

## **Annex – Hungary**

This Annex together with the General Domestic MTS Market Rules collectively constitutes the rulebook for MTS Hungary and should be read in conjunction with one another. The General MTS Market Rules apply to MTS Hungary in their full and entire meaning, unless otherwise stated and ruled in this Annex.

All capitalised terms are taken in their full meaning from the Definitions within the General MTS Market Rules

### **SECTION I – DEFINITIONS**

In addition to the definitions listed in the General Domestic MTS Market Rules, the following definitions are also applicable to MTS Hungary:

“AKK”	means the Government Debt Management Agency Pte Ltd.
“Primary Dealer”	means an official Primary Dealer as recognised by the AKK.
“Yield Spread”	means the arithmetic difference between the yield of an offer to buy (Bid) and of a connected offer to sell (Ask) expressed as a percentage;
“Hungarian Banking Holidays”	Official Hungarian Holidays
“Hungarian regulator”	Pénzügyi Szervezetek Állami Felügyelete (PSZÁF); Hungarian Financial Supervisory Authority

### **SECTION II – GENERAL PROVISIONS**

#### **Article 1 - Market Rules**

1. For the purpose of this Article, all decisions made by the Company, in accordance with the General MTS Market Rules, are made with prior agreement of the Committee following consultation with the AKK.
2. Members of the Committee shall be representatives of the AKK, the Company and the Primary Dealers. The Company shall appoint the Committee following agreement with the AKK. The Company 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 the Company may determine following agreement with the AKK
3. The Company 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.

4. 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 FSA and all other applicable laws, or technical requirements of the System.

### **SECTION III – ADMISSION AND RESIGNATION**

#### **Article 2 - Participant Types**

The only category of Participant's in MTS Hungary is:

**1. Market Maker:**

Participants are permitted to take part in trading through Quotes and/ or Orders. Market Makers are Participants that are accepted by the Company as a 'Market Maker' and agree to have the double-sided quoting obligations in relation to certain Eligible Securities in accordance with the General MTS Market Rules.

#### **Article 3 - General Conditions for admission**

1. For the purpose of this Article, all opinions of the Company, in accordance with the General MTS Market Rules, are in consultation with the AKK and Committee.
2. To participate, either directly or via an agent, to the clearing and settlement institution as specified below, and to have, if directly, a deposit account with such institution:

- KELER (Central Clearing House and Depository (Budapest) Ltd.)

The specified institution (above) may be updated by the Committee from time to time.

3. Article 3., point 2. d) of the General MTS 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.

#### **Article 4 - Additional Conditions for admission**

To have concluded an agency contract with AKK on the primary dealership of Hungarian Government Securities.

#### **Article 5 - Admission procedure for Participants**

The General Domestic MTS Market Rules apply

## **Article 6 - Resignation procedure for Participants**

The General Domestic MTS Market Rules apply with the following amendment:

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

## **Article 7 - MTS Hungary Committee**

1. Members of the MTS Hungary Committee are appointed in accordance with the Committee Rules. Eligible members shall be Market Makers, representatives of the AKK and the Company.
2. Any decisions made by the Committee must not contravene any regulatory requirements of the FSA or any other applicable laws, or technical requirements of the System.

## **SECTION IV – UNDERTAKINGS**

### **Article 8 - Undertakings**

1. For the purpose of this Article, all undertakings to notify the Company also include the AKK.
2. Obligations under this Article only apply to spot contracts.

### **Article 9 - Additional undertakings**

The General Domestic MTS Market Rules apply

## **SECTION V – TRADING**

### **Article 10 - General System Operations**

The General Domestic MTS Market Rules apply

### **Article 11 - Opening Hours and Days**

Instead of the General Domestic MTS Market Rules the following Trading Hours shall be applicable:

1. Trading days: as defined by the TARGET calendar except Hungarian Banking Holidays
2. 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.

## **Article 12 - Suspension and postponing of operations**

The General Domestic MTS Market Rules apply

The first sentence of the Article 12. of the General MTS Domestic Market Rules will be applied with the following amendment: “The Company, in consultation with AKK, among other things:”

## **Article 13 - Selection of Eligible Securities, Tradable Securities**

1. The eligibility criteria for Tradable Securities issued by the Republic of Hungary in HUF acting through the AKK are:

- a. Nominal Fixed coupon-bearing Eligible Securities;
- 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

Furthermore:

- III. any on-the-run Government Bonds or Treasury Bills at the time of the MTS Hungary System launch
2. On the day of the MTS Hungary market launch all the Government Bonds and Treasury Bills, which meet the above eligibility criteria shall be automatically selected as Tradable Securities.
  3. MTS Hungary Market Makers can input Quotes for a minimum quantity of HUF 100.000.000 for each Eligible Security for spot contracts, excluding the floating rate Government Bonds. The minimum trading quantity is HUF 100.000.000 for each Eligible Security for spot contracts, excluding the floating rate Government Bonds.
  4. MTS Hungary Market Makers can input Quotes for a minimum quantity of HUF 10.000.000 for each Eligible floating rate Government Bonds for spot contracts. The minimum trading quantity is HUF 10.000.000 for each Eligible floating rate Government Bonds for spot contracts.

## **Article 14 - Quoting Commitments**

The quoting commitments of Participants include:

1. 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 Security assigned to it from time to time by the Company, and to do so in compliance with the Quoting/ Spread Obligations specified below.

2. Quoting/ Spread Obligations

Maturity bucket	Minimum Quote size (face value HUF)	Maximum Bid/offer Spread (basis points)
<u>Benchmark Discount Treasury Bills and Benchmark Government Bonds except with 15-year maturity</u>	500.000.000	30
<u>Benchmark Government Bond with 15-year maturity</u>	300.000.000	30
<u>Other fixed-rate Government Bonds and Discount Treasury Bills</u>	300.000.000	50
<u>Floating rate Government Bonds</u>	50.000.000	100

NB: Yield 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 Yield Spread is expressed in ‘basis points’ where 1 basis point represents 0.01% of net annual interest paid until maturity by the Financial Instrument.

Benchmark securities: Those Government Bonds and Treasury Bills that are defined as benchmark lines by AKK.

**Article 15 - Suspension of Quoting Commitments on Tradable Securities**

The General Domestic MTS Market Rules apply

The first sentence of the Article 15. Point 2. and 3. of the General MTS Domestic Market Rules will be applied with the following amendment:

“The Company, in agreement with AKK, may:”

**Article 16 - Assignment of Securities to Market Makers**

The General Domestic MTS Market Rules apply

1. The first sentence of the Article 16. Point 1. of the General MTS Domestic Market Rules will be applied with the following amendment:

“The Company, in agreement with AKK, shall:”

2. The first sentence of the Article 16. Point 2. of the General MTS Domestic Market Rules will be replaced with the following amendment:

“The Company, in consultation with AKK, shall notify each Market Maker of the Securities assigned to it, pursuant to the additional undertakings of Market Makers listed in Article 9 of these General MTS Market Rules, on the first auction day by 10.00 a.m. at the latest by electronic notification.”

### **Article 17 – Quotes**

The General Domestic MTS Market Rules apply

## **SECTION VI – CONTRACTS**

### **Article 18 - Trades**

The General Domestic MTS Market Rules apply

### **Article 19 - Types of Contracts**

The General Domestic MTS Market Rules apply

### **Article 20 - Conclusion and registration of contracts and Mid-Price crossing**

The General Domestic MTS Market Rules apply

The first sentence of the Article 20. Point 5. of the General MTS Domestic Market Rules will be applied with the following amendment:

“Quotes on “Mid-Prices” will be subject to a different minimum execution size (“Minimum Mid-Price Execution Size”) which will be set by the Company, in consultation with AKK (and set out on the system pages).:”

### **Article 21 - Procedures for the conclusion of contracts**

The General Domestic MTS Market Rules apply

### **Article 22 - Clearing and Settlement of contracts**

1. The System is connected to the relevant clearing and settlement institutions via the SWIFT network. On a real time basis, the System sends instructions to these institutions on behalf of Participants.
2. Participants will authorise the relevant clearing and settlement institutions to receive clearing and settlement instructions sent on their behalf by MTS Hungary by executing a “Power of Attorney” – arranged by the relevant settlement institution– in favour of EuroMTS. Alternatively, a Participant may make use of a settlement agent, executing with such settlement agent an

agreement in the form specified by the Company. In this latter case, the settlement agent will be requested to sign the Power of Attorney arranged by the chosen settlement institution.

3. A Participant shall only be permitted to use one single account to settle transactions executed on MTS Hungary. A participant wishing to use the Central Counterparty will lodge with the Company the CCP application form specified by the Company.
4. Subject to the provisions of paragraph 5 below, at the end of each Trading Day the System shall forward settlement instructions to the relevant clearing and settlement institutions as set out in Article 3 of this Annex in respect of trades carried out by the System on that day.
5. In accordance with the procedures set by those clearing and settlement institutions involved within the System, the settlement of contracts shall follow the market practice for the relevant Securities unless determined otherwise by the Committee.

#### **Article 23 - Settlement Cycle**

1. Settlement follows the TARGET calendar with the exception of the Hungarian Banking Holidays: all TARGET opening days except the Hungarian Banking Holidays are settlement days.
  - a. The settlement cycle is T+2 with the exception of securities traded in the grey market.
  - b. Securities traded in the grey market will be settled on the date of first settlement as determined in the issue conditions of the Republic of Hungary.

#### **Article 24 - Cancellation of trades**

The General Domestic MTS Market Rules apply

#### **Article 25 - Law governing contracts**

The General Domestic MTS Market Rules apply

### **SECTION VII – PROVISION OF INFORMATION**

#### **Article 26 - Provision of Information to Participants**

The General Domestic MTS Market Rules apply

#### **Article 27 - Provision of Information to the authorities**

The obligations of the Company to provide information to FSA are also obligations to the Hungarian regulator.

#### **Article 28 - Provision of Information to the issuer**

The General Domestic MTS Market Rules apply. Further, the Company will provide such information, if requested, to the Hungarian regulator.

### **SECTION VIII – SUPERVISION AND SANCTIONS**

#### **Article 29 - Verification of regular course of trading**

The General Domestic MTS Market Rules apply

#### **Article 30 - Breach of Participant undertakings**

The General Domestic MTS Market Rules apply

#### **Article 31 - Failure to honour Quoting Commitments**

The General Domestic MTS Market Rules apply with the following amendment

1. On the issues involved in the Article 31 Point 1 of the General MTS Domestic Market Rules the Company takes decisions in consultation with AKK.
2. Article 31 Point 2. of the General MTS Domestic Market Rules is not applied.

#### **Article 32 -Procedure in respect of Article 30 (Breach of Participant Undertakings)**

The General Domestic MTS Market Rules apply

#### **Article 33 - Adoption and enforcement of sanctions**

The General Domestic MTS Market Rules apply

#### **Article 34 - Automatic suspension from trading**

In addition to the provisions of the General Domestic MTS Market Rules, the loss of the status of Primary Dealer in Hungarian Government Securities shall trigger the automatic exclusion from trading in MTS Hungary.

### **SECTION IX – FINAL PROVISIONS**

#### **Article 35 - Liability**

The General Domestic MTS Market Rules apply

#### **Article 36 - Disputes**

The General Domestic MTS Market Rules apply