



16 October 2008

The MNB's O/N FX swap standing facility providing euro liquidity under an agreement between the Magyar Nemzeti Bank and the European Central Bank

Under an agreement concluded between the Magyar Nemzeti Bank and the European Central Bank on 16 October 2008, the Magyar Nemzeti Bank is introducing an overnight FX swap facility providing euro liquidity from 16 October 2008 until countermanded. Within the framework of the new standing facility, counterparties of the MNB may place forint amounts in exchange for euros on business days, at a pre-specified price, undertaking an FX swap transaction. The MNB will announce the deadline for accepting bids and the pre-specified price, expressed in swap points, on Reuters' NBHM and Bloomberg's NBH10 wire service pages on business days until 11 a.m. the latest.

The MNB defines the technical exchange rate used on the starting leg of its O/N FX swap standing facility providing euro liquidity as 110 per cent of the prevailing market exchange rate. The maturing leg of transactions is adjusted similarly. The product of the adjusted exchange rate on the starting leg and the amount of euros allotted to a given counterparty will yield the forint amount which the counterparty shall allot to the MNB on the starting leg of the transaction, in exchange for the amount of foreign currency allotted to the same counterparty.

The payment after payment (PaP) principle is applied to the O/N FX swap standing facility providing euro liquidity, meaning that the MNB shall honour its obligation arising from such transactions after the counterparty has met its settlement obligation.

Detailed procedures and conditions for the O/N FX swap standing facility providing euro liquidity

Type of transaction	Euro liquidity providing O/N FX swap facility
Time, place and contents of announcement/invitation	Daily standing facility from 16 October 2008 until cancellation. The MNB announces the exact time of the facility and the price of euro liquidity, expressed in swap points, until 11 am at the latest on business days on Reuters' NBHM and Bloomberg's NBH10 wire service pages
Eligible counterparties	Resident credit institutions who fall under the MNB's reserve requirement with the MNB, with direct membership in VIBER or BKR
Initiator	Counterparty
Business hours/time of acceptance of bids	The date specified in the announcement

Formal properties and contents of bids	Bids can be submitted through the Reuters Dealing platform
Number of bids that an individual bidder can submit	No limit
Minimum bid limit	At least EUR 5 million per bid; as a whole-number multiple of EUR 1 million
Modification of bids permitted	No
Day of financial settlement of starting leg	T
Day of financial settlement of maturing leg	T+1
Technical starting exchange rate	110 per cent of the prevailing exchange rate
Meeting euro settlement obligations vis-à-vis the MNB	To the euro account designated in the standing correspondent accounts of the Magyar Nemzeti Bank used in money market operations

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