                          |                        |                    |                |                              |                       |                          |                               |                        |                   |  |                         |                                    |                                       |   |  |  |
| ...  |                 |                               |                     |                                |                        |                      |                      |                                |                          |                        |                    |                |                              |                       |                          |                               |                        |                   |  |                         |                                    |                                       |   |  |  |
| n    |                 |                               |                     |                                |                        |                      |                      |                                |                          |                        |                    |                |                              |                       |                          |                               |                        |                   |  |                         |                                    |                                       |   |  |  |

.....  
date

.....  
authorised signature

**\*Technical notes: The data supply shall be submitted in CSV separated by semicolon (in comma separated value format, but with .NHV extension). The naming of documents submitted through the GIROHáló GIROFile ‘viber’ channel shall follow the PTRGGGEEHHNNS.nvh naming convention, which is structured as the following: PTR – fixed character line; GGG – the GIRO code of the data supplier; EEHHNN – the date of the data supply; SS – serial number of the data supply, which has the default value of 01 which shall be increased in case of resubmission of the data within the same value day. The MNB processes the data supplied until 11 a.m. on working days until the closing of the VIBER on that day.**

| <i>Field</i>                                | <i>Set of values</i>                     | <i>Explanation</i>  |
|---|--|---|
| <i>Reference number</i>                     | Numerical                                | In the report for the given day the unique identifier of the respective corporate receivable, may be freely changed in time.  |
| <i>Reference date</i>                       | Date in the following format: YYYY/MM/DD | Reference date of the data  |
| <i>GIRO code of reporting party</i>         | 3-character GIRO code                    | GIRO code of reporting bank.  |
| <i>Type of data supply</i>                  | NEW                                      | New corporate receivable: New receivable added to the data supply. This is the way to report a corporate receivable that was already included in the data supply earlier, but was removed for a temporary period.   |
|   | UPDATED                                  | Modified corporate receivable: One of the characteristics of the receivable reported in the previous data supply changed.   |
|   | UNCHANGED                                | Unchanged corporate receivable: A receivable included in the previous data supply with the same contents.   |
|   | WITHDRAW                                 | Corporate receivable flagged for removal from collaterals. If the MNB does not approve the abolition of the corporate receivable as collateral, it shall notify the money market counterparty to this effect in writing on the day of the data supply, and then the money market counterparty shall be obliged to supply data on this corporate receivable on a continuous basis. If the MNB approves the abolition of the corporate receivable as collateral and the money market counterparty has removed it from the collaterals (flagged it as "Withdraw"), the respective corporate receivable shall not be included in the next report. |
| <i>KSH master number of the corporation</i> | 8 numeric characters / 20 characters     | KSH (HCSO) master number of corporation (including the debtor of the corporate receivable and the debtor of the refinancing loan contract) (first eight characters of tax number), as numeric data. LEI number if the KSH number is not available.  |
| <i>Sector of corporation</i>                | 1 character                              | In relation to the classification of the corporate sector, the provisions in point I.A.4. of Annex 2 of MNB Decree on the data supply obligation for the performance of the basic tasks of the Magyar Nemzeti Bank shall apply. Fill in according to the code list.   |
| <i>Name of corporation</i>                  |  | Name of corporation   |

|  |   |  |
|--|---|--|
| <i>Seat of corporation</i>                                     | <b>Address of the seat of the corporation</b> | <b>Seat of corporation</b>   |
| <i>ID of loan contract</i>                                     |   | Unique contract ID of the contract on the corporate receivable, applied by the data supplier, being the unique identifier in HITREG (INSTR.INSTR_AZON). When submitting the documents in accordance with section 6.12 it must be also specified in the ERA system (EFORM comment field)  |
| <i>KHR ID of loan contract</i>                                 |   | Unique contract ID of the contract on the corporate receivable, as applied in the CRS.   |
| <i>Date of loan contract</i>                                   | Date in the following format: YYYY/MM/DD      | The date of signing the loan contract on the corporate receivable. If the contract on the corporate receivable was signed by the parties on different days, as specified in the contract, the date of the latest signature on the contract on the corporate receivable.  |
| <i>Disbursement date</i>                                       | Date in the following format: YYYY/MM/DD      | The disbursement date. If disbursement is made in several parts, the date of disbursing the first part shall be specified. When the rest of the amounts are disbursed, this column shall not be modified, only the amount in the current corporate receivable column shall be increased with the amount of the latest disbursements, on the working day before the new disbursement. |
| <i>Loan maturity</i>   | Date in the following format: YYYY/MM/DD      | The maturity date specified in the loan contract on the corporate receivable.  |
| <i>Loan amount in loan contract</i>                            |   | The total loan amount specified in the contract on the corporate receivable. When the disbursement is in several parts, the full amount is entered here.   |
| <i>Current outstanding balance of the corporate receivable</i> |   | The corporate receivable value increased by the disbursed amounts and decreased by the principal repayments. If the expected repayment is not received by the data supplier, the value of the column cannot be reset.  |

|   |  |  |
|---|--|--|
| <b>Type of the collateral securing the loan</b> | <b>A: financial collateral</b><br><b>B: tangible collateral on real estate</b><br><b>C: tangible collateral on movable assets</b><br><b>D: financial leasing</b><br><b>E: tangible collateral on receivables</b><br><b>F: credit or bank guarantee, or factored receivables</b><br><b>G: joint and several guarantee, NFA repurchase right</b><br><b>H: loan derivatives</b> | As the type of the corporate receivable, maximum two types of collateral can be specified, in the sequence of the importance of the collateral. It has to be filled in according to the code list. In the case of multiple types of collateral, the codes of individual collateral shall be entered one after the other, without adding spaces.      |
| <b>Start date of oldest delay</b>               | Date in the following format: YYYY/MM/DD   | The calendar date of the oldest delay shall be entered here. The day following the repayment date specified in the contract on the corporate receivable, if the amount is not received on the bank account specified by the data supplier. The data supply shall be performed from the 5 <sup>th</sup> working day following the start of the delay. |
| <b>Date of restructuring</b>                    | Date in the following format: YYYY/MM/DD   | The planned calendar date of the restructuring shall be specified.   |
| <b>Reason for removal from the collaterals</b>  | <b>NE: the corporate receivable does not meet the requirements of the MNB</b><br><b>OT: other</b>  | In the case of corporate receivables flagged for removal from the collaterals in the type of data supply, the reason for initiating for cancelling the mortgage pledged to the MNB must be indicated here.   |
| <b>Principal in arrears</b>                     |  | The principal in arrears   |
| <b>Currency ISO code</b>                        |  | Currency code of the principal amount of the corporate receivable  |
| <b>Date of due principal repayment</b>          | Date in the following format: YYYY/MM/DD   | Date of the next principal repayment   |
| <b>Amount of due principal repayment</b>        |  | Amount of the next principal repayment, in integer currency. Use the currency type that was specified in the currency type ISO code field.   |
| <b>ID of the refinancing loan contract</b>      |  | This field is to be filled in the case of 6.7 b). The unique contract ID of the refinancing loan contract applied by the reporting entity. (The "Loan contract ID" field reported in the case of refinancing loan contracts).  |

## Notice on the acceptance of corporate loans as collateral

The terms of accepting corporate loans as collateral by the Magyar Nemzeti Bank (MNB) are regulated by

- the terms and conditions of the operations of the central bank in forint and foreign currency markets (hereinafter: Terms and Conditions), and
- the mortgage contract concluded with credit institutions acting as money market counterparties.

The money market counterparty shall send the data supply (Data Supply) defined in Annex 3 of the Terms and Conditions when

- corporate receivables are offered as collateral,
- the MNB requests a modification or clarification in connection with corporate receivables offered as collateral, and
- in the case of changes in corporate receivables already accepted as collateral and affecting the data in previous data supplies, or in the case of non-compliance with any condition specified in the Terms and Conditions.

It is necessary to supply new data when at least one parameter – included in the data supply – of at least one receivable has changed compared to the previous report. Irrespective of whether or not any change has occurred during the 30 calendar days after the latest data supply in any parameter of the corporate receivable reported formerly to the MNB through the data supply, one month after the submission of the data supply (or if it is not a working day, on the first working day thereafter) all data supplies that contain corporate receivables pledged to the MNB under a mortgage arrangement must be submitted to the MNB. In these cases, unchanged items also need to be reported (marked as UNCHANGED).

On the basis of the mortgage contract, the fact that the MNB includes corporate receivables in the pooled collateral valuation according to the Terms and Conditions is not an acknowledgement of the fact that the terms of offering an item as collateral were satisfied according to the mortgage contract and the Terms and Conditions, and on the other hand, the MNB is entitled to exclude corporate receivables not meeting the terms defined in the Terms and Conditions from the pool of collateral, therefore – regarding already accepted collateral, too – if the MNB finds it justified, then based on other data available to it or based on publicly available information, the MNB may ask the money market counterparty to certify the compliance (Compliance) with the terms specified in the Terms and Conditions and in the mortgage contract in connection with the submitted corporate loans, or may exclude the receivables from the pool of eligible collateral. If the money market counterparty does not certify Compliance within the deadline specified by the MNB, the MNB may exclude the given corporate receivables from the pool of eligible collateral.

This notice describes the above procedure of the MNB, and offers guidance to money market counterparties on the options available to them to certify Compliance.

The MNB regularly checks compliance and examines whether the data supply is consistent with the HITREG and with the documents provided to the MNB, and checks compliance with those points of the Terms and Conditions that can be verified from the HITREG and other central bank databases, regular data supplies and public databases (e.g. Open database, records of supervised institutions). As a condition of accepting corporate receivables as collateral, the MNB requires the data included in the data supply to be consistent with the data stored in the HITREG, the documents

provided to the MNB, other central bank databases, regular data supplies and public databases. Should there be a contradiction between the data supply and such databases, that may be considered by the MNB as information giving reason to question Compliance. For example, in the case of the KHR identifier, the MNB expects it to be included in the HITREG; it also requires the currency type of the receivables in the data supply to be identical with the currency type in the HITREG.

Based on the foregoing it is essential that the money market counterparty ensures

- (i) the consistency of its HITREG data supply with its data supply under Annex 3 to the Terms and Conditions and with the documentation provided to the MNB;
- (ii) the unambiguous mapping of the receivables reported in HITREG and in the data supply under Annex 3.

If, in the course of the inspection, the MNB obtains any information about a corporate receivable that gives reason to question Compliance, the following order of procedures shall be followed.

- (1) If the MNB finds in the respect of the corporate receivables offered in the Data Supply that the lack of Compliance is significant, the MNB records the given receivables with 0 collateral value until the money market counterparty certifies Compliance by submitting additional documents.
- (2) If the MNB finds in the respect of the corporate receivables offered in the Data Supply that the lack of Compliance is not significant or of technical nature, the MNB accepts the given receivables as collateral, but demands the money market counterparty to certify Compliance beyond reasonable doubt, if necessary by submitting additional documents or correcting the data in the Data Supply. If the money market counterparty does not certify Compliance within the deadline set in the relevant notice, the MNB records the given corporate receivables with 0 collateral value until the money market counterparty certifies Compliance by submitting additional documents. If the MNB learns that the receivable securing the corporate receivable qualifying as receivable from a refinancing loan contract, offered to it as collateral, has already been pledged by another money market counterparty to the MNB, the MNB will call upon the money market counterparty providing the collateral earlier to proceed as described in this point.

In both cases specified in points 1) and 2), if the certification of the Compliance of corporate receivables may be completed by submitting documents other than the documents specified in section 6.12 of the Terms and Conditions, the money market counterparty may submit the documents in the „Electronic system for the reception of authenticated data” (ERA) system. The MNB accepts the receivables as collateral at the latest on the 2<sup>nd</sup> working day following the submission of the missing documents, provided that the missing documents certify Compliance beyond reasonable doubt and after the uploading of the document to the ERA system, the money market counterparty informs the MNB about it in email (fedezetek@mn.hu).

In both cases specified in points 1) and 2), if the certification of the Compliance of corporate receivables can be completed by re-sending the Data Supply, the MNB – in case of receipt until 11 a.m. – accepts corporate receivables as collateral at collateral values corresponding to the acceptance rate specified in the document titled “Risk management parameters applied for collateral accepted by the MNB” on the day of receiving the new Data Supplies, provided that the corrected Data Supplies certify compliance beyond reasonable doubt.

- (3) If the lack of Compliance can be attributed to the fact that the money market counterparty did not provide the MNB with the documents specified in section 6.12 of the Terms and Conditions within the deadline, the MNB may exclude the given corporate receivable from the pool of eligible collateral in the following cases:

- The documents specified in sections 6.12. i) and ii) of the Terms and Conditions do not arrive on the working day following the Data Supply through the ERA system, and the money market counterparty does not submit the

documents on the working day following the MNB's notice, either. The submission of the missing documents to the ERA system shall be indicated at the fedezetek@mn.b.hu address ,too.

- The documents specified in section 6.12. iii) of the Terms and Conditions do not arrive in the month following the Data Supply through the ERA system, and the money market counterparty does not submit the documents within five working days of the MNB's notice, either. The submission of the missing documents to the ERA system shall be indicated at the fedezetek@mn.b.hu address, too.

Receivables excluded this way may be added again to the pool of eligible collateral at the latest on the 2<sup>nd</sup> working day following the submission of the missing documents through the ERA system and sending the relevant notice in email.

The MNB draws money market counterparties' attention to the fact that – without affecting the procedures defined in the Terms and Conditions of bank account management in the case of insufficient funds – receivables already accepted but not reaching Compliance shall not be excluded by the MNB from the pool of eligible collateral, but shall be recorded as collateral with 0 value until the money market counterparty is able to provide any other acceptable collateral that meets the Terms and Conditions.

Please send your questions about the technical guide to the fedezetek@mn.b.hu address.