RULES OF PROCEDURE

FOR THE PRICE DISCOVERY PROCEDURE EXECUTED PRIOR TO SWITCH AUCTIONS

Date of entry into force: 6 May 2024

When Government Security series are placed through switch auctions, the Government Debt Management Agency Private Company Limited by Shares (hereinafter as: ÁKK) shall determine the price of the Government Security(ies) used as a consideration in cooperation with the Primary Dealers, within the framework of the price discovery procedure determined in these rules of procedure.

1. Definitions

1.1. For purposes of these rules of procedure the capitalized terms listed below will have the following meanings:

Bloomberg:	the electronic trading support and communication system operated by Bloomberg LP;
Discount Treasury Bill:	Government Security issued with an original term-to-maturity of 365 (three hundred and sixty-five) days or less.
FX Trading:	the electronic trading support and communication system operated by London Stock Exchange Group plc;
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 in Hungary;
Issuer:	the Hungarian State;
Market Makers:	Primary Dealers and Non-PD Market Makers, collectively, that are obliged to perform secondary market price quotation in the MTS Hungary system;
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;
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 expressed in percentage points or basis points;
Primary Dealer:	an investment firm and/or credit institution that has concluded a Primary Dealer Contract with ÁKK;

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

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;
Switch Auction:	a type of Government Securities placement via auction, where the consideration for the Government Securities to be placed is fulfilled by transferring to the Issuer the ownership free from any litigation, encumbrances, claims or any other restrictions of a certain number of Government Securities series – specified by ÁKK in advance – other than the series of the Government Securities to be placed.

2. Price quotation(s) within the framework of a price discovery procedure held prior to the Switch Auction

2.1. The price quotation(s) for the series of Government Securities used as consideration in a given Switch Auction must be submitted by Primary Dealers designated under the Primary Dealer Contract – subject to the obligation to conclude a transaction – on the MTS Hungary platform used for secondary market price quotation by 9:15 a.m. on the day of the Switch Auction and must be maintained during the morning Compulsory Quotation Period to be executed on that day, i.e. between 9:15 a.m. and 9:30 a.m. The price quotation(s) shall be performed in accordance with the price quotation rules set out in Annex 3 to the Primary Dealer Contract.

2.2. In the event that a transaction is concluded for the series of Government Securities used as consideration during the compulsory period indicated in Section 2.1, the Primary Dealer(s) involved in the transaction shall be obliged to quote prices again on MTS Hungary within 2 (two) minutes of the conclusion of the transaction.

2.3. If the MTS Hungary system is not operational at 9:15 a.m. on the day of the given Switch Auction at the Primary Dealer(s) concerned, the Primary Dealer(s) concerned must submit their price quotation(s) – subject to the obligation to conclude a transaction – via Eikon FX Trading, Bloomberg or by telephone between 9:15 a.m. and 9:30 a.m. on the day of the Switch Auction (telephone numbers: +36 1 488-9426, +36 1 488-9433, +36 1 488-9436, +36 1 488-9467 or +36 1 488-9468). Price quotation(s) made by telephone must also be confirmed in writing by e-mail (e-mail address: treasury@akk.hu) by 9:40 a.m. on the day of the Switch Auction. In this case, the price quotation(s) shall also be performed in accordance with the price quotation rules set out in Annex 3 to the Primary Dealer Contract.

3. Trading based on the price quotations

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3.1. If the series of Government Securities used as consideration in the relevant Switch Auction are traded in the course of the price quotation pursuant to Section 2.1 of these Rules of Procedure, they shall be governed by the applicable rules of MTS Hungary.

3.2. If a Primary Dealer quotes prices for the series of Government Securities used as consideration in a given Switch Auction in accordance with Section 2.3 of these Rules of Procedure and the bid or ask yield/price quoted by it for the given Government Security coincide(s) with an opposite direction price quotation(s) made by any Primary Dealer(s) for the same series of Government Securities, then ÁKK shall enter into an OTC sell/buy transaction with all Primary Dealers concerned (i.e. with the Primary Dealer quoting the price in accordance with Section 2.3 of these Rules of Procedure and also with Primary Dealer(s) whose bid or ask yield/price coincided the Primary Dealer quoting the price in accordance with Section 2.3.) with settlement on the second (T+2) working day following the conclusion of the transaction.

3.3. ÁKK will confirm the transactions made according to Section 3.2 to the Primary Dealer(s) concerned via Eikon FX Trading, Bloomberg or by telephone until 10:30 a.m. on the day of the relevant Switch Auction. ÁKK will also confirm the transactions confirmed by telephone in writing by 11:00 a.m. in the form of an e-mail.

3.4. The money and securities settlement connected to the transaction as per Section 3.2 shall be performed on the basis of the currently effective General Terms of Business of the KELER Central Depository Ltd, pursuant to the provisions of these General Terms applicable for the OTC securities transactions.

4. Calculation of the price of government securities belonging to the series of Government Securities used as consideration in the course of the Switch Auction

4.1. The calculation of the price of the Government Securities belonging to the series of Government Securities used as consideration in the relevant Switch Auction shall be carried out by ÁKK at a time it chooses within the Compulsory Quotation Period as per Section 2 of these Rules of Procedure, on the basis of all currently available price quotations provided by the Market Makers on the MTS Hungary platform in accordance with the terms and conditions set out in Annex 3 to the Primary Dealer Contract (if the case under Section 2.3 above applies, the price quotations shall be supplemented by the price quotations submitted under that Section).

4.2. The calculation under these Rules of Procedure
a) in the case of Government Bonds shall not take into account the 2 (two) lowest ask yields and the 2 (two) highest bid yields for fixed-rate Government Securities, and the 2 (two) highest ask prices and the 2 (two) lowest bid prices for floating-rate Government Securities. If more than two quotes are deemed to be the lowest or highest yield in the case of fixed-rate Government Securities or the highest or lowest price in the case of floating-rate Government Securities, the two quotes submitted earliest will not be taken into account in the calculation; b) in the case of Discount Treasury Bills shall take into account all ask and bid yields available in accordance with Section 4.1. of these Rules of Procedure.

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4.3. The yield of the fixed-rate Government Bonds and Discount Treasury Bills belonging to the series of Government Securities used as consideration in the given Switch Auction shall be the arithmetic mean of the yields as per the bids and offers quoted pursuant to Section 2 of these Rules of Procedure and to be considered pursuant to Section 4.2.a) or b) as applicable. The net price of the floating-rate Government Bonds belonging to the series of Government Securities used as consideration in the given Switch Auction shall be the arithmetic mean of the net prices as per the bids and offers quoted pursuant to Section 2 of these Rules of Procedure and to be considered pursuant to Section 4.2.a).

4.4. The gross price of the fixed-rate Government Bonds and Discount Treasury Bills belonging to the series of Government Securities used as consideration in the course of the given Switch Auction shall be calculated on the basis of the yield as per Section 4.3 of these Rules of Procedure of the fixed-rate Government Bonds and Discount Treasury Bills belonging to the series of Government Securities used as consideration in the course of the given Switch Auction, in conformity with the provisions of the Statement. For floating-rate Government Securities, the gross price shall be calculated as the sum of the net price and the accrued interest for that day in accordance with the provisions of the Statement.

4.5. If, at the time of downloading the price quotations for the series of Government Securities used as consideration, the number of Primary Dealers and Non-PD Market Makers actually quoting prices in the given price discovery procedure a) does not exceed 7 (seven) for each Government Bond series, b) does not exceed 3 (three) for each Discount Treasury Bill series, ÁKK reserves the right to deviate from the yield or net price calculated according to Section 4.3 of these Rules of Procedure, when determining the price of the Government Bonds and Discount Treasury Bills belonging to the series of Government Securities used as consideration in the given Switch Auction and to determine the gross price of the Government Bonds and Discount Treasury Bills belonging to the series of Government Securities used as consideration in the given Switch Auction independently of the yield or net price.

4.6. In addition, ÁKK reserves the right to determine the price of the Government Bonds and Discount Treasury Bills belonging to the series of Government Securities used as consideration in the given Switch Auction 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, stating the reason.

4.7. The price quotation(s) of the Primary Dealer(s) which is/are not available at the time of downloading the price quotation(s) due to the transaction(s) as per Section 2.2 of these Rules of Procedure will not be taken into account in the calculations performed in accordance with Section 4.3 of these Rules of Procedure.

5. Publication of the price of the Government Securities used as consideration in the course of the Switch Auction

5.1. ÁKK shall publish the price of the Government Securities used as consideration in the course of the given Switch Auction calculated according to Section 4 of these Rules of Procedure until 09.55 a.m. on the day of the given Switch Auction on the HUEXCHANGE page of Refinitiv and currently on the Bloomberg GDMA 6 3/8 page in the case of

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Government Bonds, and on the HUEXCHANGE-TBILL page of Refinitiv and on the Bloomberg GDMA/Exchange Auction (currently GDMA 13 1/2) page in the case of Discount Treasury Bills, and furthermore on its own website (www.akk.hu) and the website of the Budapest Stock Exchange (www.bet.hu) in the case of all Government Securities.

5.2. In connection with the calculation of the price of the Government Securities used as consideration in the course of the Switch Auction(s), ÁKK shall send the detailed price quotation data downloaded and used according to these Rules of Procedure (i.e. the name of the Primary Dealer quoting the price, the quoted bid and ask yields, the net prices, and the quoted amounts) to the Primary Dealers in the form of an electronic message (e-mail) until 11.00 a.m. on the day of the given Switch Auction, to which the given Primary Dealer consents by its price quotation.

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