

Annex Hungary

(Effective as of 3rd January 2018) (version 01/11/2017)

MTS Hungary is a segment of the MTS Cash Domestic Market Multilateral Trading Facility operated by EuroMTS Limited



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Effective as of 3rd January 2018

1. General Provisions

1.1. Definitions

The MTS Cash Domestic Market Rules apply

In addition the following definitions are also applicable to MTS Hungary:

“AKK”	means the Government Debt Management Agency Pte Ltd. (Hungary);
“Hungarian Banking Holidays”	means Official Hungarian Holidays;
“Hungarian Development Bank Bonds”	means bonds issued by the Hungarian Development Bank Plc. The Hungarian Development Bank Plc. is a private company limited by shares, exclusively owned by Hungary. For the purposes of this Annex the Hungarian Development Bank Bonds are Eligible Securities.
“Hungarian Development Bank Plc.”	means MFB Hungarian Development Bank Private Limited Company;
“Hungarian regulator”	means National Bank of Hungary (NBH);
“KELER”	means KELER Central Depository Ltd;
“Primary Dealer”	means an official Primary Dealer as recognised by the AKK;
“Student Loan Bonds”	means bonds issued by the Student Loan Centre. The Student Loan Centre is a non profit company limited by shares exclusively owned by the Hungarian State. For the purposes of this Annex the Student Loan Bonds are Financial Instruments;

1.2. Market Rules

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1. The MTS Cash Domestic Market Rules apply.

2. Financial Instruments

2.1. Financial Instruments

1. All Government Bonds and Treasury Bills issued by Hungary in Hungarian Forint acting through the AKK (hereinafter referred to as "Hungarian Government Securities"), which meet the following eligibility criteria, shall be automatically selected as Financial Instruments:

- a. Publicly issued nominal fixed coupon-bearing Government Bonds;
- b. Publicly issued floating rate Government Bonds;
- c. Publicly issued discount Treasury Bills;

And:

- I. With a remaining term to maturity at the time of the issuance of more than 300 days at the time of selection;
- II. With remaining term to maturity on a given settlement day of the relevant trading day is more than 90 days;

2. All the Student Loan Bonds, which meet the below eligibility criteria, shall be automatically selected as Financial Instruments:

- a. Publicly issued nominal fixed coupon-bearing Student Loan Bonds;
- b. Publicly issued floating rate Student Loan Bonds;

And:

- I. With a remaining term to maturity on a given settlement day of the relevant trading day is more than 90 days;

3. All the Hungarian Development Bank Bonds which meet the below eligibility criteria shall be automatically selected as Financial Instruments:

- a. Nominal fixed coupon-bearing Hungarian Development Bank Bonds;
- b. Publicly issued floating rate Hungarian Development Bank Bonds;

And:

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- I. With a remaining term to maturity on a given settlement day of the relevant trading day is more than 90 days

2.2. Minimum Lots

1. The Minimum Quote Size, Minimum Single Side Quote Size, Minimum Trading Size, and the Minimum Increment Quantity for each Financial Instrument can be found in the Regulatory Specifications.

3. Participants

3.1. Participant admission criteria

1. The MTS Cash Domestic Market Rules apply. In addition, all opinions of MTS, in accordance with the General MTS Market Rules, are in consultation with the AKK and Committee.
2. In addition to the requirements indicated in the MTS Cash Domestic Market Rules, the prospective Participant must have concluded a contract with AKK on the primary dealership of Hungarian Government Securities.

3.2. Participants admission procedures

1. In addition to what is provided in paragraph 1 and 2 of Article 3.2 of the MTS Cash Domestic Market Rules, paragraph 3 shall be amended as follows:
The only category of Participants in MTS Hungary is: Market Maker
2. Article 3.2.d of the MTS Cash Domestic Market Rules shall be amended as follows:
It has Capital of at least HUF 2 billion in case of investment firms and HUF 5 billion in case of credit institutions.

3.3. Participants' on-going undertakings

1. The MTS Cash Domestic Market Rules apply, with the addition of all undertakings involving a notification to MTS to also include the AKK.

3.4. Resignation of Participants

1. The MTS Cash Domestic Market Rules apply with the following amendment:

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Participants may not resign from their membership as long as they are a Primary dealer of Hungarian Government Securities.

3.5. Suspension of Participants from trading

1. The MTS Cash Domestic Market Rules apply, with the exception that the first sentence of the Article 3.5 of the MTS Cash Domestic Market Rules will be applied with the following amendment: "MTS, in consultation with AKK, among other things:"

3.6. Exclusion of Participants from trading

1. The MTS Cash Domestic Market Rules apply, with the addition to the provisions of the General Domestic MTS Market Rules that the loss of the status of Primary Dealer in Hungarian Government Securities shall trigger the automatic exclusion from trading on MTS Hungary.

3.7. Regional Market Committee for MTS Hungary

1. Any decisions made by the Committee must not contravene any regulatory requirements of the FCA or any other applicable laws, or technical requirements of the System.
2. For the purpose of this Article, all decisions taken by MTS pursuant to the MTS Cash Domestic Market Rules are made upon prior consultation with the Committee and the AKK.
3. Members of the Committee shall be representatives of the AKK, MTS and the Primary Dealers. MTS shall appoint the Committee following agreement with the AKK. MTS shall not remove any Committee member without prior consultation with the AKK. The Committee shall have such power and authority (including as to the establishment of committees of MTS Hungary and the delegation of power and authority to such committees) as MTS may determine following agreement with the AKK.
4. MTS at all times shall have the authority to overrule any decision or action taken by the AKK or the Committee with respect to commercial, technological or regulatory matters notwithstanding the operation of these Rules or the Committee.
5. Where there is a conflict between the AKK and the Committee, the opinion of the AKK shall prevail subject to the condition that any such decisions must not contravene any regulatory requirements of the FCA and all other applicable laws, or technical requirements of the System.

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4. Trading

4.1. General systems operations

1. The MTS Cash Domestic Market Rules apply.

4.2. Types of Trade

1. The MTS Cash Domestic Market Rules apply

4.3. Market trading hours

1. Instead of the MTS Cash Domestic Market Rules the following Trading Hours shall be applicable:
 - a. Trading days: as defined by the TARGET calendar except Hungarian Banking Holidays
 - b. The Trading Hours (CET) of the System are: (descriptions of the phases are the same as in the General Domestic Market Rules)

“Pre-Market phase”: 8.15 a.m. – 8.45 a.m.

“Offer phase”: 8.45 a.m. – 9.00 a.m.

“Open Market phase”: 9.00 a.m. – 4.45 p.m.

“Closed Market phase”: 4.45 p.m. – 8.15 a.m.

4.4. Quotes and Orders

1. The MTS Cash Domestic Market Rules apply.

4.5. Contracts

1. The MTS Cash Domestic Market Rules apply.

4.6. Conclusion and registration of Trades

1. The MTS Cash Domestic Market Rules apply.

4.7. Mid-Price crossing

1. The MTS Cash Domestic Market Rules apply.

4.8. Cancellation of Trades

1. The MTS Cash Domestic Market Rules apply.

4.9. Trade Registration facility

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1. The MTS Cash Domestic Market Rules apply.

4.10. Market Making Agreements

1. Based on the indication of the AKK, MTS shall notify each Market Maker of the Financial Instruments assigned to it, pursuant to the undertakings Article 3.3.2 of the MTS Cash Domestic Market Rules, not less than 2 Trading Days prior to the obligation to make Double-Sided Quotes in such Financial Instruments by electronic notification. Participants shall not be entitled to require information as to which Financial Instruments have been assigned to other Market Makers.
2. Only the following provisions of the MTS Cash Domestic Market Rules shall apply:
 - (i) Article 4.10.5
 - (ii) Article 4.10.6
 - (iii) Article 4.10.7
 - (iv) Article 4.10.8 will be amended in the second sentence as follows: "...where the Market Maker in question fails to honour its Market Making Commitments for three (3) additional consecutive months, MTS shall have the right, in consultation with AKK, to initiate the disciplinary procedure as per Section 7 here below." In addition, the last sentence of Article 4.10.8 shall not apply.
3. Should a Market Maker wish to pursue a Market Making Strategy on Financial Instruments in addition to those allocated to it under the above Article 4.10.1, it must notify MTS of its intention to do so not less than 2 Trading Days prior to the commencement of the Market Making Strategy by electronic notification.
4. Market Making Commitments in case of Hungarian Government Securities
 - a) On each Trading Day to make Quotes on the System, for at least five (5) hours but compulsorily from 9.00 a.m. to 9.15 a.m. and from 1.45 p.m. to 2.00 p.m. in relation to each Financial Instrument assigned to it from time to time by MTS, and to do so in compliance with the Quoting/ Spread Obligations specified below.
 - b) Quoting/ Spread Obligations

Minimum Quote size (face value HUF), providing the difference between the sizes on the bid and the offer is no more than 50%

Maximum Bid – Ask Spread

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	Minimum Quote size (face value HUF), providing the difference between the sizes on the bid and the offer is no more than 50%	Maximum Bid – Ask Spread
Benchmark Discount Treasury Bills and Benchmark Government Bonds except with 15-year Maturity	500.000.000	15 basis points (expressed in yield)
Benchmark Government Bond with 15-year maturity	300.000.000	15 basis points (expressed in yield)
Other fixed-rate Government Bonds and Discount Treasury Bills	300.000.000	15 basis points (expressed in yield)
Floating rate Government Bonds	50.000.000	50 cents (expressed in price ticks)

NB: Bid / Ask Spread is expressed in 'basis points' where 1 basis point represents 0.01% of annual yield to maturity of the Financial Instrument. In case of the Floating rate Government Bonds the price spread is expressed in cents where 1 cent represents 0.01% of par value expressed in price of the Financial Instrument.

Benchmark securities: Those Hungarian Government Securities that are defined as benchmark lines by AKK.

5. Market Making Commitments in case of Student Loan Bonds

- a. On each Trading Day to make Quotes on the Market for at least two hours but including, compulsorily, from 1.45pm to 2.00pm (CET) in relation to each Financial Instrument assigned to it from time to time by MTS, and to do so in compliance with the Quoting/ Spread Obligations specified below.
- b. Quoting/ Spread Obligations

	Minimum Quote size (face value HUF), providing the difference between the sizes on the bid and the offer is no more than 50%	Maximum Bid / Ask Spread
Fixed-rate Bonds	10.000.000	50 basis points (expressed in

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	Minimum Quote size (face value HUF), providing the difference between the sizes on the bid and the offer is no more than 50%	Maximum Bid / Ask Spread
		yield)
Floating rate Bonds	10.000.000	100 cents (expressed in price ticks)

NB: Bid / Ask Spread is expressed in 'basis points' where 1 basis point represents 0.01% of annual yield to maturity of the Financial Instrument. In case of the Floating rate Bonds the price spread is expressed in cents where 1 cent represents 0.01% of par value expressed in price of the Financial Instrument.

6. Market Making Commitments in case of Hungarian Development Bank Bonds

- a) On each Trading Day to make Quotes on the Market from 9.00 am to 10.30 am and from 1.30 pm to 3.00 pm (CET), in relation to each Financial Instrument assigned to it from time to time by MTS, and to do so in compliance with the Quoting/ Spread Obligations specified below.
- b) Quoting/ Spread Obligations

	Minimum Quote size (face value HUF), providing the difference between the sizes on the bid and the offer is no more than 50%	Maximum Bid / Ask Spread
Fixed-rate Bonds	10.000.000	100 basis points (expressed in yield)
Floating rate Bonds	10.000.000	100 cents (expressed in price ticks)

NB: Bid / Ask Spread is expressed in 'basis points' where 1 basis point represents 0.01% of annual yield to maturity of the Financial Instrument. In case of the Floating rate Bonds the price spread is expressed in cents where 1 cent represents 0.01% of par value expressed in price of the Financial Instrument.

4.11. Law governing Trades

1. The MTS Cash Domestic Market Rules apply.

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5. Clearing and settlement of Trades

5.1. Clearing and Settlement of Trades

1. The Market The MTS Cash Domestic Market Rules apply

6. Provision of data and information

6.1. Provision of data to Participants

1. The MTS Cash Domestic Market Rules apply, with the following modifications
 - a. Article 6.1.1(c) becomes: Price, quantity, and time of the last concluded Trade, except for Trades concluded via the Trade Registration functionality.
 - b. Article 6.1.2(c) is added: at the end of each Trading Day: information about Trades executed via the Trade Registration functionality.

6.2. Provision of data to Authorities

1. The MTS Cash Domestic Market Rules apply, with the addition of Participants agreeing to MTS providing information to the Hungarian regulator, if and when requested, in accordance with the applicable procedure.

6.3. Provision of data to debt management offices

1. The MTS Cash Domestic Market Rules apply, with the addition of participants agreeing to MTS providing information to the AKK, if and when requested.

6.4. Provision of data to the public

1. The MTS Cash Domestic Market Rules apply

6.5. Amendments and communications

1. The MTS Cash Domestic Market Rules apply

7. Supervision and Sanctions

7.1. Monitoring the course of trading

1. The MTS Cash Domestic Market Rules apply

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7.2. Breach of undertakings

1. The MTS Cash Domestic Market Rules apply

7.3. Procedure in respect to article 7.2

1. The MTS Cash Domestic Market Rules apply

7.4. Failure to honour Quoting Commitments

1. The MTS Cash Domestic Market Rules apply, with the following amendments:
 - a. On the issues involved in Article 7.4.1 of the MTS Cash Domestic Market Rules, MTS takes decisions in consultation with AKK.
 - b. Article 7.4.2 of the MTS Cash Domestic Market Rules does not apply.

8. Final Provisions

8.1. Liability

1. The MTS Cash Domestic Market Rules apply

8.2. Disputes

1. The MTS Cash Domestic Market Rules apply

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