RULES OF PROCEDURE

FOR THE FIXING OF THE BEST BID AND ASK YIELDS/PRICES OF GOVERNMENT SECURITIES

Date of entry into force: 1 January 2025

The Government Debt Management Agency Private Company Limited by Shares (hereinafter as: ÁKK), acting in its capacity as the institution responsible for the issuance of government securities and the organisation of the secondary government securities market – pursuant to Act CXCV of 2011 on Public Finances (hereinafter as: Public Finances Act) and Act CXCIV of 2011 on Economic Stability of Hungary (hereinafter: Stability Act) – considers it as its fundamental task to develop the government securities market and ensure its liquidity and transparency on a broad basis. In this spirit, ÁKK operates the best bid and ask yield/price fixing procedure for Government Securities according to the present Rules of Procedure.

In line with international practice, ÁKK calculates the best bid and ask yields/prices on the basis of the actual quotes submitted by the Primary Dealers and the Non-PD Market Makers under their price quoting obligation, on each Trading Day, based on the principles set forth in these Rules of Procedure.

1. Definitions

For purposes of these Rules of Procedure the capitalized terms listed below will have the following meanings:

Benchmark Discount Treasury Bill:	the Discount Treasury Bill designated as such in accordance with the currently effective Rules of Procedure of Benchmark Yields Fixing on the Hungarian Government Securities Market;
Benchmark Government Bond:	the Government Bond designated as such in accordance with the currently effective Rules of Procedure of Benchmark Yields Fixing on the Hungarian Government Securities Market;
Bloomberg:	the electronic trading support and communication system operated by Bloomberg L.P.;
Discount Treasury Bill:	the government securities subject to the currently effective Offering Circular prepared for the public placement of Discount Treasury Bills;
LSEG FX Trading:	the electronic trading support and communication system operated by LSEG (previously: Refinitiv);
Government Bond:	a Government Security with an original term-to-maturity of more than 365 days;
Government Security:	a Government Security issued or to be issued publicly by the Hungarian State via auction exclusively in Hungary;
Market Maker Contract:	the contract between ÁKK and the Non-PD Market Maker for the secondary market price quotation of Government Securities on the MTS Hungary system;

H-1013 Budapest, Krisztina tér 2. | Postal address: H-1253 Budapest, PO BOX. 85.
E-mail: akk@akk.hu | Registered at the Budapest Capital City Court (Hungary), Registration No.: 01-10-044549

MTS Hungary:	the multilateral trading facility operated by MTS S.p.A., a platform for the secondary market trading of Government Securities, the venue for the fulfilment of the secondary market price quoting obligation;
MTS S.p.A.:	means MTS S.p.A. (registered office: via Tomacelli 146, Rome, Italy) acting as the operator of MTS Hungary;
Non-PD Market Maker:	an investment firm and/or credit institution that has concluded a Market Maker Contract with ÁKK for the secondary market price quotation of Government Securities on the MTS Hungary system;
Price spread:	the difference between the bid price and ask price of the Government Security concerned – calculated in the manner determined in the Statement –, expressed in percentage points;
Primary Dealer:	an investment firm and/or credit institution that has concluded a Primary Dealer Contract with ÁKK;
Primary Dealer Contract:	the contract concluded by and between ÁKK and the Primary Dealers on the public placement and trading of Government Securities;
Statement:	means the statement on the financial calculations for the government securities market, used and proposed for use by the Government Debt Management Agency Private Company Limited by Shares;
Trading Day:	the day when MTS Hungary keeps a trading day;
Yield spread:	the difference between the yields, calculated according to the method defined in the Statement, belonging to the bid price and ask price of the Government Security, expressed in percentage points or basis points.

2. The purpose of fixing the best bid and ask yields/prices

The purpose of fixing the best bid and ask yields/prices is to ensure the transparency of the secondary government securities market and to support the government security portfolio management and valuation activities of domestic and foreign participants in the Hungarian government securities market (dealers, institutional investors, fund managers, etc.).

3. The meaning of the best bid and ask yields/prices fixing

The best bid and ask yields/prices are the best bid and ask yields/prices calculated by ÁKK in accordance with these Rules of Procedure, based on the price quotations made

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by the Primary Dealers and the Non-PD Market Makers on all Trading Days for the Government Securities subject to price quoting obligation.

4. The basis of the best bid and ask yields/prices fixing

4.1. Scope of government securities included in price quotation

4.1.1. The best bid and ask yields/prices are fixed on the basis of the Government Securities subject to the price quoting obligation as per the Primary Dealer Contract and the Market Maker Contract.
The price quoting obligation shall hold during the residual maturity of over 90 (ninety) days of the Government Securities, with consideration of the value date.

4.1.2. The 5 (five) Primary Dealers appointed by ÁKK are obliged to quote prices for the Benchmark Discount Treasury Bills (3, 6 and 12 months maturity), and all Primary Dealers and Non-PD Market Makers are obliged to quote prices for the Benchmark Government Bonds (3, 5, 10, 15 and 20 years maturity). For the price quoting task, ÁKK selects 5 (five) Primary Dealers for the other Discount Treasury Bills and 5 (five) Primary Dealers and/or Non-PD Market Makers for the other Government Securities.

4.2. Process of price quotation

4.2.1. Primary Dealers and Non-PD Market Makers are obliged to fulfil their price quoting obligations in the MTS Hungary system.

4.2.2. Primary Dealers and Non-PD Market Makers are obliged to quote their two-way prices by maintaining the Yield Spread and Price Spread specified in the relevant Annex to the Primary Dealer Contract and in the relevant Annex to the Market Maker Contract governing the compulsory quotation of Government Securities, at least for the minimum quantities specified therein.

4.2.3. The Primary Dealers and Non-PD Market Makers shall publish their price quotations in the MTS Hungary system on each Trading Day between 9.00 a.m. and 4.45 p.m. ("Trading Period") for a total of at least 4 (four) hours per Trading Day ("Quotation Period") in accordance with the provisions of the relevant regulations of MTS Hungary. The Primary Dealers and the Non-PD Market Makers shall comply with the Quotation Period by posting their price quotations for the periods between 9.15 - 9.30 a.m. and 1.45 - 2.00 p.m. on each Trading Day (collectively as: “Compulsory Quotation Period”), and may fill the remainder of the Quotation Period at their own discretion within the Trading Period of the relevant Trading Day.

4.2.4. The quotes shall be submitted in the MTS Hungary system in accordance with the rules of the secondary market price quoting obligation, which for Primary Dealers are set out in Sections 6.1. and 6.2. of the Primary Dealer Contract and for Non-PD Market Makers in Section 5.1. and 5.2. of the Market Maker Contract. Each Primary Dealer and Non-PD Market Maker must ensure that, unless otherwise required by ÁKK, 1 (one) two-way quote is fixed in the MTS Hungary system during the Compulsory Quotation Period, on all Trading Days, for each Benchmark Government Bond and also for all other Government Securities assigned to it. The best bid and ask yields/prices are calculated on the basis of the quotes available during the Compulsory Quotation Period, i.e. twice

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on each Trading Day, in the framework of the so-called "Morning Fixing" and the "Afternoon Fixing", unless otherwise provided for in these Rules of Procedure or by ÁKK. In the event ÁKK wishes to stipulate other deadline than that specified above, it must notify the Primary Dealers and the Non-PD Market Makers about this at least 7 (seven) days in advance, in writing.

4.2.5. The Primary Dealers and Non-PD Market Makers shall be obliged to check by 9.15 a.m. of the Trading Day that the MTS Hungary system used by them is in proper working order. They must immediately report to ÁKK any malfunction in writing to treasury@akk.hu.

4.2.6. If the MTS Hungary system is not operational until 9.15 a.m. on the Trading Day, the Primary Dealers and the Non-PD Market Makers must fulfil their price quoting obligations for all Benchmark Government Bonds and the other Government Securities assigned to them – upon the express request of ÁKK – on the Bloomberg, through the LSEG FX Trading system, or by filling in the excel spreadsheet sent by ÁKK in e-mail, within the Compulsory Quotation Period.

5. The fixing and publication of the best bid and ask yields/prices

5.1. The fixing of the best bid and ask yields/prices

5.1.1. The calculation of the best bid and ask yields/prices will be performed by ÁKK within 30 (thirty) minutes following the intervals of the Compulsory Quotation Period, based on the quotes submitted by the Primary Dealers and the Non-PD Market Makers in accordance with these Rules of Procedure.

5.1.2. When calculating the best bid and ask yields/prices for each Government Security defined in Section 4.1.1. of these Rules of Procedure, ÁKK shall first select all bid and/or ask price quotations made by Primary Dealers and Non-PD Market Makers that meet the quantity requirements set out in the Annexes referred to in Section 4.2.2. of these Rules of Procedure.

In the next step, ÁKK shall select the best quote for each Government Security, which means the quote with the lowest yield on the bid side and the highest yield on the ask side for Government Securities quoted in yield, and with the highest price on the bid side and the lowest price on the ask side for Government Securities quoted in price. In the case of two or more quotes with the same yield/price, the quote of the Primary Dealer or the Non-PD Market Maker who made the commitment the earliest, i.e. who submitted its quote first in the MTS Hungary system, shall be considered the best.

5.2. The publication of the best bid and ask yields/prices

5.2.1. The result of the best bid and ask yields/prices fixing will be published by ÁKK within 30 (thirty) minutes after the time specified in accordance with Section 4.2.4 of these Rules of Procedure on the relevant Trading Day, on the GDMA/9 (Government Bonds) and GDMA/10 (Discount Treasury Bills) sites of the Bloomberg, on the HUBONDAKK and HUBONDAKK4 (Morning Fixing), HUBONDAKK2 and HUBONDAKK3 (Afternoon Fixing) sites of the LSEG, as well as on the ÁKK website (https://akk.hu/statistics/yields-indices-market-turnover/best-bid-and-ask-yields-prices).

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6. Alternative calculation method

6.1. Need to use the alternative calculation method

ÁKK reserves the right to carry out the best bid and ask yields/prices fixing differently from Section 4.2.6. of these Rules of Procedure in justified cases (in particular, in the event of a volatile market environment). After making such a decision, ÁKK shall immediately inform the Primary Dealers and the Non-PD Market Makers, stating the reason.

6.2. Alternative fixing methodology

In the event Section 6.1. is applied, for the Government Securities under price quotation, ÁKK shall take into account the quotations (bid and ask yields/prices) quoted by Bloomberg users for their clients on the Bloomberg "HGB Govt" and "HTB Govt" pages, using the "Allquotes (ALLQ)" filter. At a given time within the time frame between 9.15 - 9.30 a.m. and 1.45 - 2.00 p.m. on the given trading day, ÁKK shall download the average bid and average ask yields/prices calculated by Bloomberg for each concerned Government Security, based on the bid and ask yields/prices available as described above (which are listed on the ALLQ page of Bloomberg under the name FIT COMPOSITE or, in the absence of the former, under the name BVAL), where the arithmetic average of the average bid and ask yields/prices serves as the basis for the calculation of the best bid and ask yields/prices. By adjusting the resulting averages in both directions by the same amount, ÁKK shall calculate the best bid and ask yields/prices, as a result of which the yield/price spread between the best bid and ask yields/prices calculated for each Government Security may not exceed the yield/price spread specified in Annex 3 to the Primary Dealer Contract for that Government Security.

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