

**Business conditions of repo transactions concluded in the  
framework of the stand-by repo facility provided for the Primary  
Dealers and KELER Zrt. by ÁKK**

**Budapest, 28 November 2017**

## **1. *The purpose of the stand-by repo facility***

Primarily in order to decrease the settlement risk in the government securities market, the Government Debt Management Agency Pte Ltd. (hereinafter referred to as: ÁKK) – under the general authorisation of Section 13 (1) of Act No. CXCV of 2011 on the economic stability of Hungary – concludes repo transactions in accordance with the business conditions contained in this documentation (“stand-by repo facility”).

## **2. *Partners***

The current Primary Dealers and KELER Zrt. are eligible to the stand-by repo facility, i.e. exclusively these partners may initiate the conclusion of transactions in the framework of the stand-by repo facility with ÁKK.

## **3. *Regulation of the contractual relationship***

The acceptance, mutual signing and observing of the Hungarian translation of the European Master Agreement (EMA) framework agreement and its relevant annexes (“Contract”) supported by the European Banking Federation (FBE) and recognised by the Hungarian Banking Federation is a requirement for the use of the stand-by repo facility. (In case of signing an agreement with new Repo Partners ÁKK applies the bilingual version – Hungarian and English together – of the Agreement).

## **4. *The time frame of the stand-by***

ÁKK provides the opportunity for using the stand-by repo facility on each working day as follows (a day is to be considered as a working day, on which the banks are open for the public in Hungary, and KELER, the National Bank of Hungary and the Budapest Stock Exchange have a settlement date):

Monday – Thursday (if not the last working day of the week):

Between 9.00-12.00 a.m. and 1.00-3.30 p.m.

Friday (or the last working day of the week):

Between 9.00-12.00 a.m. and 1.00-2.00 p.m.

## **5. *Type of the transaction to be concluded***

In the framework of the stand-by repo facility ÁKK itself concludes only passive, physical delivery repo transactions (transfer of ownership of a government security with the obligation of repurchase for a definite price on a date defined or to be defined simultaneously with the conclusion of the contract, where the purchaser acquires the government security being the subject of the transaction and may freely dispose of it during the maturity of the transaction).

## **6. *Maturity***

In the framework of the stand-by repo facility ÁKK concludes exclusively 1-week (7-day) repo transactions.

## 7. *The interest rate of repo transactions*

In the framework of the stand-by repo facility ÁKK concludes transactions exclusively with a repo interest to be defined as specified below:

interest rate of 1-week repo = O/N MNB deposit interest rate – 5 basis points

O/N MNB deposit interest rate: the effective O/N MNB deposit interest rate defined in the list of interest rate conditions and published by MNB is applied on the day of the repo transactions

## 8. *Government securities being the subject of repo transactions*

Exclusively those publicly issued and in the primary dealer price quotation included Hungarian Government Bonds and Discount Treasury Bills, whereof remaining maturity exceeds 90 days at the time of concluding the transaction.

The Hungarian Government Bonds and Discount Treasury Bills meeting the above requirement may be the subject of the repo transactions in the framework of the stand-by facility only subject to the following restrictions:

- It must be taken into consideration when defining the maturity of the repo transactions and selecting the government securities being the subject of the transaction, that the Hungarian Government Bonds may not be the subjects of open repo transactions on the second day prior to the interest payment and maturity (E-2<sup>nd</sup> day) and Discount Treasury Bills may not be the subjects of open repo transactions on the second day - as on a value date - prior to the maturity (E-2<sup>nd</sup> day).

At any time ÁKK may terminate or suspend without reasoning the availability of any Hungarian Government Bond series and Discount Treasury Bill series being subject of the stand-by repo facility. The fact of such termination or suspension is published by ÁKK without delay after the respective decision was made.

## 9. *Definition of funds (defining the starting price of the government security)*

The definition of funds takes place on the basis of the most favourable **selling price** specified by the Primary Dealers in the afternoon of the working day before the day of the transaction in the course of their quoting obligation in respect of the given Hungarian Government Bond series or Discount Treasury Bill series (as appearing on pages GDMA/11 and 12 of the Bloomberg monitor at or around 2.30 p.m. on the same day) by applying the below premium (margin).

<b>ÁKK margin</b>				
<b>Remaining maturity of fixed-rate bonds/interest period of floating-rate bonds</b>	<b>&lt;1 year</b>	<b>1-3 years</b>	<b>3-7 years</b>	<b>&gt;7 years</b>
<b>1-week repo</b>	<b>0.0%</b>	<b>1.0%</b>	<b>1.5%</b>	<b>2.0%</b>

The level of the starting price is the gross price corresponding to the total of the net price evolving on the basis of the above by applying the margin (considered as percentage points) and the accrued interest regarding the commencement day of the repo transaction.

#### **10. *Definition of the repurchase price of the government securities***

The definition of the repurchase price takes place on the basis of the starting price, where the difference between the selling and repurchase price of the government security being the subject of the repo comprises the interest of the repo, having regard to a year of 360 days.

#### **11. *Trading unit, lot size***

The minimum trading unit is Hungarian Government Bonds or Discount Treasury Bills of a face value of HUF 50,000,000, that is fifty million Hungarian forints.

The lot size is to be a whole multiple of 1 million Hungarian forints.

#### **12. *Settlement date***

The settlement of the repo transactions takes place normally on the second working day following the day of the transaction (T+2). On the basis of the request of the partner ÁKK may deviate from the above, i.e. the transaction may take place with a settlement of T+0 or T+1.

#### **13. *Limits regarding the Primary Dealers***

**Global limit:** The total repo stock concluded in accordance with these requirements (KELER and all Primary Dealers together) may not exceed 0.4 percent of the total stock of debt of 31 December of the previous year.

**Partner limit:** For daily repo position: HUF 8 billion.  
For total stock of repo per partner: HUF 14 billion.

**Series limit:** For benchmark series: HUF 4,000 million/  
partner  
For other series: HUF 3,000 million/  
partner

#### **14. *The procedure of the transaction***

The transaction takes place in all cases at the initiative of KELER or a Primary Dealer.

Any Primary Dealer or KELER may initiate a repo transaction at ÁKK in the time frame specified in Section 4. within the framework of the stand-by facility, by indicating the Hungarian Government Bond or Discount Treasury Bill series intended to be taken and the required amount, having regard to these business conditions, in particular the limits specified in Section 13.

The conclusion of the transaction defined by ÁKK may take place on the following platforms: telephone, Reuters FX Trading, Bloomberg or e-mail. The primary transaction platform is the

Reuters FX Trading, in other cases ÁKK will inform the Primary Dealers and KELER Zrt. on the applied platform.

The transactions are confirmed in accordance with the provisions of the Contract.

If the transaction initiated in accordance with the above meets these conditions in all respects, then ÁKK concludes the repo transaction.

**15. *Consequences of non-performance***

In case of non-performance the relevant provisions of the Contract and the so-called Primary Dealer Contract on the placement and trading of Hungarian government bonds are applicable, provided that the relevant provisions of the Contract are exclusively applicable to the transactions concluded with KELER.

**16. *Other provisions***

ÁKK may suspend or restrict the stand-by repo facility at any time without reasoning.

ÁKK