
GSS NEWSFLASH HUNGARY

UNICREDIT BANK HUNGARY ZRT.

BOND MARKET UPDATE

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Summary: The Hungarian Government Debt Management Agency (GMDA) has withdrawn its decision to delist Hungarian government bonds from the Budapest Stock Exchange (BSE). As a result, effective 2 January 2012 Hungarian government securities will be dually listed on the BSE and MTS Hungary. Parallel to this decision, GDMA and the Hungarian CSD, KELER introduce intra-day lending services for the MTS Hungary market.

The issuer of Hungarian government bonds, GDMA informed all primary dealers and Hungarian market participants that based on its agreement with the BSE it withdraws its previous decision to delist all Hungarian government bonds from BSE.

According to the original plan, all publicly available Hungarian government bonds and discount Treasury Bills were to be delisted from BSE after the last trading day of 30 December 2011 due to the introduction of such securities on the MTS Hungary trading platform effective 2 January 2012.

The above decision does not change the fact that the primary trading platform for government debt will be MTS Hungary starting from 2 January 2012, and primary dealers will be obliged to quote official prices through MTS.

Settlement of MTS trades will be executed on a netted basis guaranteed by KELER CCP as already announced, while secondary market transactions booked through the system of the BSE will be settled on a gross basis. Settlement cycle for both platforms will be T+2. Similarly to OTC transactions, KELER CCP will not guarantee the settlement of the BSE government bond trades from 2 January 2012. Another major difference between MTS and BSE secondary market transactions will be the price, on BSE bond trading will be based on net price, while on MTS gross price will be quoted.

Further to the above, KELER Group announced on 27 December 2011 that according to the agreement with GDMA a government bond lending system will be introduced to ensure timely settlement of MTS transactions. The aim of KELER and GDMA is to assist market participants who cannot provide necessary securities cover in time for multinet settlement on Settlement Date with an intraday lending facility.

Lending transactions shall be initiated directly with the Treasury of KELER latest by 11:00 a.m. CET each Settlement Date. Participants are requested however not to wait until the deadline in case they would like to lend securities as due to lack of time KELER may not be in the position to fulfil all needs by 11:30 a.m. CET, which is the market cut-off time for multinet settlement.

Securities lending will be limited to the amount of uncovered securities in the multinet clearing for the given value date, which will be validated by KELER's Treasury before entering into the lending transaction. Securities having interest payment date within two settlement dates following the date of lending will be excluded from lending.

Securities lending will be processed as an overnight repurchase (repo) transaction, the closing of which will be booked as another repo deal. Borrowers shall close the intraday lending by 4:00 p.m. CET the same day, in case this does not happen KELER will remove the second repo transaction from the system. Lending transactions still open on SD+1 cannot be prolonged. In case the lending is not closed in the morning on SD+1, KELER will be in the position to provide the necessary securities for the termination through 1 week repos. New lending can be initiated once all previous lending transactions have been closed in order.

KELER will charge 2.5% intraday lending fee per client. In case the lending is not closed within same day, KELER will not pay any interest on the securities engaged in the repo transactions.

Impact on investors: Effective 2 January 2012 Hungarian government securities will be dually listed on the BSE and MTS Hungary. Parallel to this decision, GDMA and the Hungarian CSD, KELER introduce intra-day lending services for the MTS Hungary market aiming at decreasing the number of default events in the market.

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