PROSPECTUS

ON THE CONDITIONS OF APPLICATION FOR JOINING THE MTS HUNGARY SYSTEM AS A NON-PD MARKET MAKER

Date of entry into force: 1 July 2022

1. The purpose of introducing the Non-PD Market Maker rule

It is the objective of the Government Debt Management Agency Private Company Limited by Shares (hereinafter as: ÁKK) that a stable investor base for government securities is established, maintained and extended, as well as the promotion of secondary market liquidity of government securities. For the latter purpose, the Primary Dealer system is enhanced by the introduction of non-PD market maker status as from 1 July 2022, in the framework of which additional investment firms and credit institutions may participate on the MTS Hungary platform as market makers (hereinafter: "Non-PD Market Makers").

From this date, the price quotation on the secondary market is also the task of the Non-PD Market Makers beside the Primary Dealers, thus also ensuring that government bonds and discount treasury bills issued via auctions (hereinafter: Government Securities) are available to investors at all times and that investors may sell their Government Securities at any time before maturity.

2. The main tasks of Non-PD Market Makers

The basic task of Non-PD Market Makers (together with the Primary Dealers) is to quote continuous two-way prices for Government Securities with a residual maturity of over 90 (ninety) days on the electronic platform specified in the Primary Dealer and the Market Maker contracts, currently on the MTS Hungary multilateral trading facility operated by MTS S.p.A. within the so-called MTS Cash Domestic Market. The obligation to quote prices on a continuous basis while keeping price or yield spreads and the minimum quotation amount specified in the Primary Dealer Contract and in the Market Maker Contract applies.

In order to ensure that the Non-PD Market Makers continuously comply with their price quotation obligations, ÁKK lends Government Securities that are included in the price quoting obligation to Non-PD Market Makers, within specified limits, in the framework of the so-called stand-by repo facility.

3. Application criteria

An investment company or credit institution having its seat in any member state of the European Economic Area, having obtained the licence from the competent supervisory authority, providing investment services under such licence and complying with the relevant regulations of MTS S.p.A. may apply for joining the MTS Hungary system as a Non-PD Market Maker. Furthermore, provided that either the company or its controlling shareholder has been pursuing business activities for at least two years on the money and capital markets of any member state of the OECD or the European Economic Area, provided that it is entitled to provide investment services in Hungary in compliance with the relevant laws and also meets the following requirements:

1. Non-PD Market Maker undertakes to quote Government Securities designated for it on MTS Hungary, and to cooperate with ÁKK on a continuous basis.

2. The person responsible for the trading of Government Securities of the Non-PD Market Maker is a specialist with good business reputation, and the manager

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appointed to control the activity meets the requirements of the laws applicable to the Non-PD Market Maker and has at least 3 (three) years experience in securities market activities.

3. The Non-PD Market Maker has good business reputation and applies business policies and organisational arrangements that allow transparent and safe operation of the company. The operation of the management in all respects complies with the prudential requirements imposed by the legislation in force and the Supervisory authorities.

4. Only individuals and companies of good business reputation may be the owners of the Non-PD Market Makers. No more than one Primary Dealer or Non-PD Market Maker belonging to the same ownership group[1] may be the Primary Dealer and/or the Non-PD Market Maker of Government Securities at the same time. The Non-PD Market Maker undertakes to report to ÁKK its owners with stakes higher than 10 per cent and any changes in its ownership structure without delay.

5. ÁKK or its mandated agent may examine the fulfilment of the contractual obligations of the Non-PD Market Makers both on-site and off-site.

6. The Non-PD Market Maker undertakes to fulfil its reporting obligations to ÁKK in accordance with the conditions and the format specified in the Market Maker contract. Within this framework it regularly reports its secondary market turnover in Hungarian Government Securities to ÁKK in the framework of the so-called HRF reports[2] (including the secondary market turnover of entities belonging to the same ownership group as the Primary Dealer and that have been reported to ÁKK Zrt. as per the HRF); and it sends a quarterly report on the regulatory capital and capital adequacy data, or makes those reports available to ÁKK as well.

7. The Non-PD Market Maker undertakes to comply with its continuous price quoting obligation in accordance with the terms and conditions specified in the Market Maker Contract.

4. Privileges of Market Makers

The Market Makers – in accordance with the relevant rules – have the exclusive right to

- use the title "Non-PD Market Maker";
- have access to the quotes of Hungarian Government Securities under market making on the MTS Hungary platform, in addition to Primary Dealers;

[1] Primary Dealers/Market Makers shall be considered to belong to the same ownership group if one of them has such a direct or indirect ownership in the other that ensures a voting right of over 25 percent, or if they have a direct or indirect owner that has voting rights of over 25 percent in both Primary Dealers and /or Market Makers.

[2] For HRF reports, see currently: https://europa.eu/efc/efc-sub-committee-eu-sovereign-debt-markets/euro-market-activity-report-emar_en

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- participate in the repo transactions provided by ÁKK within the framework of the stand-by repo facility in accordance with the relevant rules if the appropriate framework contract is in existence.

In addition, where possible and under the conditions specified by it,

- ÁKK shall give priority to Non-PD Market Makers (as well as to an entity belonging to the same ownership group as the Non-PD Market Maker) – in line with the relevant rules and in case of the existence of appropriate preconditions (in particular, a suitable framework agreement) – to participate in FX spot and derivative transactions initiated by ÁKK;
- ÁKK shall take into account also the Non-PD Market Makers as possible partners when selecting the Lead Managers of international bond issues denominated in EUR and USD and buying back these international bonds if the given Non-PD Market Maker (or an entity belonging to the same ownership group as the Non-PD Market Maker) is a market leader/active participant in the relevant capital market.

5. Submission of the application

Non-PD Market Maker applications may be submitted at the seat of ÁKK (address: H-1013 Budapest, Krisztina tér 2., Hungary) in Hungarian or in English.

ÁKK decides on the applications within one month of the date of the submission. The evaluation by ÁKK is based on full compliance with the conditions and requirements specified in this prospectus for applications and the Market Maker Contract.

The Market Maker Contract may enter into force on the first day of the month following the day of the evaluation by ÁKK at the earliest.

A Non-PD Market Maker is regarded as a successor entrant if it intends to replace a Non-PD Market Maker terminating the Market Maker Contract by ordinary termination or by mutual agreement, and it belongs to the same ownership group as the predecessor Non-PD Market Maker.[3] Such successor entrant also has to submit an application. As from the Market Maker Contract entering into effect the successor entrant is eligible for all rights of the Non-PD Market Maker without limitation. In case of a successor entrant the Market Maker Contract may enter into effect not only on the first day of a month.

The applicant has to attach the declarations and documents specified in Annex 1 of these conditions of application[4].

Annex 1

[3] In that regard the predecessor Non-PD Market Maker and the Non-PD Market Maker intending to enter into the market maker's relationship are to be considered as belonging to the same ownership group if one of them has such a direct or indirect ownership in the other that ensures a voting right of over 50 percent, or if they have a direct or indirect owner that has voting rights of over 50 percent in both Non-PD Market Makers.

[4] The declarations are to be duly signed (i.e. they have to be fixed with the pre-printed or stamped company name and the signature of the person(s) authorised).

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Declarations and documents to be enclosed with the Non-PD Market Maker's application

1. A general statement on meeting the requirements specified in this prospectus for applications and the Market Maker contract.

2. Specific statements (by filling in the submitted samples provided by ÁKK to the applicants):

   a) on the owners whose stake exceeds 10 per cent;
   b) on the registered persons authorised to trade Government Securities and their contact details;
   c) on the address, phone number and e-mail address of the applicant or where applicable, on the contact details of branch(es) or subsidiary(ies) involved in the quoting and trading activity;
   d) that the applicant makes no objection that ÁKK may acquire additional information in any lawful way in order to examine the good business reputation of the applicant;

   In case of a successor entrant (in addition to the above):

   a) a statement on the ownership relations between the entrant company and the company terminating the Non-PD Market Maker status at the time of the submission of the application;
   b) a statement under which the successor entrant states that it assumes all obligations of the company terminating the market maker's status arising from the Market Maker contract and all rights of the company transferring the market maker's status in the same form and with the same content as from the date of signing the relevant contract with ÁKK.

3. Documents certifying the requirements for pursuing the Non-PD Market Maker activity:

   a) the resolution of the competent authority on licensing to pursue investment service activities;
   b) the certificate issued by the competent authority or organisation on the membership of the applicant in the investor protection or investor compensation scheme as required by the applicable laws (if this is not already a precondition to the license specified in point a);
   c) an extract of the account contract/required agreement or the declaration of one of the below entities on the existence of the account contract and the settlement preconditions between the applicant and
      (i) KELER Ltd. or
      (ii) an investment company or credit institution having a clearing house membership at KELER Ltd. or
      (iii) another European clearing house having a settlement relationship with KELER Ltd.,
   d) the approval of MTS S.p.A. on accepting access to the MTS Hungary multilateral trading facility[5].

[5] According to the relevant regulation(s) of MTS S.p.A.

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4. The applicant's audited annual report for the last completed business year or providing access to that.

5. Brief description of the applicant's activities (in particular, its experience in the government securities market), description of its business policy (targeted counterparties/investors, range of the provided services, market activity, targeted market share, weight of different activities, etc.) and its strategic objectives (in particular with regard to Government Securities trading).

6. Description of the organisation of the government securities business branch and presentation of the internal division of tasks (front office, middle office, back office activities).

7. Description of risk management practices (managed risk types, applied monitoring or risk management system, risk management staff, etc.) and the description or regulation on the limit system used as regards securities trading (applied counterparty-, trading-, dealer- and other limits, procedure to be applied in case of overshooting limits, etc.).

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