

Methodological notes of the MNB CCIRS spread index

Act LXXVIII of 2014, amending Act CLXII of 2009 on household credit and other relating Acts, has become known as the Fair Banks Act, which makes developments in interest rates set on household consumer loans transparent and therefore easy to follow. The relevant provisions of the Acts must be applied from 1 February 2015.

In the case of foreign currency loans, one component of the indicators of changes to interest rates and of changes to interest rate spreads is the CCIRS spread index, which is a data derived from daily K14 data reports provided to the MNB. The CCIRS spread index is published on the fifth working day of each month following the reference month. It will be published first on 6 March 2015 going back to November 2009.

The MNB CCIRS spread index is designed to track the weighted monthly average spread of cross-currency interest rate swaps entered into by all banks, specialised credit institutions and EEA branches, weighted by forintnominal value, as defined below.

The source of data for calculating the MNB CCIRS spread index is the 'Daily report on interest rate derivative transactions' (Magyar Nemzeti Bank identifier: K14). Data providers must comply with the reporting requirement as set out in the MNB Decree on the scope of information to be supplied for the central bank information system and on the method and deadline of data supply.

The MNB CCIRS spread index is the average spread on cross-currency interest rate swaps (currency swaps and FX interest rate swaps), weighed by nominal value on the forint leg, which are entered into by data providers in the reference month and in which one currency is the forint, the other being the euro or Swiss franc, and their maturity is minimum one year and maximum five years. Those transactions where the data provider and the other party belong to K14 data providers are given a 0.5 weight in calculating the average. Those transactions where the other party is the MNB are not taken into account in calculating the average.

In calculating the value of the MNB CCIRS spread index:

- in the case of legs paying floating interest rates,
 - if, in the data report, the amount received under the contract is denominated in the forint, the spread is calculated as the difference between the spread on the benchmark interest rate received and the spread on the benchmark interest rate paid,
 - if, in the data report, the amount received under the contract is denominated in the euro or Swiss franc, the spread equals the difference between the spread on the benchmark interest rate paid and the spread on the benchmark interest rate received, expressed in basis points,
- in the case of legs paying fixed interest rates, the spread is calculated as the difference between the annualised interest rate of the fixed interest rate and the fixed interest rate of a single currency market interest rate swap quote with a maturity and currency corresponding to that of the leg paying fixed interest, also expressed in basis points.

The MNB calculates the value of the CCIRS spread index in basis points rounded to whole numbers, and publishes on its website on the fifth working day following the reference month. If no transaction is entered into in the reference month which could be taken into account in calculating the index, the value of the MNB CCIRS spread index in the reference month will be equal to that of the index for the month preceding the reference month.

In the case of data reports serving as a basis for calculating the MNB CCIRS spread index, banks and specialised credit institutions (including Hungarian branches of banks and specialised credit institutions with a head office and operating licence in a country not party to the Treaty on the European Economic Area) should be regarded as banks and specialised credit institutions.

Hungarian branches of banks and specialised credit institutions with a head office and operating licence in (another) member state of the Treaty on the European Economic Area EEA should be regarded as EEA branches.