RECENT DEVELOPMENTS IN SCOPE OF TSA IN HUNGARY

ANDRÁS RÉZ ADVISOR, HUNGARIAN STATE TREASURY

TCOP THEMATIC EVENT, TASHKENT UZBEKISTAN, 15.10.2025

Hungarian State Treasury

CASH MANAGEMENT INSTITUTIONAL FRAMEWORK IN HUNGARY

SHARED RESPONSIBILITY OF THE HUNGARIAN STATE TREASURY AND THE DEBT MANAGEMENT AGENCY

Liquidity management of the state is done by co-operation between Hungarian State Treasury and ÁKK

Hungarian State Treasury (HST) has good information about budget execution and other net financing needs

According to the Act on Public Finances No 195 in 2011, HST prepares a cash forecast for the Debt Agency

The Debt Agency makes cash management operations and ensures the liquidity of TSA based on that forecast

Only the debt agency acts on the money and government securities markets, therefore, actual cash management operations are done only by the debt agency

A frequent information flow is needed for effective liquidity management between the 2 organisations

Hungarian State Treasury

CASH MANAGEMENT INSTITUTIONAL FRAMEWORK IN HUNGARY

CASH MANAGEMENT OPERATIONS ARE THE RESPONSIBILITY OF THE DEBT MANAGEMENT AGENCY

Maintains the required liquidity buffer level for adverse outcomes in financing (e.g. higher budget deficit, market shocks) to reduce financing risks

Liquidity buffer is provided by the annual financing plan and/or if needed by daily cash management operations

The TSA minimum and optimal balance targets (2 KPIs) are included in the list of debt management benchmarks

Reducing the fluctuations of the TSA balance (TSA balance moves opposite to the interbank market liquidity, managing the TSA aims to reduce this, stabilize short term market rates and help monetary policy as well)

Observing cost aspects of cash placements

Support the domestic repo market activity by daily repo tenders

Hungarian State Treasury

EXPANDING THE SCOPE OF TSA – STATE OWNED ENTERPRISES

RATIONALE:

1. BY INCREASING THE SCOPE OF TSA, THE NET FINANCING NEEDS OF THE PUBLIC SECTOR CAN BE DECREASED
2. ALL FUNDS IN THE TSA (INCLUDING THAT OF SOES AND LOCAL AUTHORITIES) CAN BE USED IN LIQUIDITY MANAGEMENT
3. THE PUBLIC DEBT CAN ALSO BE DECREASED (IN THE EUROPEAN UNION GROSS PUBLIC DEBT IS MEASURED AND EVALUATED) BY USING MORE CASH ON THE TSA
4. HOWEVER NEW FUNDS INCREASE LIQUIDITY RISKS AND MINIMUM TSA BALANCE REQUIREMENT

DIFFICULTIES/CONSTRAINTS:

1. THE STATE TREASURY CAN NOT FINANCE (PROVIDE LOANS) TO SOES
2. THE STATE TREASURY IS NOT A BANK, CAN NOT PROVIDE FULL SCALE FINANCIAL SERVICES TO MUNICIPALITIES LIKE BANKS (E.G. CANNOT PAY INTEREST ON DEPOSITS, HOWEVER IN MANY FIELDS IT IS COMPETITIVE))

Hungarian State Treasury

STATE OWNED ENTERPRISES IN THE TSA

PARA 79 OF ACT ON PUBLIC FINANCES NO 195 IN 2011 DEFINES SOES IN THE TSA:

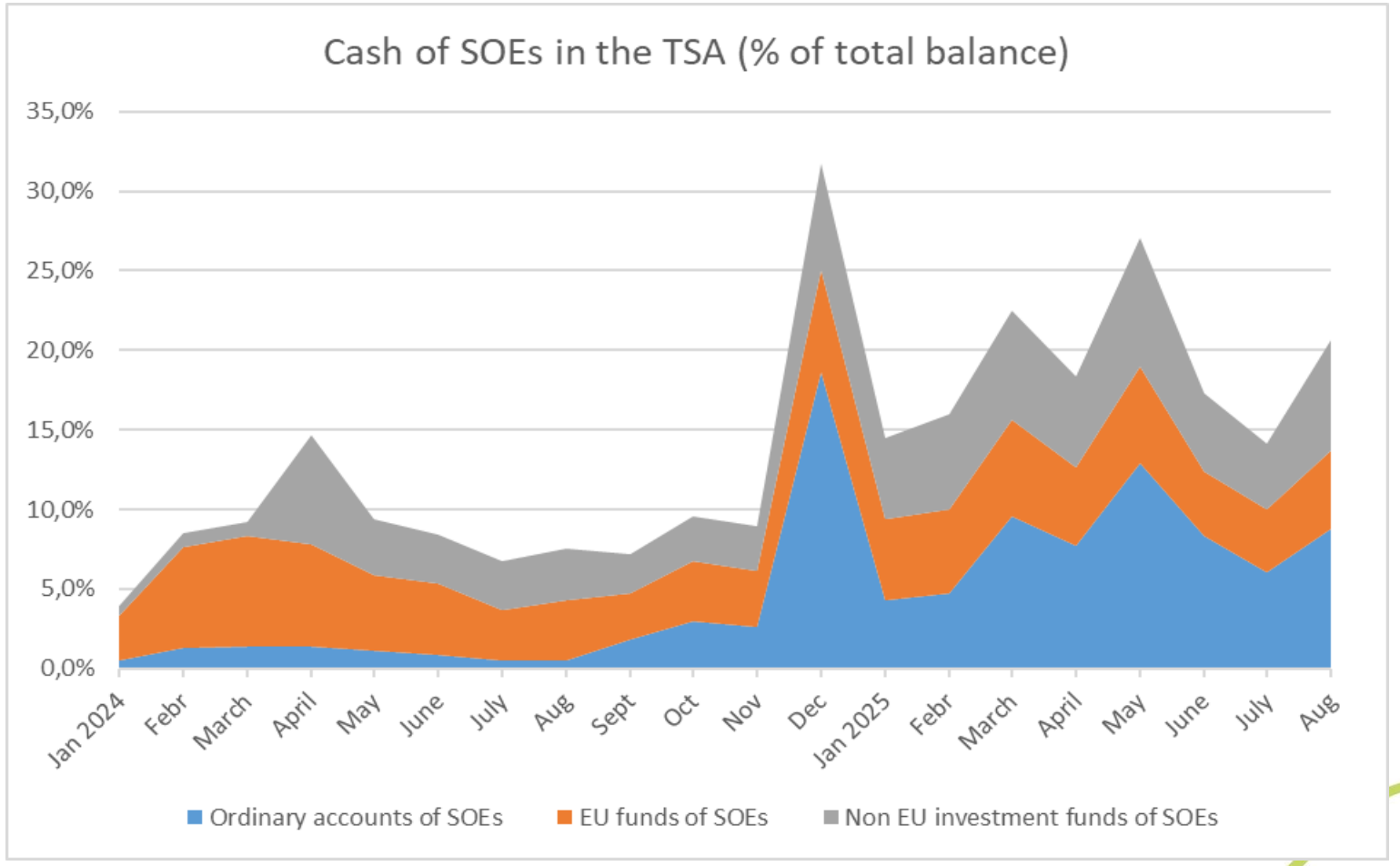
1. HUNGARIAN NATIONAL ASSET MANAGEMENT LTD
2. STUDENT LOAN CENTER LTD
3. NON-PROFIT LTDS
4. NATIONAL ROAD TOLL SERVICE LTD
5. OTHER COMPANIES BY THE DECISION OF MINISTER RESPONSIBLE FOR PUBLIC FINANCES (EFFECTIVE FROM 2025, NO SUCH DECISION YET)

COMPANIES NOT INCLUDED:

1. STATE OWNED FINANCIALCORPORATIONS (E.G. EXIMBANK, HUNGARIAN DEVELOPMENT BANK)
2. LARGE SOES OFFERING PUBLIC SERVICES LIKE STATE RAILWAY, HUNGARIAN POST
3. GOVERNMENT DEBT MANAGEMENT AGENCY LTD (ÁKK) – ITS ACCOUNT IS AT THE CENTRAL BANK FROM ITS ESTABLISHMENT IN 2001

Hungarian State Treasury

SOES LIQUIDITY IN THE TSA



- INCREASING IMPORTACE OF SOES IN THE TSA
- INCREASING LIQUIDITY ESPECIALLY IN DECEMBER 2024

Hungarian State Treasury

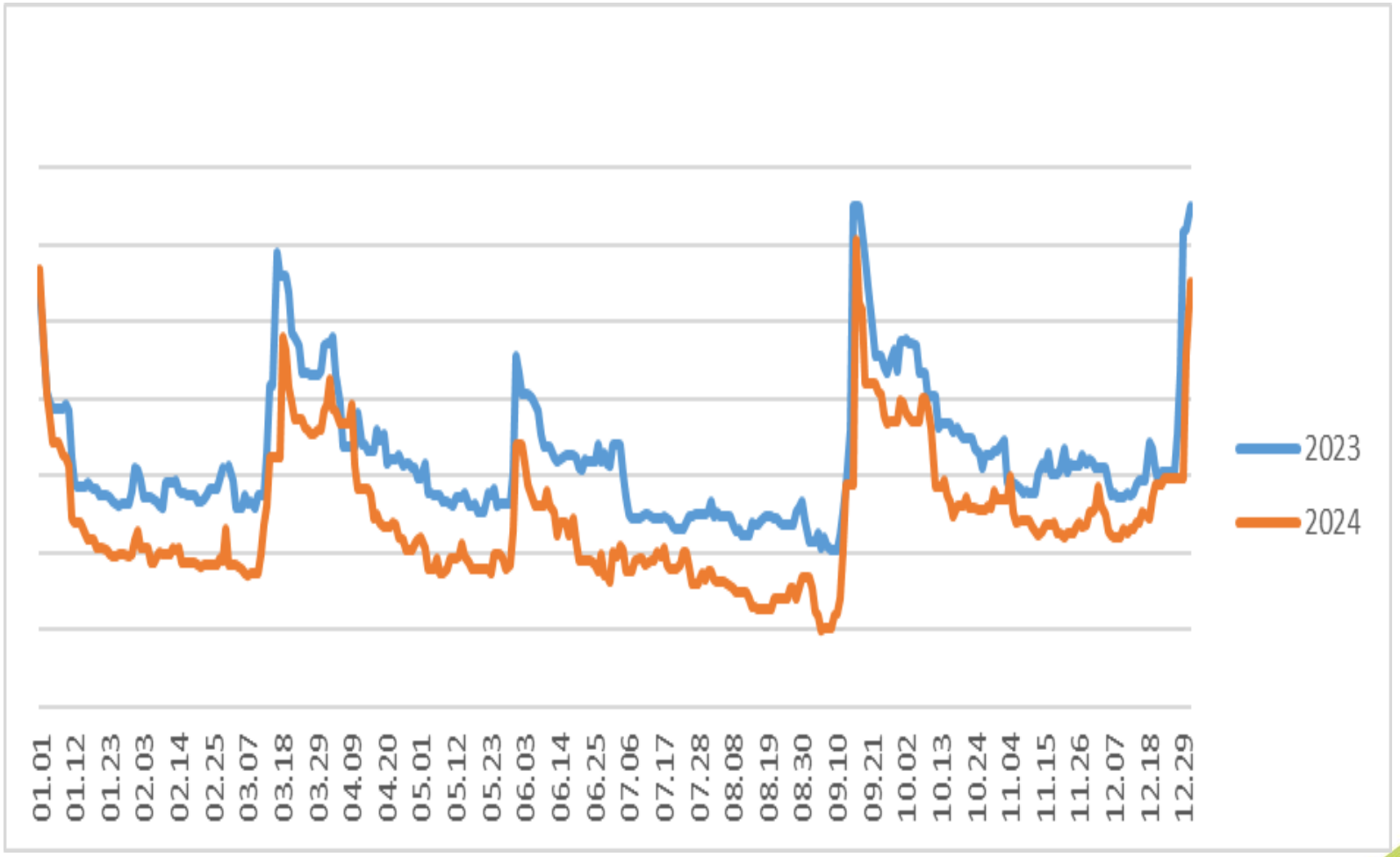
EXPANDING THE SCOPE OF TSA – HUF FUNDS OF LOCAL AUTHORITIES

RATIONALE:

1. LOCAL AUTHORITIES HAVE A SIZEABLE CASH POSITION MOSTLY IN COMMERCIAL BANKS
2. THEY CAN HAVE THEIR ACCOUNT IN THE TSA AT THE TREASURY BUT FEW DECIDED TO HAVE (MAINLY SMALL MUNICIPATITIES, IT IS MANDATORY FOR COUNTY MUNICIPIALITIES)
3. THEY INVEST IRREGULARLY INTO GOVERNMENT SECURITIES (ACCORDING TO EU METHODOLOGY GOVERNMENT SECURITIES INVESTMENT BY LOCAL AUTHORITIES ARE DEDUCTED FROM GROSS PUBLIC DEBT FIGURE)
4. BY CHANNELING THE CASH OF LOCAL AUTHORITIES TO TSA THE DEBT AGENCY CAN REDUCE PUBLIC DEBT

Hungarian State Treasury

HUF FUNDS OF LOCAL AUTHORITIES



1. SIGNIFICANT EXTRA LIQUIDITY TO THE TSA
2. NOT CORRELATED WITH THE CORE TSA, DECREASES VOLATILITY, (MOST LOCAL TAXES ARE DUE ON MARCH 15 AND SEPT 15)

Hungarian State Treasury

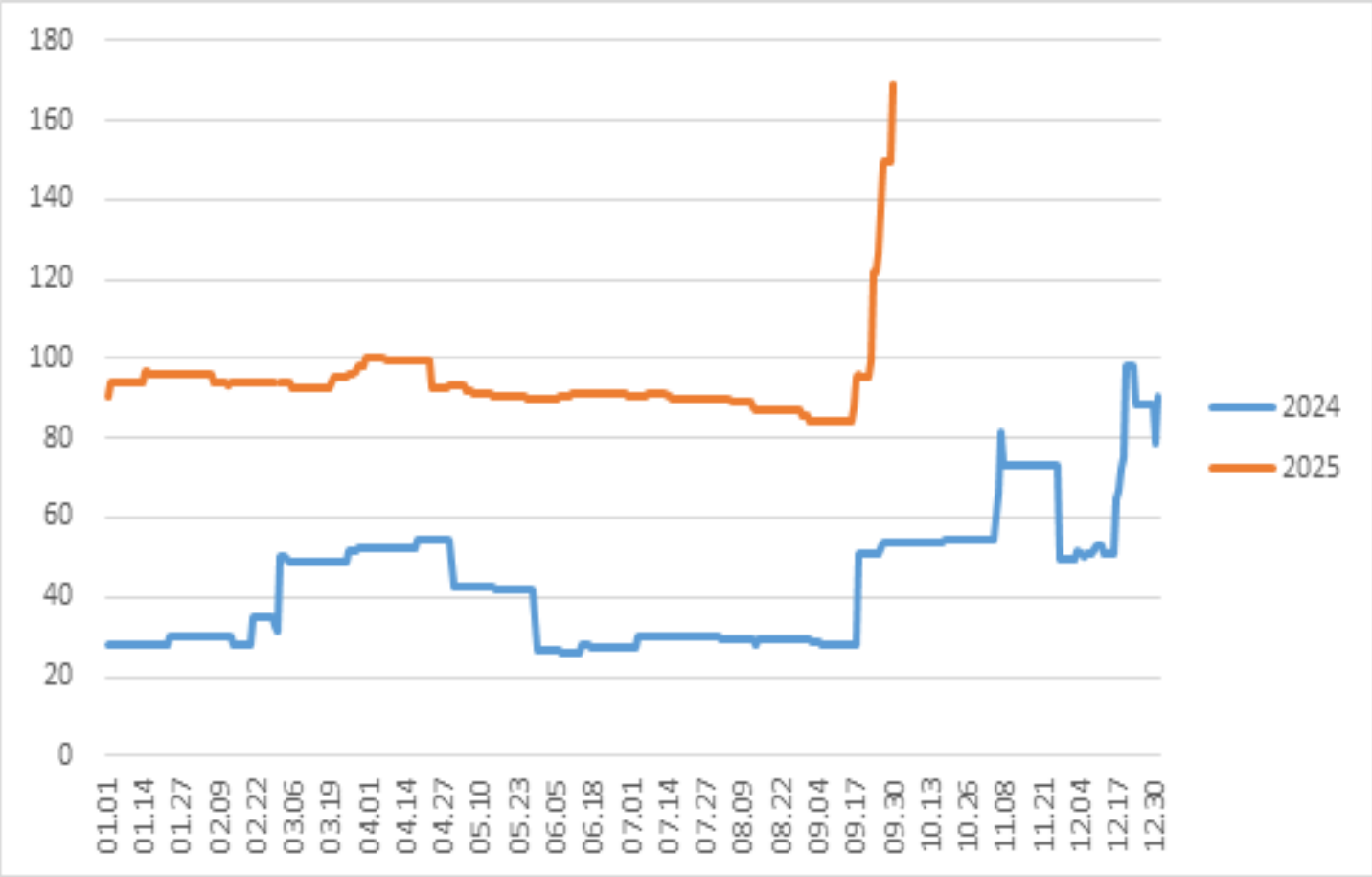
EXPANDING THE SCOPE OF TSA – HUF FUNDS OF LOCAL AUTHORITIES

INTRODUCTION IN 2025:

1. THE GOVERNMENT OFTEN CONSIDERED ITS IMPLEMENTATION PREVIOUSLY
2. EARLY IN 2025 THE GOVERNMENT MADE A DECISION TO INTRODUCE A MODEL BASED ON THE SYSTEM USED IN THE NETHERLANDS,
3. CASH OF LOCAL AUTHORITIES AND THEIR BUDGETARY INSTITUTIONS OF OVER 5 PC OF ANNUAL BUDGET WILL BE TRANSFERRED TO AND MAINTAINED ON THE TSA BY DAILY TRANSFERS
4. THE BASIC ACT NEEDED APPROVAL BY THE PARLIAMENT IN APRIL 2025
5. FROM OCTOBER 2025 THE NEW SYSTEM HAVE STARTED WITH THE MOST IMPORTANT LOCAL AUTHORITIES OF 49, EXTRA LIQUIDITY IS EUR 1 BILLION IN LINE WITH EXPECTATION
6. TRANSITION TO THE NEW SYSTEM WENT WELL
7. OTHER LOCAL AUTHORITIES WILL BE INCLUDED FROM 2027

Hungarian State Treasury

HUF FUNDS AND INVESTMENTS OF LOCAL AUTHORITIES



1. SIGNIFICANT EXTRA LIQUIDITY TO THE TSA OF HUF 750 MILLION
2. LOCAL AUTHORITIES INVESTED INTO DEDICATED GOVERNMENT BONDS OF HUF 250 MILLION STARTING FROM SEPTEMBER (SEE GRAPH)

Hungarian State Treasury

SUMMARY

INCREASING THE SCOPE OF THE TSA:

1. REDUCING THE NET FINANCING NEED OF THE CENTRAL BUDGET
2. GROSS PUBLIC DEBT CAN BE REDUCED – LEGAL REQUIREMENT FOR THE GOVERNMENT
3. SOME LOCAL AUTHORITIES ARE NOT INVESTING THEIR IDLE CASH – THE NEW SYSTEM ACTUALLY HELPS THEM INVESTING
4. COMMERCIAL BANKS ARE CO-OPERATIVE IN IMPLEMENTING THE NEW SYSTEM

Hungarian State Treasury

THANK YOU FOR YOUR ATTENTION

Hungarian State Treasury