

Act CXXXIX of 2013
on the National Bank of Hungary¹

Pursuant to Articles 41 and 42 of the Fundamental Law, Parliament has adopted the following Act on the Magyar Nemzeti Bank (*National Bank of Hungary*), its primary objectives, basic tasks, institutional, organizational, personal and financial independence and its operations, in the interest of defining macro-prudential tasks and responsibilities, providing for the possibility of macro-prudential intervention and strengthening macro-prudential cooperation internationally, and for intensifying supervision of the financial intermediary system:

PART ONE

Legal Status and Primary Objective, Tasks and Organization of the Magyar Nemzeti Bank

Chapter I

Legal Status, Primary Objective and Basic Tasks of the Magyar Nemzeti Bank

1. Legal status and primary objective of the Magyar Nemzeti Bank

Section 1

(1) The Magyar Nemzeti Bank (hereinafter referred to as „MNB”) is a member of the European System of Central Banks and the European System of Financial Supervisors.

(2) The MNB, and the members of its bodies, in carrying out their task and duties set out in this Act, shall be independent and shall neither seek nor take instructions from the Government, or the institutions, bodies or offices of the European Central Bank (hereinafter referred to as „ECB”) and - with the exceptions provided for in Subsection (3) - of the European Union, or from the governments of Member States or any other organization or political party. The Government as well as all other bodies shall fully respect this principle and shall not attempt to influence the MNB and its bodies in the performance of their tasks.

(3) Stemming from its membership in the European System of Financial Supervisors, the MNB shall carry out the tasks delegated from the competencies of the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Securities and Markets Authority and the European Systemic Risk Board upon the MNB.

Section 2

The Governor of the MNB shall be required to provide verbal and written reports to Parliament.

¹ Adopted by Parliament on 16 September 2013.

Section 3

- (1) The primary objective of the MNB shall be to achieve and maintain price stability.
- (2) Without prejudice to its primary objective, the MNB shall uphold to maintain the stability of the financial intermediary system, to increase its resilience and to ensure its sustainable contribution to economic growth, and shall support the economic policy of the Government using the means at its disposal.

2. Basic and other tasks of the MNB

Section 4

- (1) The MNB shall define and implement monetary policy.
- (2) The MNB shall be entitled to issue banknotes and coins in the official currency of Hungary. Banknotes and coins - including commemorative banknotes and coins - issued by the MNB in the official currency of Hungary (hereinafter referred to collectively as „banknotes and coins”) shall be legal tender in Hungary.
- (3) The MNB shall hold and manage official foreign exchange and gold reserves in order to preserve the external stability of the Hungarian economy.
- (4) The MNB shall execute foreign exchange operations in relation to the management of foreign exchange reserves and the implementation of exchange-rate policy.
- (5) The MNB shall oversee payment and settlement systems, and securities settlement systems, and within this framework shall oversee the operations of the system and the operations of the organization performing the activity of the central counterparty, in order to ensure the sound and efficient functioning of these systems and the uninterrupted completion of cash transactions. To this end, the MNB shall, within the scope of its legislative powers set out in Subsection (2) of Section 171, participate in setting up payment and settlement systems, and securities settlement systems.
- (6) The MNB shall collect and publish statistical information as necessary to carry out its tasks, and in order to fulfill the ECB’s statistical reporting requirements under Protocol 4 to the Treaty on the Functioning of the European Union on the Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as „Statute”).
- (7) The MNB shall develop a macro-prudential policy framework relating to the stability of the financial intermediary system as a whole, to increase the resilience of the financial intermediary system and to ensure its sustainable contribution to economic growth. To this end, the MNB shall - within the framework provided for in this Act - explore business and economic risks threatening the financial intermediary system as a whole, it shall help to prevent the build-up of systemic risks, and shall help to mitigate or eliminate the systemic risks that may already exist, furthermore, in the event of any disturbance in the credit market it shall introduce incentive measures to stimulate the credit market, or shall adopt measures to control excessive credit growth so as to ensure that the financial intermediary system functions in a balanced way in financing the economy.
- (8) The MNB shall function as the resolution authority within its powers delegated by specific other legislation.
- (9) The MNB shall supervise the financial intermediary system with a view to:
 - a) ensuring the smooth, transparent and efficient functioning of the financial intermediary system;

b) facilitating the prudent operation of the persons and organizations comprising the financial intermediary system and overseeing the prudent exercise of owners' rights;

c) discovering undesirable business and economic risks threatening individual financial organizations or individual sectors of financial organizations, mitigating or eliminating existing individual or sector-related risks, and taking preventive measures with a view to ensuring the prudent operation of individual financial organizations;

d) protecting the interests of parties using the services rendered by financial organizations and strengthening public confidence in the financial intermediary system.

(10) The MNB shall carry out the settlement of disputes - via the Financial Arbitration Board - between consumers and the persons and bodies covered by the acts referred to in Section 39 relating to the conclusion and performance of contracts for the supply of services with a view to reaching an out-of-court settlement.

(11) Tasks of the MNB shall be defined by acts of Parliament, or by other legislation adopted by authorization of an act as regards the tasks provided for in Subsection (9). Any MNB task set out by law or by legislation adopted by authorization of an act shall be in accordance with the MNB's basic tasks and responsibilities, as defined in this Act.

(12) The MNB shall have exclusive competence to perform the tasks set out in Subsections (1)-(5) and (9).

(13) The tasks provided for in Subsections (1)-(7) shall comprise the basic tasks of the MNB.

(14) The MNB may only engage in the pursuit of other activities which do not comprise part of its basic tasks - in accordance with the provisions of the relevant regulations - without jeopardizing the achievement of its primary objective and performance of its basic tasks.

(15)² In performing the function provided for in Subsection (8), adequate arrangements shall be in place to ensure operational independence of the department responsible for enforcement of resolution functions from other departments of the MNB, including that these functions must be performed under the direct control and supervision of the Governor, or any Deputy Governor of the MNB.

Chapter II

Organization of the MNB

3. Legal form of the MNB

Section 5

(1) The MNB is a legal person incorporated as a limited company. The MNB is seated in Budapest.

(2) The corporate name of the MNB need not be entered in the register of companies. The designation 'limited company' need not be indicated in the corporate name of the MNB.

(3) The Statutes of the MNB shall be established by the shareholder, and it shall be presented to Parliament.

² Enacted by Subsection (1) of Section 160 of Act XXXVII of 2014, effective as of 21 July 2014.

(4) The shares of MNB shall be owned by the State. The State, in its capacity as shareholder, shall be represented by the minister in charge of public finances (hereinafter referred to as „Minister”).

(5) The subscribed capital of the MNB is HUF 10,000,000,000, that is ten billion forints.

Section 6

(1) The shareholder shall adopt a shareholder’s resolution concerning:

- a)* the establishment and amendment of the Statutes;
- b)* the appointment and dismissal of the auditor; and
- c)* the remuneration of the auditor.

(2) The Executive Board shall notify the shareholder of the financial report by submitting the report including the audit certificate to the shareholder, as defined in Paragraph *b)* of Subsection (4) of Section 12.

Section 7

The provisions of the Act on Business Associations (hereinafter referred to as „Companies Act”) shall apply to the MNB subject to the exceptions specified in this Act.

4. The bodies of MNB

Section 8

The bodies of the MNB are:

- a)* the Monetary Council;
- b)* the Financial Stability Board;
- c)* the Executive Board;
- d)* the Supervisory Board.

5. The Monetary Council

Section 9

(1) As regards the functions specified in this Section, the Monetary Council is the supreme decision-making body of the MNB.

The Monetary Council shall be responsible:

- a)* to make strategic decisions relating to the tasks set out in Subsections (1)-(4) and (6) of Section 4;
- b)* to make decisions under Subsection (1) of Section 20 within the scope of competence defined under Paragraph *a)*;
- c)* to make decisions relating to the tasks provided for in Subsection (2) of Section 22 within the scope of competence defined under Paragraph *a)*;
- d)* to define the strategic background in connection with the tasks set out in Subsections (5) and (7)-(9) of Section 4, setting the decision-making framework for the Financial Stability Board;
- e)* to determine its rules of procedure, and

f) to make decisions in all other matters delegated by law under the exclusive competence of the Monetary Council.

(2) The Monetary Council shall convene at least once every month, or at any time deemed necessary.

(3) The Monetary Council shall consist of at least five, and at most nine members. The total number of members specified in Paragraphs *a)* and *b)* of Subsection (4) sitting in the Monetary Council shall not reach the number of members specified in Paragraph *c)* of Subsection (4), and the number of members specified in Paragraph *c)* of Subsection (4) shall not reach double the number of members specified in Paragraphs *a)* and *b)* of Subsection (4). Members of the Monetary Council shall be in the employment of the MNB for the duration of their term in office.

(4) Members of the Monetary Council are:

a) the Governor of the MNB, as the Chairman of the Monetary Council;

b) the Deputy Governors of the MNB; and

c) other members elected by Parliament for six years.

(5) Hungarian citizens with outstanding theoretical knowledge and practical professional expertise in issues related to monetary, financial or credit institution activities may be appointed or elected as members of the Monetary Council.

(6) Any person recommended as a member of the Monetary Council shall attend a hearing of the Parliamentary Standing Committee for Economic Affairs.

(7) Upon taking office, the members of the Monetary Council referred to in Paragraphs *a)* and *b)* of Subsection (4) shall take an oath before the President of the Republic, other members referred to in Paragraph *c)* of Subsection (4) shall take an oath before the Parliament.

(8) The mandate of those members of the Monetary Council referred to in Paragraph *c)* of Subsection (4) shall terminate upon:

a) expiration of their term of office;

b) resignation;

c) dismissal;

d) death.

(9) Resignations of members referred to in Paragraphs *a)* and *b)* of Subsection (4) shall be submitted in writing to the President of the Republic, whereas the members specified in Paragraph *c)* of Subsection (4) shall submit their resignation to the Speaker of the Parliament. In the event of the resignation of a member of the Monetary Council, the mandate shall end on the date indicated in the resignation statement, after the resignation statement has been made, or, in the absence thereof, upon receipt of the resignation statement in case of the members referred to in Paragraphs *a)* and *b)* of Subsection (4) by the President of the Republic, and in case of the members referred to in Paragraph *c)* of Subsection (4) by the Speaker of the Parliament. A statement of acceptance is not required for the resignation of a member of the Monetary Council.

(10) The President of the Republic shall have powers to dismiss members of the Monetary Council referred to in Paragraphs *a)* and *b)* of Subsection (4), and the Parliament shall have powers to dismiss members of the Monetary Council referred to in Paragraph *c)* of Subsection (4) only for the reason specified in Article 14.2 of the Statute.

(11) Recommendation for the appointment or dismissal of the members specified in Paragraph *c)* of Subsection (4) shall be made by the Parliament Standing Committee for Economic Affairs to Parliament.

(12) A copy of the motion for dismissal under Subsection (11) shall be submitted to the affected member of the Monetary Council, who may seek remedy in the administrative and labor court under the relevant regulations of the Act on the Labor Code (hereinafter referred to as

„Labor Code”). The right to seek remedy in court based on the provisions of the Labor Code is without prejudice to the right of seeking remedy as defined in Article 14.2 of the Statute.

(13) The motion for dismissal pursuant to Subsection (11) hereof may be submitted to the President of the Republic in case of the members of the Monetary Council referred to in Paragraph *b*) of Subsection (4), and to the Parliament in case of the members of the Monetary Council referred to in Paragraph *c*) of Subsection (4) following expiry of the deadline for filing an appeal, or - in the event of filing an appeal - after the court’s decision declaring the existence of the conditions for dismissal specified in Article 14.2 of the Statute takes legal effect.

(14) Each year the Monetary Council shall elect by a simple majority of the votes the Deputy Chair of the Monetary Council during the first meeting of the year from among the ranks of the Deputy Governors of the MNB. Upon the termination of the Deputy Chair’s mandate the Monetary Council shall elect a new Deputy Chair in its next scheduled meeting.

(15) The Monetary Council shall have a quorum if the majority of its members are present. The Monetary Council shall adopt its resolutions by a simple majority of the votes of the members present. In the event of a tie, the Chairman shall have the casting vote, or in his absence, the Deputy Chair shall have the casting vote.

(16) The Chairman of the Monetary Council, or in his absence, the Deputy Chair shall be entitled to make public the position of the Monetary Council.

6. The Governor of the MNB

Section 10

(1) The head of the MNB shall be the Governor.

(2) The Prime Minister shall make a recommendation for the Governor of the MNB to the President of the Republic. The term of office of the Governor of the MNB shall be six years. Any one person may hold the position of the Governor of the MNB for two terms at most.

(3) The provisions of Subsections (5)-(10) of Section 9 shall also apply to the Governor of the MNB.

(4) The Governor of the MNB shall be dismissed by the President of the Republic on a recommendation by the Prime Minister, in accordance with the provisions set out in Subsection (10) of Section 9.

(5) The Prime Minister’s recommendation for dismissal under Subsection (4) shall be submitted to the Governor of the MNB, who may seek remedy in the administrative and labor court, in accordance with the regulations of the Labor Code. The right to seek remedy in court based on the provisions of the Labor Code is without prejudice to the right of seeking remedy as defined in Article 14.2 of the Statute.

(6) The motion for dismissal may be submitted to the President of the Republic following expiry of the deadline for filing an appeal, or - in the event of filing an appeal - after the court’s decision declaring the existence of the conditions for dismissal specified in Article 14.2 of the Statute takes legal effect.

(7) The decision of the President of the Republic on the appointment and dismissal of the Governor of the MNB requires the countersignature of the Prime Minister.

(8) With the exception of the issuance of decrees, the Deputy Chair of the Monetary Council shall substitute for the Governor of the MNB in the event of his absence.

7. Deputy Governors of the MNB

Section 11

(1) The MNB shall have at least two and at most three Deputy Governors. The Prime Minister shall recommend the persons for Deputy Governors of the MNB to the President of the Republic.

(2) Subsections (5)-(10), (12) and (13) of Section 9 shall also apply to the Deputy Governors of the MNB, with the proviso that the Prime Minister shall make a recommendation for the dismissal of the Deputy Governors of the MNB on a proposal by the Governor of the MNB.

(3) The decision of the President of the Republic on the appointment and dismissal of the Deputy Governors of the MNB requires the countersignature of the Prime Minister.

8. The Executive Board

Section 12

(1) The Executive Board shall be responsible for implementing the decisions of the Monetary Council having regard to the tasks defined under Subsections (1)-(4) and (6) of Section 4 and the decisions of the Financial Stability Board having regard to the tasks defined under Subsections (5) and (7)-(9) of Section 4, and for directing the operations of the MNB.

(2) Members of the Executive Board are:

- a)* the Governor of the MNB, as Chairman of the Executive Board; and
- b)* the Deputy Governors of the MNB.

(3) The Chairman shall act in the name and on behalf of the Executive Board.

(4) The scope of competence of the Executive Board shall include:

a) overseeing the implementation of the decisions of the Monetary Council and the Financial Stability Board;

b) adopting the financial report of MNB, decision on the payment of dividends, and approval of the draft report to be sent to the shareholder on the management and financial standing of the MNB;

c) approving matters related to the organization and internal governance of the MNB;

d) approving technical plans and programs relating to the operation of the MNB and the performance of its tasks, including development and operational budgets;

e) in respect of matters which are not conferred under the competence of the Supervisory Board, managing the internal audit department of the MNB, and discussion of the results of and plans related to, internal auditing;

f) amending the collective agreement on the rights and obligations arising from employment, the exercise and performance of these rights and obligations, and the associated procedures; and

g) taking decisions relating to the provisions of Section 159.

(5) The Monetary Council may authorize the Executive Board to decide any matter falling within its scope of competence. The Executive Board shall report to the Monetary Council on these decisions. In addition to what is contained in Subsection (4) hereof, the Governor of the MNB may submit any matter within his scope of competence to the Executive Board for a decision.

(6) The Executive Board shall adopt its decisions by a simple majority of votes of the members present. In case of a tied vote, the Chairman shall have the casting vote, or, in his absence, the member of the Executive Board designated by the Chairman shall have the casting vote. The Executive Board shall have a quorum if at least two of its members are present.

9. The Financial Stability Board

Section 13

(1)³ Of the matters which fall within the MNB's field of competence the Financial Stability Board shall be responsible to proceed - in its capacity as the body provided for in Paragraph *b*) of Section 8 - in the name and on behalf of the MNB relating to the tasks defined under Subsections (5) and (7)-(9) of Section 4 within the strategic framework defined by the Monetary Council.

(2)⁴ The Financial Stability Board shall, in accordance with Subsection (1):

a) continuously monitor the stability of the financial intermediary system as a whole and of the financial markets, with a view to the stability of the financial intermediary system as a whole;

b) quantify the risk factors which potentially threaten the financial intermediary system as a whole;

c) analyze the risks related to certain institutions or specific types of products and the spread of such risks, which may represent a threat to the financial intermediary system as a whole;

d) follow the developments on international and European markets and risks for the safety and soundness of the financial intermediary system as a whole, and shall decide within the strategic framework defined by the Monetary Council on the measures deemed necessary;

e) address strategic, regulatory, risk-related and other theoretical issues affecting the financial intermediary system as a whole, and issue opinions if necessary;

f) assess systemic risks in the event of risks threatening the safety and soundness of the financial intermediary system as a whole emerging, and shall make decisions for mitigating or eliminating such risks;

g) place on its agenda, where deemed necessary, the recommendations, opinions, risk warnings of the European Systemic Risk Board which are relevant for the financial intermediary system as a whole;

h) discuss, where deemed necessary, the recommendations and decisions issued by the European Supervisory Authorities, including the decisions addressed to the national supervisory authorities for putting in place specific measures in the case of serious threats to the stability of the European financial system, and shall present its opinion relating to the tasks stemming from them;

i) publish recommendations containing the guidelines of the judicial principles employed by the MNB, which are non-binding upon the persons and bodies covered by the acts referred to in Section 39;

j) define specific target areas for the MNB's control activities on an annual basis;

k) adopt decisions in regulatory proceedings conducted in connection with the supervisory activities under Subsection (9) of Section 4 over the persons and bodies, and the activities covered by the acts referred to in Section 39; and

l) render decisions in administrative proceedings within the resolution function provided for in Subsection (8) of Section 4, delegated by specific other act.

(3) The Financial Stability Board shall report to the Monetary Council on a regular basis concerning its decisions.

³ Established by Subsection (1) of Section 47 of Act CIV of 2014, effective as of 1 January 2015.

⁴ Established by Subsection (1) of Section 47 of Act CIV of 2014, effective as of 1 January 2015.

(4) The Financial Stability Board shall consist of at least three, and at most ten members.

(5) Members of the Financial Stability Board are:

a) the Governor of the MNB as Chairman;

b) the Deputy Governors overseeing the tasks provided for in Subsections (7)-(9) of Section 4;

c) the executive officers designated by the Governor of the MNB.

(6) The Financial Stability Board shall convene at least every other month, or at any time deemed necessary.

(7) The Chairman shall convene and preside over the meetings of the Financial Stability Board, and shall propose the agenda of the meeting.

(8) The representative of the minister in charge of the money, capital and insurance markets, and external experts delegated by the Governor of the MNB shall attend the meetings of the Financial Stability Board in an advisory capacity.

(9)⁵ The Financial Stability Board shall have a quorum if the majority of its members are present. The Financial Stability Board shall adopt its decisions by a simple majority of the votes of the members present. In the event of a tie, the Chairman shall have the casting vote. Decisions of the Financial Stability Board shall be signed by the Chairman of the Financial Stability Board.

(10)⁶ The Financial Stability Board shall determine its own rules of procedure.

(11)⁷ The Financial Stability Board shall have authority as provided for in its rules of procedure to delegate its right for the execution of official documents to a person employed by the MNB in a management position relating to all or some of the decisions defined in Paragraphs *k)* and *l)* of Subsection (2), with the exception of resolution decisions provided for in specific other act and decisions on taking resolution actions.

(12)⁸ The views of the Financial Stability Board shall be communicated by the Chairman, or by a member so authorized by the Financial Stability Board.

10. The Supervisory Board

Section 14

(1) The Supervisory Board is a body exercising oversight on behalf of the owners of the MNB.

(2) The internal audit department of the MNB shall be controlled by the Supervisory Board subject to the restrictions referred to in Subsection (3) hereof, or by the Executive Board with respect to matters which are not delegated under the competence of the Supervisory Board. If the Executive Board, in exercising its controlling powers, gains knowledge of any findings of an inspection that falls within the competence of the Supervisory Board, it shall convey such information to the Supervisory Board without delay.

(3) The oversight functions of the Supervisory Board shall not include the duties defined under Subsections (1)-(9) of Section 4, or the impact of such on the profit or loss of the MNB. The

⁵ Established by Subsection (1) of Section 242 of Act XVI of 2014, effective as of 25 February 2014.

⁶ Established by Subsection (1) of Section 242 of Act XVI of 2014, effective as of 25 February 2014.

⁷ Established by Subsection (2) of Section 47 of Act CIV of 2014, effective as of 1 January 2015.

⁸ Enacted by Subsection (2) of Section 242 of Act XVI of 2014, effective as of 25 February 2014.

Supervisory Board shall draw up a report prescribed by the Companies Act in connection with the financial statement under the Accounting Act in accordance with said restrictions.

(4) Members of the Supervisory Board are:

- a)* the Chairman elected by Parliament;
- b)* three additional members elected by Parliament;
- c)* the Minister's representative; and
- d)* an expert delegated by the Minister.

(5) The Chairman of the Supervisory Board shall be nominated by the pro-government factions of Parliament.

(6) Parliament shall vote at the same time, in one single group for the election of the candidates nominated by the Parliament groups for membership according to Paragraph *b)* of Subsection (4).

(7) All members of the Supervisory Board must be Hungarian citizens who have the right to stand as candidates in parliamentary elections and must be professionals having exceptional knowledge in the field of banking, finances and/or accounting.

(8) The mandate of members of the Supervisory Board shall be for the duration of the mandate of the Parliament, and shall last until the end of the mandate of the Parliament.

(9) Members of the Supervisory Board may be dismissed by the Parliament or the minister from whom his original mandate was received.

(10) Members of the Supervisory Board shall report to the Parliament or the minister from whom their original mandate was received.

11. The auditor

Section 15

The auditor of the MNB may be appointed for a maximum term of five years. The auditor of the MNB may not be re-appointed for auditing the books of the MNB within five years of the expiry of the mandate.

PART TWO

DETAILED RULES RELATING TO THE TASKS OF THE MNB

Chapter III

Basic Tasks and Duties of the MNB

12. Monetary policy

Section 16

In the interests of achieving the primary objective defined in Subsection (1) of Section 3, the MNB shall influence the supply of and demand for money and credit, using the instruments specified in Section 18.

Section 17

The MNB shall independently define monetary policy and the instruments for implementing such policy within the framework laid down in this Act.

Section 18

As instruments of monetary policy, the MNB shall:

- a) accept deposits in relation to its account management activity, and provide credit based on adequate collateral, subject to the restrictions set out in Section 146;
- b) buy and sell securities as well as acting as intermediary of securities in the spot and derivative markets within the framework of open market operations and repurchase agreements;
- c) issue securities;
- d) set exchange rates and interest rates and exercise influence in the setting thereof;
- e) discount (rediscount) securities;
- f) regulate minimum reserves; and
- g) introduce other central bank instruments.

13. Minimum reserves

Section 19

(1) The Governor of the MNB may decree that financial institutions and investment firms are required to deposit reserves with the MNB, in a specific percentage of their liabilities, assets and off-balance-sheet items (hereinafter referred to as „reserve ratio”).

(2) The MNB may prescribe different levels of reserve ratios for different types of liabilities, individual assets and off-balance-sheet items of financial institutions and investment firms based on their different characteristics. Based on their different characteristics, the reserve ratios applicable to certain components of the reserve fund may also differ. In such cases, the applicable levels of reserve ratios shall be added up.

(3) The MNB may pay interest on minimum reserves deposited by the institutions specified in Subsection (1). Interest may be paid at different rates in accordance with the different types of reserve ratio components and their different characteristics in the reserve ratio.

Section 20

(1) The Monetary Council shall decide on the level of the reserve ratio and the interest rate payable on such reserves. The Governor of the MNB shall determine the level of the reserve ratio and the interest to be paid on such reserves in a decree.

(2) The Governor of the MNB shall decree the rules governing the calculation of minimum reserve, the method of allocation and placement of reserves, and the rules applicable in the event of failure to comply with these provisions.

14. Base rate

Section 21

The MNB shall determine the central bank base rate as a benchmark interest rate. The Monetary Council shall decide on the level of the base rate. The Governor of the MNB shall establish the level of the base rate by way of a decree.

15. Exchange rates

Section 22

(1) The MNB shall quote and publish the official exchange rates for the conversion of foreign currency into forint and forint into foreign currency.

(2) The Government shall determine the exchange rate regime and all features thereof in agreement with the MNB. Changes in the exchange rate regime shall not be permitted to compromise the primary objective of the MNB with regard to the achievement and maintenance of price stability.

(3) Within the framework of the exchange rate regime defined in accordance with Subsection (2), the MNB shall protect and influence exchange rates on domestic and foreign currency markets when necessary and possible.

(4) The Government and the MNB shall treat the exchange rate policy as a matter of mutual interest of the Member States of the European Union.

16. Issuing operations

Section 23

(1) The Governor of the MNB shall publish in a decree the issue of banknotes and coins, their denomination and distinguishing features, and their withdrawal from circulation. The banknotes and coins withdrawn from circulation shall lose their function as legal tender as of the date specified in the decree of the Governor of the MNB.

(2) Everyone shall be obliged to accept banknotes and coins issued by the MNB at face value for payments to be made in the official Hungarian currency until withdrawn.

(3) The MNB shall exchange the banknotes and coins which it has withdrawn from circulation and which no longer function as legal tender within twenty years from the date of withdrawal in respect of banknotes, and within five years in respect of coins, for legal tender of Hungary, at face value. Credit institutions and the institution operating the Posta Elszámoló Központ (Postal Clearance Center) (hereinafter referred to as „postal service”) shall exchange banknotes and coins withdrawn from circulation by the MNB and which no longer function as legal tender, within three years from the date of withdrawal in respect of banknotes, and within one year in respect of coins, for legal tender of Hungary.

(4) For cash payments, including cash payments made to payment accounts, credit institutions and the postal service shall be required to accept more than fifty coins.

(5) Suspected counterfeit banknotes and coins (hereinafter referred to as „suspected banknotes and coins”) shall not be acceptable under any circumstances, excluding what is contained in Subsection (3) of Section 24.

(6) In the course of payment transactions, there shall be no obligation to accept damaged banknotes and coins or banknotes and coins which are difficult to identify.

(7) The MNB shall exchange - as under Subsection (8) - damaged banknotes and coins or banknotes and coins which are difficult to identify for legal tender free of charge at face value. The MNB shall have the right to engage a contractor to perform this obligation.

(8) The MNB shall exchange incomplete or damaged banknotes only if more than 50 per cent of the banknote is presented. The MNB shall - without refund - withdraw from circulation and shall destroy damaged banknotes where the completeness of the banknote does not exceed 50 per cent. Credit institutions and the postal service shall accept from the clients without refund damaged banknotes where the completeness of the banknote does not exceed 50 per cent, and forward them to the MNB for withdrawal and destruction.

(9) Where banknotes are damaged resulting from the activation of security features used to prevent theft of money, where there is any suspicion of criminal activities, the MNB, credit institutions and the postal service shall have authority to withhold - until the conclusion of investigation by the competent law enforcement authorities - payment of compensation for the banknotes and to process the personal data (surname and forename, home address, description and number of identification document) of the natural person depositor (holder) of the banknotes damaged resulting from the activation of security features used to prevent theft of money, and in that context to disclose such data to the agencies performing criminal investigations and conducting criminal proceedings. The MNB shall be entitled to charge a fee for exchanging banknotes which are damaged resulting from the activation of security features used to prevent theft of money for legal tender, unless the person requesting the exchange is able to verify - by means of a document made out by the acting authority - that the damage occurred in consequence of robbery or theft.

(10) The MNB shall not pay compensation for the value of banknotes or coins which have been destroyed. No destruction procedure may be initiated in respect of banknotes or coins. The MNB shall have exclusive rights for the sale of coins categorized as difficult to identify or damaged legal tender - not including commemorative coins issued by the MNB - as raw materials and for the sale of coins that the MNB has withdrawn from circulation, or for the sale of raw materials obtained from such coins, provided that such sales are performed under market conditions.

(11) The Governor of the MNB shall specify, by means of a decree adopted by authorization of this Act, laying down the conditions for cash distribution:

a) the provisions for the exchange of coins for another denomination of coin or banknote and for the exchange of banknotes for another denomination of banknote or coin, including the bodies required to cooperate and the conditions for remuneration;

b) the provisions for the exchange of banknotes and coins withdrawn from circulation, which are difficult to identify or damaged, including the conditions for remuneration.

Section 24

(1) The MNB shall institute technical and other measures within its sphere of competence with regard to the protection of Hungarian and foreign legal tender against counterfeiting, including in particular, currency-expert services, training, data disclosure and dissemination of information. To this end, for the protection of the euro against counterfeiting the MNB shall perform:

a) the tasks of the national counterfeit center provided for in ECB/2001/11 Decision of the European Central Bank of 8 November 2001 on certain conditions regarding access to the Counterfeit Monitoring System (CMS);

b) the tasks set out in Article 3(1) of Council Regulation (EC) No. 1338/2001 of 28 June 2001 laying down measures necessary for the protection of the euro against counterfeiting (hereinafter referred to as „Council Regulation (EC) No. 1338/2001”) relating to Euro banknotes and coins;

c) the tasks of the national analysis center provided for in Article 4(1)-(3) of Council Regulation (EC) No. 1338/2001;

d) the tasks of the coin national analysis center provided for in Article 5(1)-(3) of Council Regulation (EC) No. 1338/2001.

(2) In performing currency-expert services, for the purposes of criminal procedures initiated in connection with any currency identified on the basis of the expert examination to be counterfeit, the MNB shall be entitled to process data concerning the natural person depositor (holder) of the suspected currency (surname and forename, address, type and number of identification document) until the final conclusion of the criminal proceedings and, within this framework, shall forward the above-mentioned data to the agency conducting criminal proceedings in counterfeiting cases. If the MNB or the organization specified under Subsection (3) finds that the legal tender is not counterfeit, the MNB shall immediately delete personal data which have come to its attention, following completion of the currency expert’s examination.

(3) Any suspected currency, Hungarian or foreign, including currencies denominated in euro, must be sent to the MNB for examination, or shall be delivered to a body delegated in the decree of the Governor of the MNB for the purposes of forwarding it for further examination by the MNB.

(4) No compensation shall be provided for counterfeit Hungarian or foreign legal tender, including currencies denominated in euro.

(5) Organizations providing financial transaction, currency exchange and cash processing services in accordance with the Act on Credit Institutions and Financial Enterprises, as decreed by the Governor of the MNB, or any organization providing international postal money order services according to the Act on Postal Services shall be required to send any suspected counterfeit Hungarian or foreign legal tender, including currencies denominated in euro, that they have found to the MNB, and to provide data on the circumstances leading to the discovery in the manner and with the content prescribed in the decree of the Governor of the MNB.

(6)⁹ In the course of data disclosure under Subsection (5), the organization providing international postal money order services in accordance with the Act on Postal Services, or the organization providing financial transaction, currency exchange and cash processing services in accordance with Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter referred to as “Banking Act”), as decreed by the Governor of the MNB, shall forward to the MNB the personal data referred to in Subsection (2). The MNB shall be authorized to process the personal data which has come to its attention as per the above for the purposes specified in Subsection (2), by the date specified therein.

Section 25

The MNB shall account for the costs associated with the production of banknotes and coins as an expense.

Section 26

⁹ Amended by Paragraph a) of Section 173 of Act CCXXXVI of 2013.

(1) Imitations of legal tender in circulation, or of banknotes or coins which have been withdrawn from circulation by the MNB but can be exchanged for legal tender, may only be made or arranged to be produced for any purpose in accordance with the provisions decreed by the Governor of the MNB. Regarding the production, registration, safekeeping and destruction of imitations the provisions decreed by the Governor of the MNB shall be observed.

(2) The regulations concerning imitations of euro banknotes and coins, including medals and tokens similar to euro coins - with the exception of the rules on sanctions - shall be decreed by the Governor of the MNB, with consideration for the provisions of Council Regulation (EC) No. 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins.

17. Cash transactions and oversight

Section 27

(1) The payment and securities settlement systems referred to in the Act on Settlement Finality in Payment and Securities Settlement Systems shall be designated by the MNB.

(2) The Governor of the MNB shall regulate the execution of payment orders referred to in Subsection (2) of Section 171.

Section 28

(1) The authorization of the MNB shall be required for the entry into force of the standard service agreements and internal regulations of the operator of the payment system, as well as for any amendments thereof.

(2) The MNB shall grant the authorization referred to in Subsection (1) if the standard service agreement and internal regulations are found in compliance with the provisions of the decree issued - pursuant to the authorization of this Act - by the Governor of the MNB on the content and formal requirements relating to standard service agreements and internal regulations of the operator of the payment system.

(3) The operator of the payment system shall publish on its website the standard service agreement approved by the MNB, including any amendments, in a codified version at the latest on the day when the MNB's authorization becomes operative.

(4) The MNB, acting within its powers conferred under Subsection (5) of Section 4, shall discharge the functions stemming from the implementation of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (hereinafter referred to as „Regulation 648/2012/EU“).

Section 28/A¹⁰

The MNB, acting within its powers conferred under Subsection (5) of Section 4, in its function as the relevant authority provided for in Point 18 of Article 2(1) of Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (hereinafter referred to as

¹⁰ Enacted by Section 48 of Act CIV of 2014, effective as of 1 January 2015.

“Regulation 909/2014/EU”), shall discharge the functions stemming from the implementation of Regulation 909/2014/EU.

Section 29

The MNB shall be responsible, functioning as the competent authority under Article 10 of Regulation (EU) No. 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009 [hereinafter referred to as „Regulation 260/2012/EU of the European Parliament and of the Council”] stemming from the implementation of Regulation 260/2012/EU of the European Parliament and of the Council.

18. Central bank information system

Section 30

(1) With a view to discharging the functions defined in Subsections (1)-(9) of Section 4 - including the compilation of statistical information relating to the monetary system, balance-of-payments and related statistics, and statistics related to securities, financial accounts, financial transactions, the payment systems, financial stability, macro-prudential and the financial intermediary system - the MNB shall operate a central bank information system. The organizations and natural persons specified by law shall supply data and information for the central bank information system as prescribed by decree of the Governor of the MNB or in an administrative decision the MNB has adopted in exercising its supervisory powers in accordance with Subsection (3) of Section 48.

(2) In order to perform the tasks defined in Subsection (6) of Section 4, the MNB shall operate a statistical system within the central bank information system, and for this purpose it shall be entitled to receive data - other than personal data - from bodies of the official statistical service, in a form enabling individual identification. Individual statistical data provided accordingly may be used solely for statistical purposes, and shall be kept separately from other data in the central bank information system. When processing statistical data within the central bank information system, the MNB shall implement all regulatory, technical and organizational measures deemed necessary to ensure the physical and logical protection of individual statistical data. The MNB shall define the contents and methodology of the statistical information system that is operated within the central bank information system, in agreement with the Központi Statisztikai Hivatal (*Central Statistical Office*), following consultation with the Minister.

(3) The MNB shall publish all information relevant to the operation of the credit institution system and to the financial situation of the country based on information available in the central bank information system, and shall make such detailed data available to Parliament, the Government and central administrative bodies upon request. The MNB shall provide the data available in the central bank information system to the Központi Statisztikai Hivatal for statistical purposes upon its request, in a form enabling individual identification.

(4) Unless otherwise provided for by law, the information specified above may only be disclosed in a form which precludes the possibility of identifying the entities to whom it pertains.

(5) The Governor of the MNB shall have powers to prescribe - with a view to enabling the MNB to carry out research and analysis, and perform activities within the decision-making process, comprising part of its primary functions - in the decree on the scope of information to be

supplied for the central bank information system and on the method and deadline for supplying them, for the bodies and organizations falling within the scope of the Act on Credit Institutions and Financial Enterprises, the Act on the Capital Market (hereinafter referred to as „CMA”) and the Act on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (hereinafter referred to as „IRA”), the state tax authority, the pension insurance administration agency, the health insurance administration agency, the Központi Statisztikai Hivatal, the courts of registry, and - in respect of family support and disability benefits, social aid, child welfare, child protection and education aid and benefits which are paid from the central budget - the treasury to alter the personal data, tax secrets, bank secrets, payment secrets, securities secrets, insurance secrets and fund secrets in their possession, which are to be supplied for the purposes of the central bank information system, by an irreversible process so as to prevent such information to be related to the data subjects, hence to supply information to the MNB relating to organizations and natural persons with their confidential and personal attributes effectively removed. The Governor of the MNB shall designate the organizations required to supply information by way of a decree.

(6) The Governor of the MNB shall, furthermore, be entitled to prescribe in a decree to have the information referred to in Subsection (5) stripped of their confidential and personal attributes, by supplying the information in question with an anonymous transfer code attached, that is to be created based on the encoding program furnished by the MNB to the organizations required to supply such information pursuant to Subsection (5). The MNB shall delete the encoding program after it is made available, before the information is in fact supplied.

(7) The MNB shall be entitled to request the information referred to in Subsection (5) from several different organizations with the anonymous transfer codes created by the same encoding program, and to interconnect such information. The interconnection may not cover any database managed by the MNB.

(8) The organizations required to supply information pursuant to Subsections (5) and (6) shall be obliged to refuse to submit information if the data cannot be deprived of confidential and personal attributes. The organizations required to supply information pursuant to Subsections (5) and (6) shall notify the MNB of such refusal, including the reasons, inside the time limit prescribed for submitting the information.

(9) The MNB shall develop the method for creating the anonymous transfer code and the basis for the encoding process as per the following:

a) without using any identification data underlying the encoding process relating to organizations or natural persons, which are lawfully processed by the MNB, and

b) the specific and individual encoding method contains unique elements selected at random.

(10) In the process of disclosure of information under Subsections (5) and (6), the organization supplying the information shall alter the information relevant to the home address of a natural person beforehand by removing all information of identification apart from the name of the district.

(11) After the information has been provided, the MNB shall be liable to reimburse the organization providing information pursuant to Subsections (5) and (6) for their justified costs directly incurred in connection with the supply of such information, as shown in a detailed cost breakdown.

(12) The organizations required to supply information pursuant to Subsections (5) and (6) shall not be permitted to alter the encoding method, and shall delete it immediately after the anonymous transfer code has been generated, as well as the anonymous transfer code itself after the disclosure of information has been completed.

(13) Following the interconnection of information, the MNB shall irrevocably eliminate the link between the anonymous transfer code and the information received, and shall delete the anonymous transfer code.

(14) For the purposes of this Section, ‘anonymous transfer code’ shall mean a string of characters, containing random elements relating to a specific natural person or a specific organization, for the identification of that natural person or organization, where the same data always generates the same character string, from which character string, however, the data for the identification of the natural person or organization in question cannot be retrieved.

(15) For the purposes of Subsection (2), use for statistical purposes shall cover the production of analyses and statistical results for the purpose of improving statistical methodology in the course of statistical activity referred to in Subsection (6) of Section 4. Statistical results constitute aggregated data and indicators which characterize economic and social phenomena.

Chapter IV

Basic Tasks Related to Disclosure and Management of Systemic Risks

19. Monitoring credit supply

Section 31

(1) In the interest of the reduction of systemic risks, and to prevent the build-up of systemic risks which have an impact on the balanced supply of credit the MNB shall monitor the lending activities of companies engaged in the pursuit of credit and loan provision in Hungary. The MNB shall frequently assess the status of credit cycles.

(2) The MNB shall, furthermore, monitor the credit and lending operations in other Member State of the European Union or in third countries of companies which have their head office in Hungary.

20. Measures for preventing the excessive outflows of credit

Section 32

(1) If the rate of lending fluctuates significantly to an extent sufficient to derail the rate of economic growth from long-term trends, or if such fluctuations are likely to occur, and in consequence of which significant real-economy losses can be anticipated, the Governor of the MNB shall issue a decree - acting under authorization delegated in Subparagraph *ka*) of Paragraph *k*) of Subsection (1) of Section 171 - laying down provisions for the reduction of risks stemming from excessive credit growth within the strategic framework defined by the Monetary Council, based on the decision of the Financial Stability Board.

(2)¹¹ In the decree referred to in Subsection (1), the Governor of the MNB shall lay down provisions:

a) in respect of agreements of lenders with natural persons within the framework of credit and loan operations conducted in the territory of Hungary:

¹¹ Established by Section 156 of Act CCXXXVI of 2013, effective as of 1 January 2014.

aa) relating to the maximum loan-to-value ratios of home loans and car loans and of financial leasing arrangements,

ab) relating to debt service-to-income ratios for installment payment limits; and

b) in respect of credit institutions and investment firms, relating to:

ba) risk weights for dealing with asset bubbles in the sectors of residential property and commercial real estate located in the territory of Hungary,

bb) the minimum loss given defaults (LGD) values that have been determined to retail exposures secured by residential property and commercial real estate located in the territory of Hungary.

(3)¹² In the decree referred to in Paragraph *b)* of Subsection (2), the Governor of the MNB shall - in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (hereinafter referred to as “Regulation 575/2013/EU”):

a) set the risk weights as defined in Article 124 of Regulation 575/2013/EU, within a range of 35 and 150 per cent in the case of residential property and between 50 and 150 per cent for commercial real estate, and shall lay down stricter provisions as regards the conditions of use of preferential risk weights below 100 per cent,

b) set the minimum values of exposure-weighted average LGD as defined in Article 164 of Regulation 575/2013/EU, where higher minimum LGD values may be determined taking into account financial stability considerations.

21. Countercyclical capital buffer

Section 33

(1)¹³ The Governor of the MNB shall, within the strategic framework defined by the Monetary Council, based on the decision of the Financial Stability Board, regulate the implementation of countercyclical capital buffer in a decree.

(2)¹⁴ The Governor of the MNB shall, within the strategic framework defined by the Monetary Council, based on the decision of the Financial Stability Board, calculate for every quarter a buffer guide as a reference in setting the countercyclical buffer rate, taking into account, inter alia:

a) the status of credit cycles;

b) the risks due to excess credit growth;

c) specificities of the national economy;

d) the ratio of credit-to-GDP, and any deviation from its long-term trend;

e) the guidance of the European Systemic Risk Board for setting the countercyclical capital buffer rate.

¹² Established by Section 156 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹³ Established by Subsection (1) of Section 157 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹⁴ Established by Subsection (2) of Section 157 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(3)¹⁵ The MNB shall publish the methodology for establishing benchmark buffer rates by way of public notice.

(4)¹⁶ In the decree referred to in Subsection (1), the Governor of the MNB shall determine and publish on its website the countercyclical buffer rates, having regard to exposures to counterparties located in Hungary, relying on the benchmark buffer rates and the guidance referred to in Paragraph *e*) of Subsection (2), and on other factors which may have an impact on the stability of the financial intermediary system. The MNB shall review the countercyclical buffer rates quarterly, and shall publish on its website the results of the review at predetermined times.

(5)¹⁷ If the countercyclical buffer rate is set above zero for the first time, or if the prevailing countercyclical buffer rate setting increases, the decree of the Governor of the MNB shall be published twelve months before the date from which that increased buffer must be applied. If, by way of derogation, the period allowed for preparations for establishing the countercyclical capital buffer is shorter than that, the MNB shall disclose the reasons on its website, by means of public notice.

(6)¹⁸ If the countercyclical buffer rates are reduced or cancelled, the countercyclical capital buffer rate shall be applied effective immediately, and in that case the MNB shall publish on its website, by means of a public notice, the period during which the countercyclical buffer rates are not expected to be increased. This public notice shall not be binding upon the MNB in reviewing the countercyclical buffer rates.

(7)-(9)¹⁹

22. Measures for the reduction of systemic liquidity risks

Section 34

(1) Where deemed justified to prevent the build-up of systemic risks, or to increase the resilience of the financial intermediary system, the Governor of the MNB shall issue a decree - acting under authorization delegated in Subparagraph *kc*) of Paragraph *k*) of Subsection (1) of Section 171 - laying down provisions for the reduction of systemic liquidity risks for credit institutions and investment firms. The decree adopted by the Governor of the MNB may, in addition to statutory requirements adjusted to the specific risks of credit institution, introduce further provisions where deemed justified to prevent the build-up of systemic risks or to increase the resilience of the financial intermediary system.

(2) For the reduction of systemic liquidity risks the Governor of the MNB shall, within the strategic framework defined by the Monetary Council, based on the decision of the Financial Stability Board, adopt a decree to regulate:

¹⁵ Established by Subsection (2) of Section 157 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹⁶ Established by Subsection (2) of Section 157 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹⁷ Established by Subsection (2) of Section 157 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹⁸ Established by Subsection (2) of Section 157 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹⁹ Repealed by Paragraph a) of Section 174 of Act CCXXXVI of 2013, effective as of 1 January 2014.

- a) the approximation of maturity mismatches between the assets and liabilities of the institutions referred to in Subsection (1), including off-balance-sheet items;
- b) the approximation of currency mismatches between the assets and liabilities of the institutions referred to in Subsection (1), including off-balance-sheet items;
- c) collateral requirements for short-term liquidity relating to the minimum level of liquidity for the institutions referred to in Subsection (1).

23. Measures for the reduction of the probability of insolvency for systemically important institutions

Section 35

(1)²⁰ The MNB shall determine and annually review:

- a) the group of global systemically important credit institutions and investment firms established in Hungary on a consolidated basis, and
- b) the group of other systemically important credit institutions and investment firms established in Hungary on an individual, sub-consolidated or consolidated basis, and shall monitor their operations on an ongoing basis.

(2)²¹ Before setting or resetting capital buffers under Section 90 of the Banking Act and Section 110/E of the IRA in respect of other systemically important credit institutions and investment firms, the MNB shall notify the competent and designated authorities of the Member States concerned one month before the publication of the resolution thereof, describing in detail:

- a) the justification for why the capital buffer is considered likely to be effective and proportionate to mitigate the systemic risks of other systemically important credit institutions and investment firms;
- b) an assessment of the likely impact of the capital buffer on the internal market;
- c) the capital buffer rate for other systemically important credit institutions and investment firms.

23/A. Measures for the reduction of systemic or macroprudential risk²²

Section 35/A²³

(1) Where deemed justified to prevent the build-up of and in order to mitigate non-cyclical, systemic or macroprudential risks, or to increase the resilience of the financial intermediary system, the Governor of the MNB shall, within the strategic framework defined by the Monetary Council, based on the decision of the Financial Stability Board, introduce a systemic risk buffer.

(2) The notification provided under Subsection (1) of Section 141/A shall inter alia contain:

²⁰ Established by Subsection (1) of Section 158 of Act CCXXXVI of 2013, effective as of 1 January 2014.

²¹ Established by Subsection (2) of Section 158 of Act CCXXXVI of 2013, effective as of 1 January 2014.

²² Enacted by Subsection (1) of Section 159 of Act CCXXXVI of 2013, effective as of 1 January 2014.

²³ Enacted by Subsection (1) of Section 159 of Act CCXXXVI of 2013, effective as of 1 January 2014.

a) a description of the systemic or macroprudential risk in Hungary, and the impact it is likely to have on the financial intermediary system;

b) the reasons why the systemic risk buffer is deemed necessary, and the justification for why it is considered likely to be effective and proportionate to mitigate the risk;

c) an assessment of the likely impact of the systemic risk buffer on the single market;

d) the justification for why none of the existing measures in this Act, in the Banking Act or in Regulation 575/2013/EU, excluding Articles 458 and 459 of Regulation 575/2013/EU, will be sufficient to address the identified macroprudential or systemic risk, including a description of the lack of effectiveness; and

e) the systemic risk buffer rate to be applied.

(3) If the MNB decides to set the systemic risk buffer up to 3 per cent, the buffer may be introduced following the notification provided for in Paragraph *a)* of Subsection (1) of Section 141/A, at least thirty days thereafter, applicable to all exposures specified in Subsection (1) of Section 92 of the Banking Act and Subsection (1) of Section 110/G of the IRA, with the proviso that the buffer shall be set equally on all exposures located in all EEA Member States.

(4)²⁴ If the MNB decides to set the systemic risk buffer rate above 3 per cent for the exposures referred to in Paragraph *b)* of Subsection (1) of Section 92 of the Banking Act and Paragraph *b)* of Subsection (1) of Section 110/G of the IRA, or above 5 per cent for the exposures referred to in Paragraphs *a)* and *c)* of Subsection (1) of Section 92 of the Banking Act and Paragraphs *a)* and *c)* of Subsection (1) of Section 110/G of the IRA, it may be introduced only upon the prior consent of the European Commission. In that case, the MNB shall submit the draft proposal to the European Commission with justification, and the European Commission shall send its opinion to the MNB within two months.

(5)²⁵ If the MNB decides to set the systemic risk buffer rate between 3 and 5 per cent for the exposures referred to in Paragraphs *a)* and *c)* of Subsection (1) of Section 92 of the Banking Act and Paragraphs *a)* and *c)* of Subsection (1) of Section 110/G of the IRA, the MNB shall submit the draft proposal to the European Commission with justification in advance, however, it may be introduced under this Subsection only upon receipt of the opinion of the European Commission.

(6)²⁶ If the opinion referred to in Subsection (4) of the European Commission is negative, that is to say it is against the introduction of the capital buffers at the rate proposed by the MNB as under Subsection (4), the MNB shall comply with the opinion of the European Commission.

(7)²⁷ If the opinion of the European Commission given according to Subsection (5) is negative, that is to say it is against the introduction of the capital buffers at the rate proposed by the MNB as under Subsection (5), the MNB - if in disagreement with that opinion - may introduce the systemic risk buffer at the rate proposed, and shall give reasons to the European Commission in detail for its failure to comply with the opinion of the European Commission.

²⁴ Established by Subsection (2) of Section 159 of Act CCXXXVI of 2013, effective as of 1 January 2015.

²⁵ Established by Subsection (2) of Section 159 of Act CCXXXVI of 2013, effective as of 1 January 2015.

²⁶ Established by Subsection (2) of Section 159 of Act CCXXXVI of 2013, effective as of 1 January 2015.

²⁷ Established by Subsection (2) of Section 159 of Act CCXXXVI of 2013, effective as of 1 January 2015.

(8)²⁸ In the case provided for in Subsection (5), if the credit institution subsidiary of a parent established in another EEA Member State is concerned, the MNB shall notify the European Commission and shall, at the same time, notify and consult with the other competent supervisory authorities concerned. If the other competent supervisory authorities concerned and the MNB disagree having regard to the proposal submitted to the European Commission, or if the European Systemic Risk Board objects the introduction of the systemic risk buffer within one month from the time when the proposal was submitted to the European Commission, the MNB shall request consultation with the European Banking Authority, where the opinion of the European Banking Authority given in such consultation shall not be binding upon the MNB.

(9)²⁹ The MNB may recognize the systemic risk buffer rate set in another EEA Member State upon weighing the information received under Paragraph *a*) of Subsection (1) of Section 141/A, and may apply that buffer rate to credit institutions and investment firms established in Hungary for the exposures located in the EEA Member State that sets that buffer rate.

(10)³⁰ The MNB may ask the European Systemic Risk Board to issue a recommendation to one or more EEA Member States which may recognize the systemic risk buffer rate set by the MNB.

24. Additional tasks relating to the management of systemic risks

Section 36

In the event of any circumstance arising in which the operation of a credit institution jeopardizes the stability of the financial system, the MNB may provide an emergency loan to the credit institution, subject to the prohibition on monetary financing set out under Section 146.

Section 37

Upon request, the MNB - at its full discretion - may provide an emergency loan for a maximum term of three months - subject to the prohibition of monetary financing under Section 146 - to the Országos Betétbiztosítási Alap (*National Deposit Insurance Fund*) under extraordinary circumstances where the stability of the financial system on the whole, including the payment and settlement system, is in jeopardy.

Section 38

Fulfillment of the tasks defined in Sections 31-37 shall not jeopardize the fulfillment of the tasks of the MNB defined in Subsection (1) of Section 4, and the tasks stemming from MNB's membership in the European System of Central Banks.

Chapter V

²⁸ Enacted by Subsection (3) of Section 159 of Act CCXXXVI of 2013, effective as of 1 January 2015.

²⁹ Enacted by Subsection (3) of Section 159 of Act CCXXXVI of 2013, effective as of 1 January 2015.

³⁰ Enacted by Subsection (3) of Section 159 of Act CCXXXVI of 2013, effective as of 1 January 2015.

Supervisory Tasks

Section 39

(1) Unless otherwise provided for by law, the MNB shall, within the framework of his responsibilities set out in Subsection (9) of Section 4, supervise the bodies and persons, and the activities covered by:

- a) the Act on Voluntary Mutual Insurance Funds;
- b) the Act on the Hungarian Export-Import Bank Corporation and the Hungarian Export Credit Insurance Corporation;
- c) the Act on Credit Institutions and Financial Enterprises;
- d) the Act on Home Savings and Loan Associations;
- e) the Act on Mortgage Loan Companies and Mortgage Bonds;
- f) the Act on Private Pensions and Private Pension Funds;
- g) the Act on the Hungarian Development Bank Limited Company;
- h) the CMA;
- i) the Act on Insurance Institutions and the Insurance Business;
- j) the Act on the Distance Marketing of Consumer Financial Services;
- k) the Act on Occupational Retirement Pension and Institutions for Occupational Retirement Provision (hereinafter referred to as „OPA”);
- l) the IRA;
- m)³¹ the Act on Collective Investment Trusts and Their Managers, and on the Amendment of Financial Regulations (hereinafter referred to as “Collective Investments Act”);
- n) the Act on Reinsurance (hereinafter referred to as „Reinsurance Act”);
- o) the Act on the Pursuit of the Business of Payment Services; and
- p) the Act on Insurance Against Civil Liability in Respect of the Use of Motor Vehicles (hereinafter referred to as „MVI”);
- q) the Act on the Central Credit Information System;
- r) the Act on Settlement Finality in Payment and Securities Settlement Systems;
- s)³² the Act on Payment Service Providers.

(2) The MNB shall, within the framework of his responsibilities set out in Subsection (9) of Section 4, have powers to oversee the activities of lenders offering commercial loans, in respect of the activities covered by the Act on Consumer Credit.

(3) The MNB shall, within the framework of his responsibilities set out in Subsection (9) of Section 4, exercise the supervisory functions defined in Act CXXXVI of 2007 on the Prevention and Combating of Money Laundering and Terrorist Financing (hereinafter referred to as „MLT”) as regards the service providers specified in Paragraphs a)-e) and l) of Subsection (1) of Section 1 of the MLT.

Section 40

³¹ Established by Section 243 of Act XVI of 2014, effective as of 15 March 2014.

³² Enacted by Section 160 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(1) In carrying out its tasks provided for in Subsection (3) of Section 39, the MNB provide for the implementation of Regulation (EC) No. 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds.

(2) In carrying out its tasks provided for in Paragraph *l*) of Subsection (1) of Section 39, the MNB shall provide for the implementation of Commission Regulation (EC) No. 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive.

(3) In carrying out its tasks provided for in Paragraph *l*) of Subsection (1) of Section 39, the MNB shall provide for the implementation of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

(4) In carrying out its tasks provided for in Subsection (9) of Section 4, the MNB shall provide for the implementation of Regulation (EC) No. 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No. 2560/2001.

(5) Within the framework of its responsibilities set out in Subsection (9) of Section 4, the MNB shall provide for the implementation of Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies [hereinafter referred to as „Regulation 1060/2009/EC”] functioning as the competent authority referred to in Article 22(1) of Regulation 1060/2009/EC and shall carry out its supervision under Article 25a.

(6) In carrying out its tasks provided for in Paragraph *m*) of Subsection (1) of Section 39, the MNB shall provide for the implementation of Commission Regulation (EU) No. 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website, and Commission Regulation (EU) No. 584/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the form and content of the standard notification letter and UCITS attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-the-spot verifications and investigations and the exchange of information between competent authorities.

(7) Within the framework of its responsibilities set out in Subsection (9) of Section 4, the MNB shall provide for the implementation of Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (hereinafter referred to as „Regulation 236/2012/EU”), functioning as the competent authority referred to in Article 32 of Regulation 236/2012/EU.

(8) In addition to what is contained in Subsection (4) of Section 28, the MNB shall provide for the implementation of Regulation 648/2012/EU within the framework of its responsibilities set out in Subsection (9) of Section 4, functioning as the competent authority referred to in Point 13 of Article 2 of Regulation 648/2012/EU.

(9) Within the framework of its responsibilities set out in Subsection (9) of Section 4, the MNB shall provide for the implementation of Articles 37-42 of Commission Regulation (EU) No. 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances

trading within the Community [hereinafter referred to as „Commission Regulation 1031/2010/EU“], functioning as the competent authority referred to in Article 43 of Commission Regulation 1031/2010/EU.

(10)³³ Within the framework of its responsibilities set out in Subsection (9) of Section 4, the MNB shall provide for the implementation of Regulation 575/2013/EU.

(11)³⁴ In carrying out its tasks provided for in Paragraph *m*) of Subsection (1) of Section 39, the MNB shall provide for the implementation of Regulation (EU) No. 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds.

(12)³⁵ In carrying out its tasks provided for in Paragraph *m*) of Subsection (1) of Section 39, the MNB shall provide for the implementation of Regulation (EU) No. 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds.

(13)³⁶ In carrying out its tasks provided for in Paragraph *m*) of Subsection (1) of Section 39, the MNB shall provide for the implementation of Commission Implementing Regulation (EU) No. 447/2013 of 15 May 2013 establishing the procedure for AIFMs which choose to opt in under Directive 2011/61/EU of the European Parliament and of the Council.

(14)³⁷ In carrying out its tasks provided for in Paragraph *m*) of Subsection (1) of Section 39, the MNB shall provide for the implementation of Commission Implementing Regulation (EU) No. 448/2013 of 15 May 2013 establishing a procedure for determining the Member State of reference of a non-EU AIFM pursuant to Directive 2011/61/EU of the European Parliament and of the Council.

(15)³⁸ The MNB, acting within its powers conferred under Paragraph *m*) of Subsection (1) of Section 39, shall discharge the functions stemming from the implementation of Commission Delegated Regulation (EU) No. 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.

(16)³⁹ In addition to what is contained in Section 28/A, the MNB shall provide for the implementation of Regulation 909/2014/EU within the framework of its responsibilities set out in Subsection (9) of Section 4, functioning as the competent authority referred to in Point 17 of Article 2(1) of Regulation 909/2014/EU.

Section 41

³³ Enacted by Section 161 of Act CCXXXVI of 2013, effective as of 1 January 2014.

³⁴ Enacted by Section 244 of Act XVI of 2014, effective as of 15 March 2014.

³⁵ Enacted by Section 244 of Act XVI of 2014, effective as of 15 March 2014.

³⁶ Enacted by Section 244 of Act XVI of 2014, effective as of 15 March 2014.

³⁷ Enacted by Section 244 of Act XVI of 2014, effective as of 15 March 2014.

³⁸ Enacted by Section 49 of Act CIV of 2014, effective as of 1 January 2015.

³⁹ Enacted by Section 49 of Act CIV of 2014, effective as of 1 January 2015.

(1)⁴⁰ Within the framework of its responsibilities set out in Subsection (9) of Section 4, the MNB shall provide for the implementation of Regulation (EC) No. 2006/2004 of the European Parliament and of the Council of 27 October 2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws, with a view to any infringement within any Member State of the European Economic Area (hereinafter referred to as “EEA Member State”) of national laws on the transposition of:

a) Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC;

b) Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts;

c) Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services; and

d) Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No. 2006/2004 of the European Parliament and of the Council with respect to the commercial practices connected to the activities within its scope of supervision.

(2) In the process of enforcement of the decisions adopted in the proceedings referred to in Subsection (1), the MNB shall proceed in accordance with Commission Decision 2007/76/EC of 22 December 2006 implementing Regulation (EC) No. 2006/2004 of the European Parliament and of the Council on cooperation between national authorities responsible for the enforcement of consumer protection laws as regards mutual assistance.

Section 42

Within the framework of its responsibilities set out in Subsection (9) of Section 4, the MNB shall:

a) evaluate the applications submitted for authorization and other petitions;

b) maintain the records and registers defined in the acts enumerated under Section 39, as assigned to the MNB’s scope of competence;

c) inspect the systems of the persons and bodies covered by the acts referred to in Section 39 for the provision of information, and shall oversee the data disclosures;

d) oversee the enforcement of national laws, being in its competence, and the relevant European Union legislation and the implementation of resolutions issued by the MNB pertaining to the operations and activities of the persons and bodies covered by the acts referred to in Section 39;

e) exercise ongoing supervision of the financial markets relying on the data and information supplied by the bodies and persons covered by the act enumerated in Section 39, and on facts which are officially known and which are public knowledge;

f) facilitate the operation of the board of directors of the Országos Betétbiztosítási Alap (*National Deposit Insurance Fund*) and the preparation and implementation of its decisions;

g)⁴¹ open market surveillance procedures identifying any operations conducted without authorization or in the absence of notification; where there is reasonable suspicion of insider

⁴⁰ Amended by Paragraph b) of Section 173 of Act CCXXXVI of 2013.

⁴¹ Amended by Paragraph c) of Section 173 of Act CCXXXVI of 2013.

dealing or market manipulation (hereafter including insider dealing and market manipulation under Articles 37-42 of Commission Regulation 1031/2010/EU); in connection with the enforcement of the obligation of notification and publication relating to insider persons; and in the case of enforcement of regulations relating to the obligation of notification and publication referred to in Articles 5-8 and to the restrictions on uncovered transactions referred to in Articles 12-14 of Regulation 236/2012/EU;

*h)*⁴² collaborate with foreign financial supervisory authorities, in particular with the competent authorities of EEA Member States exercising financial supervision;

i) discharge disclosure requirements and obligations related to notification of the European Commission within the framework of its responsibilities set out in Subsection (9) of Section 4;

*j)*⁴³ discharge notification and information requirements in connection with the formation of branches and cross-border activities, and shall collaborate with the competent authorities of EEA Member States exercising financial supervision with a view to exercising supervision in respect of the operation of branches;

k) cooperate in discovering and eliminating obstacles that hamper the development of voluntary mutual insurance funds and private pension funds, and the guarantee fund of these funds, and in coordinating the cooperation of the above with the social security authorities;

l) monitor compliance with and enforcement of the regulations and principles related to the acquisition of participating interests in public limited companies;

m) cooperate with the supervisory authority for public warehouses in respect of authorization and supervisory activities, in accordance with the Act on Public Warehousing;

n) monitor the activities of insurance companies, the party managing the Compensation Fund, the party managing the Claims Guarantee Fund, the Claims Organization, the Information Center, the National Bureau, and the activities of claims adjustment representatives defined in the MVI;

o) exercise supplementary supervision in accordance with the Act on the Supplementary Supervision of Financial Conglomerates.

Section 43

(1) The MNB shall operate a public electronic information system in order to ensure that the information to be provided via the MNB for the general public by the bodies and persons covered by the acts enumerated in Section 39 is publicly accessible.

(2)⁴⁴ The MNB shall publish on its website:

a) the list of bodies and persons it has authorized or registered, including the type of authorization issued;

b) the list of competent foreign supervisory authorities, with which it has entered into supervisory cooperation agreements;

c) internet links for the regulations in force which are applicable to financial organizations and investment firms;

⁴² Amended by Paragraph d) of Section 173 of Act CCXXXVI of 2013.

⁴³ Amended by Paragraph d) of Section 173 of Act CCXXXVI of 2013.

⁴⁴ Established by Subsection (1) of Section 162 of Act CCXXXVI of 2013, effective as of 1 January 2014.

d) the conditions and methods employed in the course of regulatory review and assessment of the capital requirements of the bodies covered by the acts enumerated in Section 39;

e) the summarized statistical data and related analysis in relation to the application of the provisions of specific other legislation, in respect of the operation, capital adequacy and prudential requirements of credit institutions and investment firms;

f) its recommendations concerning the fundamentals of the judicial principles of the MNB in relation to the persons and bodies it supervises within the framework of its responsibilities set out in Subsection (9) of Section 4;

g) the manner of and the general criteria for the exercise of the options and discretions available in Union law;

h) the general criteria and methodologies used in the review and evaluation of remuneration;

i) the number and nature of resolutions adopted for any infringement of Regulation 575/2012/EU, and in connection with supervisory administrative measures;

j) for the purposes of Part Five of Regulation 575/2013/EU, the general criteria and methodologies adopted to review compliance with Articles 405-409 of Regulation 575/2013/EU, and, in reviewing compliance with Articles 405-409 of Regulation 575/2013/EU, a summary description of the outcome, if negative, of the supervisory review and description of the measures imposed in cases of reviewing compliance with Articles 405-409 of Regulation 575/2013/EU;

k) the criteria used relating to Article 7(3)*a)* of Regulation 575/2013/EU, and in connection with Article 7(3) of Regulation 575/2013/EU:

ka) the number of parent institutions which are exempted and the number of those which incorporate subsidiaries in a third country,

kb) the total amount of own funds on the consolidated basis of the exempted parent institutions, and the total amount of own funds held in subsidiaries in a third country,

kc) the percentage of total own funds on the consolidated basis, represented by own funds which are held in subsidiaries in a third country,

kd) the percentage of total own funds required under Article 92 of Regulation 575/2013/EU on the consolidated basis, represented by own funds which are held in subsidiaries in a third country;

l) the criteria used relating to Article 9(1) of Regulation 575/2013/EU, and in connection with Article 9(1) of Regulation 575/2013/EU:

la) the number of parent institutions which are exempted and the number of those which incorporate subsidiaries in a third country,

lb) the total amount of own funds on the consolidated basis of the exempted parent institutions, and the total amount of own funds held in subsidiaries in a third country,

lc) the percentage of total own funds on the consolidated basis, represented by own funds which are held in subsidiaries in a third country,

ld) the percentage of total own funds required under Article 92 of Regulation 575/2013/EU on the consolidated basis, represented by own funds which are held in subsidiaries in a third country;

m) simultaneously with the publication referred to in Subsection (4) of Section 33:

ma) the ratio of credit-to-GDP, and any deviation from its long-term trend;

mb) the applicable buffer rate,

mc) the applicable countercyclical buffer rate, and a justification for that buffer rate,

md) the dates referred to in Subsections (5) and (6) of Section 33;

n) if credit institutions are required under Paragraph *a)* of Subsection (4) of Section 88 of the Banking Act to apply a countercyclical capital buffer rate above 2.5 per cent, or if the MNB requires under Subsections (3) and (5) of Section 88 of the Banking Act a countercyclical capital buffer rate for credit institutions in connection with their activities in a third country:

- na*) the applicable countercyclical capital buffer rate,
- nb*) the name of the EEA Member State or third countries affected, where the countercyclical capital buffer rate applies to the risk-weighted exposure amounts of the activities of credit institutions,
- nc*) the date from which the buffer rate is applicable, where the buffer rate is increased or set for the first time; and
- nd*) the reasons where the date referred to in Subparagraph *nc*) is less than twelve months after the date of that announcement;
- o*) in connection with the systemic risk buffer applicable under Subsection (1) of Section 35/A:
 - oa*) the systemic risk buffer rate,
 - ob*) the credit institutions and investment firms to which the systemic risk buffer applies,
 - oc*) a justification for the systemic risk buffer, if the publication thereof does not threaten the stability of the financial intermediary system,
 - od*) the date from which the systemic risk buffer is applicable, and
 - oe*) the names of the EEA Member States and third countries where exposures located in those countries are recognized by the MNB in the systemic risk buffer;
- p*) an updated list of other systemically important institutions and global systemically important institutions and the sub-category to which global systemically important institutions are allocated; and
- q*) the methodology for establishing benchmark buffer rates.

(2a)⁴⁵ The MNB shall meet the disclosure obligation under Subsection (2):

- a*) on a regular basis, but at least once a month;
- b*) at a single electronic location, in a manner that is transparent.

(3)⁴⁶ The information published by the MNB according to Paragraphs c)-f), h) and j)-p) of Subsection (2) shall be sufficient to enable a comparison of the approaches and methodologies adopted by the financial supervisory authorities of other Member States.

(4) In the course of the disclosures defined in Subsection (2), the MNB shall comply with the relevant legislation on the protection of personal data, banking secrets, payment secrets, securities secrets, fund secrets, insurance secrets, occupational retirement secrets and business secrets.

Section 44

(1) In carrying out its tasks provided for in Subsection (9) of Section 4, the MNB shall cooperate with the Gazdasági Versenyhivatal (*Hungarian Competition Authority*), and with other authorities vested with powers to exercise supervision over the bodies and persons covered by the acts enumerated in Section 39.

(2) In order to discharge its responsibilities under Subsection (9) of Section 4, the MNB may enter into cooperation agreements and - in accordance with the relevant legislation - exchange information with foreign financial supervisory authorities in the interests of exercising supervision on a consolidated basis and supplementary supervision, and in promoting and facilitating the process of integration. Foreign financial supervisory authorities shall be deemed to

⁴⁵ Enacted by Subsection (2) of Section 162 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁴⁶ Amended by Paragraph e) of Section 173 of Act CCXXXVI of 2013.

be any authorities which are vested with powers under national law to discharge any of the responsibilities assigned to the MNB under Subsection (9) of Section 4.

(3) The MNB shall partake in efforts relating to the information of the clients of the bodies and persons covered by the acts enumerated in Section 39, to supporting the preparation and publication of studies related to the reinforcement and spread of financial culture, and to regulatory and regulated activities, and to supporting the activities of civil consumer protection organizations.

(4)⁴⁷ In the course of discharging its responsibilities under Subsections (7)-(9) of Section 4, the MNB shall consider the impact of its decisions on the stability of the financial systems of the other affected Member States.

PART THREE

PROCEEDINGS OF THE MNB

Chapter VI

Common Provisions Relating to Administrative Proceedings

Section 45⁴⁸

The MNB shall act as an authority:

a) within the framework of his responsibilities set out in Subsection (9) of Section 4 in exercising supervision over the bodies and persons, and the activities covered by the acts enumerated in Subsection (1) of Section 39;

b) within the framework of its responsibilities set out in Subsection (8) of Section 4 in exercising the entitlement provided for in the Act on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System;

c) within the framework of its responsibilities set out in Subsection (5) of Section 4 as regards the appointments granted under the Act on Settlement Finality in Payment and Securities Settlement Systems, and the withdrawal of such appointments;

d) within the framework of its responsibilities set out in Subsection (2) of Section 4 in authorization for and in control of the making and arranging for the production of imitations of legal tender in circulation in Hungary; and the banknotes and coins withdrawn from circulation by the MNB, but convertible to legal tender; and

e) in the course of enforcement of the provisions of this Act, the decrees of the Governor of the MNB and MNB resolutions.

Section 46⁴⁹

⁴⁷ Established by Section 163 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁴⁸ Established by Subsection (2) of Section 160 of Act XXXVII of 2014, effective as of 16 September 2014.

⁴⁹ Established by Subsection (3) of Section 160 of Act XXXVII of 2014, effective as of 16 September 2014.

The provisions of the Act on the General Rules of Administrative Proceedings (hereinafter referred to as “APA”) shall apply to the proceedings of the MNB, subject to the exceptions set out in this Act and in:

a) the Act on the Prohibition of Unfair Business-to-Consumer Commercial Practices, the Act on the Basic Requirements and Certain Restrictions of Commercial Advertising Activities, and the Act on Electronic Commerce and on Information Society Services in proceedings for the protection of consumers’ interests;

b) the Act on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System; and

c) the special procedural rules applicable to the specific cases defined in the acts enumerated in Subsection (1) of Section 39 in the proceedings not mentioned in Paragraphs *a)* and *b)*.

Section 47

(1)⁵⁰ In the MNB’s authorization, supervisory and market surveillance proceedings, client shall mean any person:

a) upon whom the MNB has powers to confer any rights or obligations;

b) who is subjected to MNB oversight proceedings;

c) who has submitted an application for authorization to the MNB; or

d) in respect of whom the MNB’s official public register contains any data.

(2) The MNB shall notify the person or organization requesting the ex officio procedure only of the opening and closure of the proceedings, and on the actions taken.

Section 48

(1) In the context of its activity specified in Paragraph *a)* of Section 45 the MNB shall conduct:

a) authorization procedures;

b) control procedures;

c) proceedings for the protection of consumers’ interests; and

d) market surveillance procedures.

(2)⁵¹ The MNB shall carry out the supervisory activities defined in Section 39 and the resolution functions provided for in the Act on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System by way of on-site inspections, and the inspection and analysis of data from regular and extraordinary data disclosures, documents sent to the MNB and officially known facts.

(3)⁵² In the interests of obtaining the information necessary for continuous supervision, the MNB may stipulate regular or extraordinary data disclosure obligations for the bodies and persons covered by the acts enumerated in Subsection (1) of Section 39 and in the Act on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System.

⁵⁰ Established by Section 245 of Act XVI of 2014, effective as of 25 February 2014.

⁵¹ Established by Subsection (4) of Section 160 of Act XXXVII of 2014, effective as of 16 September 2014.

⁵² Established by Subsection (4) of Section 160 of Act XXXVII of 2014, effective as of 16 September 2014.

(4)⁵³ At the request of the MNB, the bodies and persons covered by the acts enumerated in Subsection (1) of Section 39 and by the Act on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System shall be required to provide information to the MNB requested with a view to discharging its functions, as well as data, reports, certificates, review materials, accounting records, regulations, documentation related to individual transactions, the proposals and minutes of management, supervisory and other supreme bodies, the written findings of auditors, the audit report, reports and minutes of internal audits, and statements not covered in one of the previous categories, in the form specified by the MNB in relation to their activities and connected to the supervisory proceedings, and shall be required to provide these for the MNB.

(5) The MNB may also directly apply the measure defined in Subsection (1) of Section 75 on the basis of facts of which it is officially aware.

Section 49

(1) In the MNB's proceedings, Subsection (2) of Section 10, Paragraph *b*) of Subsection (3) of Section 29, Section 33/A and Section 49 of the APA may not be applied.

(2) In the course of its administrative proceedings, the MNB may define the means of fulfilling the obligation of data disclosure by way of derogation from the provisions on electronic communication recognized as a written statement defined in the APA.

(3) The proceedings may not be suspended upon the client's request.

Section 50

(1) In its proceedings the MNB shall be entitled - in the absence of an adverse party - to forbear enforcement of the use of the Hungarian language and of the submission of documents in the Hungarian language. In such cases the MNB may request a Hungarian summary of these documents.

(2) Following application of the provisions of Subsection (1), the MNB shall provide the other participants in the proceedings, with the exception of the client's representative, and other authorities with the documents it has available in the language of the proceedings and, in the absence of a declaration by such parties to the contrary, with a Hungarian translation. The MNB shall bear the costs of translation.

(3) Subsection (1) may not be applied in proceedings for company foundation and authorization, as well as in proceedings in relation to acquisition of a qualifying interest, in the course of which the client is required to provide certified Hungarian translations of the documents.

*Section 50/A*⁵⁴

(1) Where an official documents is dispatched to a client by post, if sent to the home address or habitual residence if a natural person or to the authorized representative of a natural person, or to

⁵³ Established by Subsection (4) of Section 160 of Act XXXVII of 2014, effective as of 16 September 2014.

⁵⁴ Enacted by Section 246 of Act XVI of 2014, effective as of 25 February 2014.

the address shown in the companies register or in the register of civil society organizations of the client if other than a natural person, including the authorized representative of such client, or to the attorney for service of process or agent for service of process of a foreign person with no home address or registered office in Hungary, it shall be considered served:

a) if the person concerned or the authorized recipient refuses to receive the consignment or intentionally prevents delivery thereof, or if delivery to the address provided by the person concerned failed and the consignment is returned marked addressee unavailable or address unknown, or because the addressee moved and notified the postal service provider accordingly, or due to the addressee's death (termination) on the day when delivery was attempted;

b) if the consignment is returned to the sender marked "nem kereste" ("unclaimed"), on the fifth working day following the day when delivery was attempted without success or following the day when the notice was posted, until proven to the contrary.

(2) If the MNB uses its own delivery service instead of postal delivery for delivering its regulatory decisions, it shall be considered served on the day of attempted delivery if the client's authorized representative refuses to accept it at the address shown in the companies register or in the register of civil society organizations of the client, if other than a natural person.

(3) If the client has more than one authorized representatives, the MNB shall have the documents delivered to the person the client has designated in writing to receive the document on his behalf, or in the absence of such designation, the MNB shall deliver documents to the authorized representative the client has indicated.

(4) Otherwise, the provisions of the APA relating to presumption of service, and to the rebuttal thereof, shall apply subject to the exceptions set out in this Act.

Section 51

(1) In the course of its administrative proceedings the MNB shall have powers to request information on the penal register, from the penal register under the Act on the Penal Register, on the Register of Judgements Delivered by the Courts of Member States of the European Union Against Hungarian Nationals, and on the Register of Biometric Data Related to Criminal Prosecution and Law Enforcement.

(2) The data request pertaining to the persons covered by the acts enumerated in Section 39 shall be limited to the information necessary to determine as to whether any of the disqualifying factors specified by the act laying down the conditions for the exercise of his activities apply to the data subject.

Section 52

(1) An administrative penalty may be imposed upon the client, other participant in the proceedings or other persons required to cooperate in the process of ascertaining the relevant facts of a case, if such parties act or behave in such a manner to prolong or obstruct the proceedings, or to prevent or attempt to prevent establishment of the actual facts.

(2) The minimum amount of the administrative penalty shall be fifty thousand forints and the maximum amount shall be ten million forints, imposed in accordance with the principle of proportionality.

(3) Petitions for judicial review of the ruling imposing an administrative penalty shall have no suspensory effect on execution of the ruling.

Section 53

(1) In connection with its decisions adopted in administrative proceedings, the MNB shall publish on its website:

- a)* the number and subject of the resolution;
- b)* the name and registered address of the client affected by the administrative proceedings, if other than a natural person; and
- c)* the operative part of the decision, exclusive of information on the available remedy if the decision is final and enforceable.

(1a)⁵⁵ In addition to what is contained in Subsection (1), in the MNB's final resolutions adopted under Sections 185, 189-192 of the Banking Act and Section 164 of the IRA, published according to Subsection (1) hereof, the name of the infringer natural person shall be disclosed as well.

(2) In addition to what is contained in Subsection (1), as regards the publication referred to in Subsection (1), the MNB may publish the surname and forename of the officer authorized to enter into office.

(3) The MNB shall not publish its decision if such disclosure would jeopardize the sound and smooth functioning of the financial intermediary system.

(3a)⁵⁶ The obligation of publication provided for in Subsection (1) shall apply only to resolutions, containing measures, adopted in proceedings for the protection of consumers' interests, from among decisions adopted in supervisory proceedings for the protection of consumers' interests, and only to decisions containing the measure, from among decisions adopted in market surveillance procedures.

(4)⁵⁷ The MNB shall publish the resolutions on measures and exceptional measures provided for in the Banking Act and the IRA, and on imposing fines on an anonymous basis, where publication:

- a)* is disproportionate relative to the infringement the natural person has committed;
- b)* would cause disproportionate damage to the natural and legal persons involved; or
- c)* is likely to jeopardize the outcome of a criminal investigation in progress.

(5)⁵⁸ At the discretion of the MNB, publication of the resolutions on measures and exceptional measures provided for in the Banking Act and the IRA, and on imposing fines may be postponed if the infringement is likely to be terminated within a short period of time of not more than thirty days, and the infringement does not threaten the legal person's prudent operation, the protection of its clients, or the stability of the financial intermediary system.

(6)⁵⁹ The MNB resolutions on measures and exceptional measures provided for in the Banking Act and the IRA, and on imposing fines shall be accessible on its website for not less than five years and not more than ten years.

⁵⁵ Established by Subsection (1) of Section 164 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁵⁶ Enacted by Section 247 of Act XVI of 2014, effective as of 25 February 2014.

⁵⁷ Enacted by Subsection (2) of Section 164 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁵⁸ Enacted by Subsection (2) of Section 164 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁵⁹ Enacted by Subsection (2) of Section 164 of Act CCXXXVI of 2013, effective as of 1 January 2014.

Section 54

(1) With the exception of the fee defined in specific other legislation to be paid to the MNB and payment of fines and penalties imposed by the MNB, the provisions of the APA on enforcement procedures may not be applied in the MNB's proceedings.

(2) Where the MNB maintains a payment account for the debtor, the MNB shall enforce any payment prescribed by resolution by way of attachment where such payment falls overdue.

(3)⁶⁰ The fines and penalties imposed by the MNB by final ruling shall be enforced by the state tax authority as taxes if not paid, as well as any default interest charged on such fines and penalties if unpaid, or if paid past the due date. The MNB shall enclose a copy of said final ruling with the request made to the state tax authority.

Section 55

(1)⁶¹ The MNB's decisions cannot be appealed. The client may request a judicial review of the MNB's resolutions and its rulings that may be appealed independently by the Fővárosi Közigazgatási és Munkaügyi Bíróság (*Budapest Court of Public Administration and Labor*).

(2) In the event of any infringement by the MNB, the Fővárosi Közigazgatási és Munkaügyi Bíróság shall, at the client's request, instruct the MNB to conduct proceedings.

Section 56

Claims for compensation of damages may be pursued against the MNB on the grounds of decisions reached within its sphere of administrative competence, if the MNB's resolution or nonfeasance was unlawful and the ensuing damages were caused directly by this, and the ruling against the MNB issued in the administrative action opened in relation to the supervisory decision causing the violation has become final and enforceable.

Section 57

(1)⁶² Within the framework of its responsibilities set out in Subsection (9) of Section 4, the MNB may use any data and information received from foreign financial supervisory authorities under international cooperation, and it may furnish information to foreign financial supervisory and resolution authorities exclusively for the following purposes:

a) the evaluation of applications for authorization for foundation and operation, and confirming the information contained in such authorizations, and the prudential supervision of financial organizations, and for court proceedings relating to the MNB's resolutions; and

b) developing solid grounds for the financial supervisory and resolution authority's decisions, particularly for regulatory measures applied and sanctions imposed.

⁶⁰ Enacted by Section 248 of Act XVI of 2014, effective as of 25 February 2014.

⁶¹ Established by Section 249 of Act XVI of 2014, effective as of 25 February 2014.

⁶² Established by Subsection (5) of Section 160 of Act XXXVII of 2014, effective as of 16 September 2014.

(2) Any data and information supplied or received under cooperation between the competent supervisory authorities may not be disclosed to third parties without the prior written consent of the relevant authority which is the source of such data or information, and if all other requirements for data processing are satisfied.

(3) The MNB may process the personal data obtained pursuant to this Act or the acts enumerated in Section 39 for a period of five years from the time of termination of the data subject's relationship which is subject to authorization, registration requirement.

(4) The MNB shall be entitled to process the data specified in Section 51 until the decision adopted under administrative proceedings or the ruling adopted for the termination of the proceedings becomes final, or until the conclusion of court proceedings, including remedies.

(5) The MNB shall be authorized to obtain and process the personal data of the party and other persons participating in the proceedings. Where a means of evidence contains personal data that does not pertain to the investigation, and if this data cannot be removed without compromising the probative value of the evidence in question, the MNB shall be entitled to process all personal data affected, however, the entitlement to inspect the personal data that does not pertain to the investigation applies only to the extent required to ascertain that the data is not connected to the illegal activity being investigated.

(6)⁶³ The MNB may release data or information it processes to a foreign financial supervisory authority only if it guarantees equivalent or better legal protection of such data and information than the protection afforded under Hungarian law. Transmission of data to authorities exercising financial supervision in Member States of the European Economic Area (hereinafter referred to as "EEA Member State") shall be treated as if the transmission took place within the territory of Hungary and under equivalent legal protection.

25. Electronic communication

Section 58

(1) In the proceedings under Schedule No. 1 communication between the MNB and bodies covered by the acts enumerated in Section 39 (hereinafter referred to collectively as „party of electronic communication”) shall be conducted electronically through the MNB's site for service by electronic means, via the dedicated communication storage space maintained for the party of electronic communication.

(2) When placing a document on the dedicated communication storage space the MNB shall dispatch notice to up to five electronic mail addresses indicated by the party of electronic communication. No legal effect lies with the notice.

(3) If the addressee fails to collect the document within eight days upon being placed on the dedicated communication storage space, the document in question shall be considered served on the ninth day following the date of placement on the dedicated communication storage space. When service is completed the MNB shall receive an automatically generated electronic confirmation (electronic acknowledgement of receipt) thereof, together with a notice on the presumption of service taking effect.

(4) The MNB shall keep the document on the dedicated communication storage space by the last day of the time limit for regular and extraordinary remedies which are available upon request

⁶³ Enacted by Section 165 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(hereinafter referred to as „retention period”). On the last day of the retention period the MNB shall remove the document from the dedicated communication storage space, after which the party of electronic communication may request to have it re-sent by electronic means.

(5) If the dedicated communication storage space of the MNB is out of service on working days for at least four consecutive hours for any reason, that day shall not be included in the time limit referred to in Subsection (3). The MNB shall publish on its website the days which are not included in the time limit.

(6) Within the framework of electronic communication under this Act, the service performed by the MNB is construed as a secure delivery service.

Chapter VII

Administrative Proceedings

26. Procedure for granting authorization

Section 59

(1) Unless otherwise provided for in the relevant legislation, proceedings opened upon request are subject to payment of an administrative service fee. The detailed regulations concerning the amount of administrative service fees, including the collection, handling, accounting and refund of such fees, shall be decreed by the Governor of the MNB.

(2) The applicant must declare that it has disclosed to the MNB all important facts, data and information required for the authorization.

(3) In the course of procedures for granting authorization, the MNB shall take into consideration all of the available documents, data and information related to the application, and ascertain, if necessary by way of on-site inspections as well, that the granting of the authorization does not violate any legal provision.

(4) In connection with the authorization, approval and registration procedures, de-registration proceedings and notifications governed by the acts referred to in Paragraphs *a), c), f), h), i), k), l), m)* and *n)* of Subsection (1) of Section 39 the applications, or notifications shall be submitted on the prescribed forms or standard electronic forms.

Section 60

(1) Where the administrative time limit is thirty days, the MNB shall send notice requesting supplementary information within fifteen days.

(2) Applications may not be altered in any proceedings conducted before the MNB, with the exception of the supply of supplementary information and what is contained in Subsection (6) of Section 61.

(3) If the MNB has requested the applicant to provide supplementary or additional information, or to amend the application, the administrative time limit shall be calculated starting from the time when the deficiencies are remedied in full.

Section 61

(1) The administrative time limit in the proceedings for the authorization of foundation, merger and demerger and for the issue of operating licenses, and also in the proceedings under Paragraph *b*) of Section 45, shall be three months.

(2) In justified cases, the time limit referred to in Subsection (1) may be extended once, for a maximum period of three months.

(3) The administrative time limit in the proceedings for the authorization for the transfer of customer accounts shall be two months.

(4) In justified cases, the time limit referred to in Subsection (3) may be extended once, for a maximum period of two months.

(5) If the application the client has submitted for the proceedings referred to in Subsections (1) and (3) is incomplete, the MNB shall advise the applicant once, within thirty days to supply remedy such deficiencies.

(6) If the complete application and its enclosures do not meet the requirements set out in the relevant legislation, if they contain impracticable or unreasonable stipulations, the MNB shall, within thirty days of receiving the complete application, request the client to supplement or amend the application, within the prescribed time limit.

(7) The MNB's request for supplementing the application shall contain a warning to the client that in the event of non-compliance or insufficient compliance the MNB shall assess the merits of the application on the basis of the data available.

27. Control procedures

Section 62

(1) The MNB's supervisory authority shall cover compliance with:

a) the provisions of this Act;

b) the provisions of regulations pertaining to the operations and activities of the persons and bodies covered by the acts referred to in Section 39; and

c) decrees of the Governor of the MNB;

and monitoring the implementation of the administrative decisions of the MNB.

(2) The MNB's oversight proceedings shall cover the verification of data submitted in accordance with the relevant legislation and the regulatory inspections performed by the MNB *ex officio* (hereinafter referred to as „control procedures”).

Section 63

(1) Subsections (3)-(12) of Section 29, Section 70, Section 93, Section 94 and Section 94/A of the APA shall not apply to control procedures.

(2)⁶⁴ The MNB shall not conduct an inspection at the client's request.

(3) The MNB shall continuously monitor the data stemming from data disclosure; the client affected shall not be notified of such monitoring.

Section 64

⁶⁴ Amended by Paragraph *b*) of Section 174 of Act CCXXXVI of 2013.

- (1)⁶⁵ The control procedures conducted by the MNB are comprised of:
- a) comprehensive investigations;
 - b) direct inquiries; and
 - c) thematic investigations at several bodies or persons.
- (2) The MNB may conduct follow-up inspections or may request information concerning compliance with its resolutions.
- (3) The MNB shall conduct comprehensive investigations:
- a) at operators of the payment system, bodies providing clearing or settlement services, central depositories, at least every other year;
 - b) at organizations carrying out central counterparty activities, at least once a year;
 - c) at banks, specialized credit institutions, public limited insurance companies and reinsurance companies, and at persons and bodies covered by the acts enumerated in Section 39, which are subject to supervision on a consolidated basis (hereinafter referred to as „financial group”), at least every three years;
 - d) at credit institutions set up as cooperative societies, electronic money institutions, payment institutions, investment firms, commodity exchange service providers, venture capital fund managers, investment fund managers, mutual insurance associations, insurance cooperative societies, private pension funds, voluntary mutual insurance funds, institutions for occupational retirement provision and stock exchanges, at least every five years.
- (4) The MNB shall have powers to conduct comprehensive investigation at all members of a financial group simultaneously. Inquiries made at a financial group shall cover compliance with the regulations pertaining to supervision on a consolidated basis, and may include the individual inspection of all group members in terms of compliance with the statutory provisions pertinent to all group members (hereinafter referred to as „group examination”).
- (5) As part of the comprehensive investigation the MNB may conduct site inspections as well.
- (6) Within the framework of group examination the MNB may perform site inspections at all group members.
- (7) Where a site inspection is carried out within the framework of control procedures, no special report or simplified report shall be drawn up thereon, however, the MNB shall record its findings of the control procedure in an inspection report and group examination report under Subsection (1) of Section 69.
- (8) The MNB shall carry out inspections relating to printed securities in terms of compliance with the provisions of specific other legislation, to the extent and in the manner specified therein, in cooperation with the Nemzetbiztonsági Szakszolgálat (*National Security Service*).

Section 65

- (1) An employee of the MNB, appointed by the Governor of the MNB, shall be authorized to monitor trading on exchange markets by way of electronic means, to prepare recordings, and to request suspension of operations for any brief inspection that may be warranted by suspicion of some irregularity, and to prepare on-site reports.
- (2) An employee of the MNB, appointed by the Governor of the MNB, shall be authorized to attend the board meeting, general meetings, management meetings and meetings of the body

⁶⁵ Amended by Paragraph c) of Section 174 of Act CCXXXVI of 2013.

exercising the powers of the supreme body at the bodies covered by the acts enumerated in Section 39.

Section 66

The MNB may access information relating to clients of the bodies and persons covered by the acts enumerated in Section 39 and to fund members solely for the purposes of and to the extent required for discharging its supervisory responsibilities. Clients and fund members need not be informed of data disclosure occurring in proceedings within the scope of the MNB's inspection responsibilities which fall under the scope of confidentiality.

Section 67

(1) The MNB shall notify the persons and bodies, and the leader of the financial group being investigated in writing in respect of control procedures, at least fifteen days in advance, except if prior notification would endanger the outcome of the control procedures.

(2) Where an on-site audit is carried out within the framework of control procedures, Subsection (1) shall also apply to the notice for on-site inspections.

(3) The MNB shall provide the persons conducting on-site audits with letters of authorization, and such persons shall be deemed public officials acting within their scope of responsibility.

(4) The person conducting the on-site audit shall be required to present the letter of authorization at the start of the on-site audit, and to credibly verify his/her personal identity.

(5) On-site audits may be conducted at any location where evidence necessary for ascertaining the relevant facts of the case can be found. Within their sphere of authority, persons conducting the audit may enter premises necessary for conducting the audit, may inspect documents, data storage media, objects, and work procedures related to the object of the inspection, may request and prepare information and statements from the client, the client's representatives, and any other persons at the site of the inspection, and may carry out trial transactions.

(6) In the interests of ascertaining the relevant facts of a case, any person or organization is required to provide information in writing as well, or to send to the MNB documents relating to the object of the inspection.

(7) The MNB may use any documents, data or other evidence acquired legally within the framework of its proceedings in the course of other proceedings as well.

(8) The MNB is authorized to prepare a hard mirror image of any data storage media and to inspect the data stored on the data storage media using the copy.

(9) The client's right of access to documents - apart from what is contained in Subsection (1) of Section 69 of the APA - may be limited where there is reason to believe that knowledge of the contents of the documents is likely to endanger the outcome of the proceeding or that it may permit unauthorized access to the personal data of a third person that is protected by statutory provision.

Section 68

(1) The MNB shall be entitled to conclude trial transactions in the course of oversight proceedings. An auditable transaction within the scope of trial transactions may only last until signature of the contract relevant to the object of the trial transaction, and, in the event of trial

transactions directed at a payment order or at the exchange of banknotes and coins, may last until receipt of the banknotes and coins to be converted.

(2) The MNB shall have the right to procure the services of auxiliary agents for the purposes of trial transactions. The MNB shall provide auxiliary agents with a letter of authorization. The auxiliary agent shall be bound by confidentiality.

(3)⁶⁶ In case of trial transactions, the MNB employee performing the examination or the auxiliary agent shall present the letter of authorization to verify his/her auditing right upon completion of the trial transaction. Following verification of authorization to carry out the trial transaction, the audited organization and the person conducting auditing, or the auxiliary agent shall refund in full the sums received in connection with the trial transaction.

Section 69

(1) The MNB shall record its findings of control procedures in an inspection report within six months following the date of the opening of such procedures in the case of comprehensive investigations and direct inquiries, and within nine months in the case of thematic investigations, and shall deliver it to the person or body inspected. If a group examination is also conducted, the MNB shall record its findings of the group examination in a group examination report, and shall communicate it to all group members through the leader of the financial group. The time limit prescribed for the completion and delivery of the inspection report and the group examination report may be extended once, in justified cases, by up to six months.

(2) The inspection report and the group examination report shall contain:

a) the name of the authority, the name of the head inspector, the subject matter of the inspection and the case number;

b) the name and home address of the person inspected, or the name and registered office for organizations, the procedural status of the person or organization inspected and - if made available to the authority - other means of contact;

c) proof of the person or organization affected by the procedural action being advised of his rights and obligations;

d) the MNB's findings of the control procedure and the evidence presented in support of such findings; and

e) the assessment of such findings.

(3) The group examination report contains the MNB's findings relating to the financial group on the whole and its findings of the individual inspection of each member, separately for each member.

(4) The persons and bodies inspected may present their views concerning the findings of the inspection report and the group examination report in writing within twenty days following receipt. If this time limit is likely to endanger the outcome of the measures taken, the MNB may reduce that time limit.

Section 70

(1) The MNB shall adopt a decision as regards the comments made under Subsection (4) of Section 69 within sixty days of the date of receipt thereof, or after the lapse of the time limit

⁶⁶ Amended by Paragraph g) of Section 173 of Act CCXXXVI of 2013.

without any result. In justified cases, this time limit may be extended on one occasion by a maximum of thirty days. The MNB shall render its final decision based on the findings shown in the inspection report, and on other evidence at its disposal, as well as facts of which it is officially aware and which are of common knowledge.

(2) The MNB shall indicate in its decision referred to in Subsection (1) the cause for proceeding without advance notice as per Subsection (1) of Section 67 - except for procedures conducted on the basis of the verification of data received within the framework of regular data disclosure -, and for reducing the time limit specified in Subsection (4) of Section 69.

Section 71

If the MNB obtains any new data, fact or information after the delivery of the inspection report or the group examination report, which may have a material impact on the case as to merits, and in light of which the inspection report or the group examination report has to be amended or supplemented, the MNB shall have the option to send the whole of the inspection report or group examination report, or the amended or supplemented part thereof, to the person or body inspected, on one occasion for the purpose of annotation before making the decision under Subsection (1) of Section 70. The time limit for the second annotation by the person or body inspected shall be governed by Subsection (4) of Section 69, whereas the time limit for the MNB's decision shall commence at the time when the comments are received, or after the time limit for the second annotation if no comments are made.

Section 72

Where an emergency situation arises which potentially jeopardizes the stability of the financial intermediary system or the prudent operation of a body covered by the acts enumerated in Section 39, the MNB shall conduct supervisory control procedures and may appoint an auditor or other professional certified for the sector in question.

Section 73⁶⁷

Pursuant to the acts referred to in Section 39 and Act XXXVII of 2014 on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System (hereinafter referred to as "Resolution Act"), the MNB may carry out control procedures also at the request of foreign financial and resolution authorities.

Section 74

(1) In its proceedings, the MNB shall, in the form of an enforceable ruling irrespective of any appeal for suspension for the period ending upon the passing of the decision:

a) take measures or exceptional measures pursuant to the relevant act referred to in Section 39 covering the activity in question, where such action is deemed immediately necessary to protect the legal or economic interests of the parties involved,

⁶⁷ Established by Subsection (6) of Section 160 of Act XXXVII of 2014, effective as of 16 September 2014.

b) have the option to adopt a ruling for the cessation or prohibition of the infringement with immediate effect, where such action is deemed urgently necessary with a view to discharging its basic tasks referred to in Subsection (9) of Section 4, where any delay is likely to cause significant or irreparable harm.

(2) The MNB shall adopt the ruling referred to in Paragraph *b)* of Subsection (1) in priority.

Section 75

(1)⁶⁸ If upon the conclusion of the control procedures conducted under Subsection (2) of Section 62, or on the basis of officially known facts, the MNB finds any infringement of the legislation defined in Subsection (1) of Section 62 or any breach of the obligations laid down in the administrative decisions of the MNB, including evasion or omission, or late or incomplete fulfillment of such obligations, unless otherwise provided for by law, the MNB shall:

a) in the case of the persons and bodies covered by the acts enumerated in Section 39 take measures or exceptional measures, or impose a fine pursuant to the relevant act referred to in Section 39 covering the activity in question;

b) take the following measures against the persons and bodies not covered under Paragraph *a)*:

ba) call upon the person or body to comply with the regulations strictly and in due time,

bb) order the person or body to take the necessary measures, and to terminate the discovered infringement and deficiencies within the prescribed time limit,

bc) order the drafting and implementation of an action plan, either independently or in addition to the obligation to report on the measures taken,

bd) stipulate extraordinary data disclosure and back data reporting obligations,

be) order the destruction of imitations of legal tender in circulation produced without authorization, or of banknotes and coins withdrawn from circulation by the MNB, but which may be exchanged for legal tender,

bf) impose a fine, or

bg) bring disciplinary, misdemeanor, criminal or civil charges or request other proceedings;

[Paragraphs *a)* and *b)* hereinafter referred to collectively as “sanction”].

(2) The MNB may also take action initiated by a foreign financial supervisory authority.

(3) The MNB shall be entitled to impose sanctions repeatedly and collectively.

(4) The MNB shall weigh the following circumstances when imposing a sanction:

a) the gravity of the infringement or negligence;

b) the impact the act has on the principle of prudent and sound management and on the market;

c) the impact the act has on the persons and organizations covered by the regulations specified in Subsection (1) of Section 62, and also on their members and clients;

d) the impact the act has on other members of the entire financial system;

e) the risk engendered by the infringement or negligence, the extent of damages, and the inclination to mitigate damages;

f) cooperation with the MNB on the part of the persons responsible;

*g)*⁶⁹ whether or not the person affected by the sanction has acted in good or bad faith, and the material gains acquired and the economic loss avoided by that person through the infringement or negligence;

⁶⁸ Established by Section 166 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁶⁹ Established by Section 250 of Act XVI of 2014, effective as of 25 February 2014.

h) the suppression of the data, facts and information on which the action is based, or the intention to do so; and

i) repeated occurrence and frequency of the infringement.

(5) No sanction shall be imposed in connection with any negligence or breach of duty after a period of three years from the time when the MNB has gained knowledge of the act, or after five years from the time it was committed. If, by order of the court, the MNB is to reopen the proceedings, measures may be taken by the last day of the fifth year after the date of commission, irrespective of the three-year time limit.

(6) Within the time limits referred to in Subsection (5) hereof a sanction may also be imposed even if the natural person affected is no longer in the employment of the audited organizations or persons, if his/her mandate has ended or he/she is no longer engaged in performing any of the audited activities.

Section 76

(1) The amount of the fine which may be imposed on the audited bodies and persons may be between one hundred thousand and two billion forints.

(2) By way of derogation from Subsection (1), the upper limit on the fine that may be imposed may range up to two hundred per cent of the annual supervision fee (comprising the minimum charge and the variable-rate fee) payable by the bodies and persons covered by the acts enumerated in Section 39, if this is higher than two billion forints.

(3) The amount of the fine which may be imposed on the director of the audited organization, or on executive employees specified by the relevant acts may range from one hundred thousand to twenty million forints. The fine imposed on a director or an executive employee may not be covered by the audited organization.

(4) In the application of Subsection (3), above and beyond the personnel defined as such in the acts referred to in Section 39, the executive employees, managing directors and deputy managing directors of voluntary mutual insurance funds and private pension funds, and persons carrying out the management of the activities of independent insurance intermediaries shall also be deemed executive employees.

(5)⁷⁰ The amount of the fine that may be imposed for any violation under Section 184 of the Banking Act, or under Section 164 of the IRA upon a legal person for the acquisition of a qualifying holding without authorization, or upon a company for taking deposits and other repayable funds without being licensed as a credit institution may be up to 10 per cent of the total annual net turnover provided for in Paragraphs *b)* and *d)* of Subsection (3) of Section 89 in the business year preceding the time when the resolution establishing the infringement was adopted, up to twice the amount of the profits gained or losses avoided because of the breach, if it can be determined. If the legal person is a subsidiary of a parent company, the relevant gross income shall be the gross income resulting from the consolidated account of the parent company in the preceding business year.

(6)⁷¹ The amount of the fine that may be imposed for any violation under Section 184 of the Banking Act or Section 164 of the IRA for the acquisition of a qualifying holding without

⁷⁰ Enacted by Section 167 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁷¹ Enacted by Section 167 of Act CCXXXVI of 2013, effective as of 1 January 2014.

authorization, or for taking deposits and other repayable funds without authorization shall be 1,467,550,000 forints, up to twice the amount of the profits gained or losses avoided because of the breach, if it can be determined.

(7)⁷² The lower limit on the fine that may be imposed shall be five hundred million forints for any breach of the obligations laid down in Section 14/A, Subsections (1)-(3) of Section 36/A and Section 36/B of Act LXXXV of 2009 on the Pursuit of the Business of Payment Services, including evasion or omission, or late or incomplete fulfillment of such obligations.

Section 77

(1) The fine shall be paid into the account specified in the resolution within thirty days of the operative date of the resolution on the imposition of such fine.

(2) Parties who are able to prove that they acted in a manner that can reasonably be expected of persons acting in such capacities in similar circumstances shall not be ordered to pay fines.

(3) In respect of collegiate bodies, members who did not participate in making the decision forming the basis of the fine or who voted against the decision and this was recorded in the minutes of the meeting may not be required to pay fines.

Section 78

In discharging the MNB's functions delegated under Subsection (8) of Section 40, the provisions on control procedures shall apply *mutatis mutandis*.

28. Supervisory commissioner

*Section 79*⁷³

(1) The provisions set out in this Section and in Section 80 shall apply in respect of the appointment of the supervisory commissioner provided for in the acts enumerated in Paragraphs *a), c), f), h), i), k), l), m)* and *n)* of Subsection (1) of Section 39.

(2) Only MNB employees carrying out the functions provided for in Subsection (9) of Section 4 or a person employed by a nonprofit business associations established for the liquidation of the bodies covered by the acts enumerated in Section 39 (hereinafter referred to as "nonprofit business association") under contract of employment or any other form of employment relationship, by recommendation of such nonprofit business association, may be appointed as supervisory commissioners. The functions of a supervisory commissioner may be carried out collectively by an MNB employee and a person employed by the nonprofit business associations under contract of employment or any other form of employment relationship.

(3) The person to be appointed as a supervisory commissioner:

a) shall have no prior criminal record and must not be restrained by court order from exercising the profession required for functioning as a supervisory commissioner; and

⁷² Enacted by Section 25 of Act XI of 2014, effective as of 20 March 2014.

⁷³ Established by Section 50 of Act CIV of 2014, effective as of 1 January 2015.

b) shall hold a university-level degree in a relevant field, and have at least four years of management experience at:

ba) a fund defined in the act set out in Paragraph *a*) of Subsection (1) of Section 39,

bb) a credit institution or financial enterprise defined in the act set out in Paragraph *c*) of Subsection (1) of Section 39,

bc) a fund defined in the act set out in Paragraph *f*) of Subsection (1) of Section 39,

bd) an investment fund manager, venture capital fund manager, stock exchange, a body providing clearing or settlement services, a central depository or a central counterparty defined in the acts set out in Paragraphs *h*) and *m*) of Subsection (1) of Section 39,

be) an insurance company defined in the act set out in Paragraph *i*) of Subsection (1) of Section 39,

bf) an institution for occupational retirement provision defined in the act set out in Paragraph *k*) of Subsection (1) of Section 39,

bg) an investment firm defined in the act set out in Paragraph *l*) of Subsection (1) of Section 39,

bh) a reinsurance company defined in the act set out in Paragraph *n*) of Subsection (1) of Section 39.

(4) In the application of Paragraph *b*) of Subsection (3), a university-level degree in the relevant field shall be deemed to be held by persons with a university diploma, college degree certifying completion of studies in economics, law, finance and accounting or foreign trade or with certification as an auditor or with university-level training which is required for appointment or election as the managing director or executive officer of the bodies covered by the acts enumerated under Paragraphs *a*), *c*), *f*), *h*), *i*), *k*), *l*), *m*) and *n*) of Subsection (1) of Section 39.

(5) The following persons may not be appointed as supervisory commissioner and may not act in that capacity:

a) persons who, at the time of their appointment or following their appointment, themselves or whose close relatives hold any interests in bodies which are covered by the acts enumerated under Paragraphs *a*), *c*), *f*), *h*), *i*), *k*), *l*), *m*) and *n*) of Subsection (1) of Section 39 and are affected by the work of the supervisory commissioner, thus in particular are in an ownership or contractual relationship with such bodies or obtain or have claims to revenue or income in any form whatsoever;

b) persons of whom impartial judgement and objective performance of the tasks of a supervisory commissioner cannot be expected (bias).

(6) Upon appointment, the supervisory commissioner shall immediately notify the delegating entity in respect of the circumstances set out in Subsection (5), or the occurrence of any circumstances set out in Subsection (5) following the time of appointment. In that event, another supervisory commissioner shall be appointed.

(7) If the supervisory commissioner appointed is an MNB employee, the MNB shall be solely liable for damages caused by such person in that capacity. If the supervisory commissioner appointed is employed by the nonprofit business associations under contract of employment or any other form of employment relationship, the nonprofit business association shall be solely liable for the damages caused by such person in that capacity.

(8) The appointed supervisory commissioner shall bear liability for damages caused to the MNB or the nonprofit business association in accordance with the regulations on the liability for damages of employees and parties in any other form of employment relationship, with the proviso that, in cases of negligence, the extent of compensation for damages may not exceed six months' pay of the appointed supervisory commissioner.

(9) The nonprofit business association shall have adequate financial means to cover its compensation obligations.

(10) The MNB shall notify the appointed supervisory commissioner to the court of registry for the purpose of registration and publication.

(11) The person to be appointed as a supervisory commissioner shall produce official documentary evidence - prior to appointment - to verify that he has no prior criminal record, and that he is not restrained by court order from exercising the profession required for functioning as a supervisory commissioner.

Section 80⁷⁴

(1) In the appointment of a supervisory commissioner, the MNB - acting within the framework of its responsibilities set out in Subsection (9) of Section 4 - shall define the role and the tasks of the supervisory commissioner appointed. The MNB shall be entitled to revise such role and tasks at any time, by means of a resolution. If the supervisory commissioner appointed is an MNB employee, the MNB shall be entitled to instruct such supervisory commissioner within the framework of its responsibilities set out in Subsection (9) of Section 4.

(2) The appointed supervisory commissioner shall draw up a report on the financial position of the institution affected and on its activities performed during the period of appointment, covering a time period specified by the MNB acting within the framework of its responsibilities set out in Subsection (9) of Section 4, or the full length of the appointment.

29. Supervisory proceedings for the protection of consumers' interests

Section 81

(1) The MNB shall, upon request or of its own motion, monitor compliance with:

a) the acts enumerated in Section 39 and the regulations adopted for the implementation of these acts laying down provisions as to business-to-consumer commercial practices of the bodies or persons covered by the acts enumerated in Section 39 in connection with their activities for the pursuit of the supply of services, regarding the users of these services; and

b) the Act on the Prohibition of Unfair Business-to-Consumer Commercial Practices;

c) the Act on the Basic Requirements and Certain Restrictions of Commercial Advertising Activities; and

d) the Act on Electronic Commerce and on Information Society Services [Paragraphs *a)*-*d)* hereinafter referred to collectively as „consumer protection regulations”]; furthermore

e) the provisions of this Act on meeting obligations in relation to consumer disputes of a financial nature;

and - with the exception of the regulations pertaining to the conclusion, validity, legal aspects and termination of contracts, and cases of breach of contract and the related legal ramifications - shall take action in the event of any infringement of these provisions (hereinafter referred to as „proceedings for the protection of consumers' interests”).

(2)⁷⁵ For the purposes of this Act, ‘consumer’ shall mean any natural person who is acting for purposes which are outside his trade, business or profession.

⁷⁴ Established by Section 50 of Act CIV of 2014, effective as of 1 January 2015.

(3) Consumers shall be able to initiate proceedings for the protection of consumers' interests only after having lodged a complaint orally or in writing, with the body or person covered by the acts enumerated in Section 39, by the means specified and published by said body or person (in person, by phone, post or fax, or through a dedicated IT system) whose contents can be identified, concerning the services or actions of the body or person covered by the acts enumerated in Section 39, however:

- a) the compliant failed to elicit a response,
- b) investigation of the compliant did not occur in compliance with the acts enumerated in Section 39,
- c) another infringement of consumer rights under the legislation referred to Subsection (1) is alleged stemming from the reply of the person or the body covered by the acts enumerated in Section 39.

Section 82

(1)⁷⁶ In proceedings for the protection of consumers' interests, client rights shall be conferred upon the qualified entities established under the laws of any EEA Member State - with respect to the consumer interests they protect - that are included in the list published in the Official Journal of the European Communities pursuant to Article 4(3) of Directive 2009/22/EC of the European Parliament and of the Council of 23 April 2009 on injunctions for the protection of consumers' interests with respect to any violation of the legal provisions on the transposition of the directives listed under Subsection (1) of Section 41 of this Act.

(2) In proceedings for the protection of consumers' interests, client rights shall be conferred upon the foreign financial authority of competence related to the case on hand.

Section 83

(1) Proceedings for the protection of consumers' interests may not be opened after a period of three years following the time of the infringement. If the infringement is constant, the time limit shall commence at the time the infringement is terminated. Where an illegal conduct is realized through failure to terminate a particular situation or circumstance, the above-specified period shall not commence as long as such situation or circumstance continues to prevail.

(2) The administrative time limit in proceedings for the protection of consumers' interests shall be three months.

Section 84

If regarding the whole or parts of the request for the opening of proceedings for the protection of consumers' interests:

- a) supervisory control proceedings have already been conducted or such proceedings are in progress against the body or person affected by the request, or

⁷⁵ Established by Section 251 of Act XVI of 2014, effective as of 25 February 2014.

⁷⁶ Amended by Paragraph h) of Section 173 of Act CCXXXVI of 2013.

b) the MNB has already adopted a decision concerning the behavior of the body or person stated in the request on the same grounds and under the same regulations, the MNB shall refuse the request in this respect without examining its merits, or shall terminate the proceedings, and simultaneously inform the client concerning the number of its resolution adopted in the earlier proceedings.

Section 85

With a view to monitoring compliance with the provisions governing transactions, the MNB shall have powers to carry out trial transactions.

Section 86

(1) Trial transactions may be conducted in connection with single transactions or with any protracted transaction process, however, it may not extend beyond the time of signature of the contract to which the transaction pertains.

(2) The MNB shall have the right to employ an auxiliary agent for the execution of trial transactions. The MNB shall supply a letter of authorization to its auxiliary agents; it shall contain the name of the said auxiliary agent, and the type of inspections he is authorized to conduct at the bodies and persons covered by the acts enumerated in Section 39.

(3) The provisions on the exclusion of administrative officers shall also apply to auxiliary agents, as well as the regulations on conflicts of interest applicable to the MNB's employees.

(4) The obligation of confidentiality prescribed for the MNB's employees shall also apply to auxiliary agents.

(5) When making a trial transaction, the MNB's entitlement to conduct the inspection shall be verified upon conclusion of the trial transaction.

(6) Following verification of authorization to carry out the trial transaction, the organization or person inspected shall refund in full the sums received in connection with the trial transaction. This provision shall not apply to any fee charged for a service the organization or person has supplied in the course of the trial transaction, before the end of the trial transaction, provided that according to the findings of the proceedings the organization or person did not violate the consumer regulations to which the trial transaction has pertained. The MNB shall repay the fee of such services to the organization or person inspected immediately after the relevant resolution is adopted.

Section 87

In proceedings for the protection of consumers' interests, the MNB may adopt an enforceable ruling for the cessation or prohibition of the infringement irrespective of any appeal for suspension for the period ending upon the passing of the resolution or ruling adopted for the termination of the proceedings, where such action is deemed urgently necessary with a view to the protection of the legal and economic interests of the consumers. The MNB shall adopt this decision in priority proceedings.

Section 88

(1) If the MNB finds any infringement of the relevant consumer regulations or its resolution adopted in proceedings for the protection of consumers' interests, the MNB may impose the following sanctions taking into consideration the criteria set out in Paragraphs *a)*, *c)* and *e)-i)* of Subsection (4) of Section 75, and in accordance with the principle of proportionality:

a) issue a warning for taking the measures necessary for compliance with the relevant legal provisions, and for eliminating the discrepancies detected;

b) order the cessation of the infringement;

c) prohibit any further infringement;

d) order the infringer to terminate within the prescribed time limit the deficiencies and disparities exposed, and notify the MNB concerning the measures carried out to eliminate such deficiencies and disparities;

e) ban or impose conditions regarding the pursuit of the activity or the supply of services involved in the infringement, until the infringement is eliminated;

f) impose a consumer protection fine.

(2) Additional sanctions may be laid down in the legislation containing provisions for the protection of consumers for any violation of the provisions prescribed therein.

(3) In the application of Subsection (1), the gravity of a violation shall be determined, in particular, according to the number of consumers affected, the measure and scope of the injury they suffered and the extent of the infringement.

(4) The MNB shall impose a consumer protection fine in each case:

a) for any repeated infringement by the same organization or person within a period of six months following the deadline prescribed in the final resolution of the MNB on the infringement for the organization or person to comply with the obligation prescribed therein; or

b) for any infringement that concerns a broad range of consumers.

Section 89

(1) The amount of the consumer protection fine shall be between fifteen thousand forints and:

a) five per cent of the annual net sales revenue of organizations and persons covered by the Accounting Act, whose annual net sales revenue is in excess of one hundred million forints, not exceeding one hundred million forints, or maximum of two billion forints if the infringement results in substantial financial injury to a broad range of consumers;

b) five hundred thousand forints for organizations and persons not covered by Paragraph *a)*, or up to five per cent of the annual net sales revenue of the organization or person if the infringement results in substantial financial injury to a broad range of consumers for organizations and persons not covered by the Accounting Act up to five million forints.

(2) The net sales revenue referred to in Subsection (1) shall be determined relying on the annual account or simplified annual account (hereinafter referred to collectively as „annual accounts”) filed for the financial year immediately preceding the time when the resolution on the infringement was adopted. If the organization or person did not operate for a full year, the figures shall be calculated proportionately for the applicable period. If there is no reliable information available relating to net sales revenue for the financial year immediately preceding the time when the resolution on the infringement was adopted, the upper limit of the consumer protection fine shall be determined based upon the net sales revenue of the last financial year for which the books are closed officially. In the case of newly established organizations that do not have annual accounts, the business plan for the year when the procedure was opened, or failing this, the net sales revenue the service provider has indicated upon the authority's request, calculated

according to the provisions of the Accounting Act on interim balance sheets for the day when the procedure was opened shall be taken into consideration.

(3) In the application of Subsection (1), net sales revenue for the organizations specified in Paragraphs *a)*-*d)* below shall mean:

a) for insurance companies, the value of the gross insurance premiums;

b) for investment firms, the total of revenues from investment services, including the revenues from non-trading financial transactions;

c) for private pension funds and voluntary mutual insurance funds, membership payments related to regular operations and activities; for voluntary mutual health and mutual aid funds, membership fees of the operative fund; and for institutions for occupational retirement provision the members' and employers' contributions related to regular operations and activities;

d) for credit institutions and financial enterprises, the sum total of:

da) interest receivable and similar income,

db) income from dealing securities,

dc) commissions and fees received (or due),

dd) net profit on financial operations;

e) in the case of commodity exchange dealers, the sum total of:

ea) net revenue from commodity exchange services, and

eb) income from financial operations;

f) in the case of payment institutions, the sum total of:

fa) net revenues from payment services activities, and

fb) income from financial operations.

(4) In the application of Subsection (1), where the figures are indicated in a foreign currency, they shall be translated to forints based on the official exchange rate quoted by the MNB for the day of closing of the organization or person's financial year, or in the case of newly established service providers, for the last day of the previous year.

Section 89/A⁷⁷

(1) With a view to monitoring compliance with consumer protection regulations, the MNB shall have powers to conduct direct inquiries at the bodies or persons covered by the acts enumerated in Section 39 or thematic investigations at several bodies or persons.

(2) The MNB may conduct follow-up inspections or request information concerning compliance with its resolutions.

(3) The MNB shall record its findings of supervisory proceedings opened ex officio for the protection of consumers' interests in an inspection report within six months following the date of the opening of such procedures in the case of direct inquiries, and within one year in the case of thematic investigations, and shall deliver it to the person or body inspected. The time limit prescribed for the completion and delivery of the inspection report may be extended once, in justified cases, by up to three months.

(4) The inspection report shall contain:

a) an indication of the subject matter of the inspection;

b) the relevant facts of the case and the supporting evidence;

c) an assessment of the facts.

⁷⁷ Enacted by Section 252 of Act XVI of 2014, effective as of 25 February 2014.

(5) The persons and bodies inspected may present their views concerning the findings of the inspection report in writing within twenty days following receipt. If this time limit is likely to endanger the outcome of the measures taken, the MNB may reduce that time limit. If reducing the time limit, the MNB is required to provide an explanation in its inspection report provided for in Subsection (4).

(6) The MNB shall decide within forty-five days from the date of receipt of the comments or expiration of the time limit without response. In justified cases, this time limit may be extended on one occasion by a maximum of thirty days.

(7) The provisions of Sections 81-89 shall also apply to the inquiries under Subsection (1), with the exception that Subsection (2) of Section 81 and Subsection (1) of Section 83 may not be applied.

Section 89/B⁷⁸

(1) Where the MNB monitors compliance with consumer protection regulations within the framework of control procedures, Section 82 shall apply to such procedures *mutatis mutandis*.

(2) If the MNB finds any infringement of consumer protection regulations within the framework of the control procedures, the sanctions described in Sections 88 and 89 may be imposed for such infringements.

(3) If, based on the findings of the control procedures, in addition to the cases described in Paragraphs *a)-c)* of Subsection (1) of Section 75, consumer protection regulations have also been violated, the MNB shall have the option to apply a consolidated measure for all such violations in accordance with the provisions of Sections 75 and 76.

30. Market surveillance procedures

Section 90

(1) The MNB shall open a market surveillance procedure:

a) upon identifying any operations conducted without authorization or in the absence of notification in the fields of financial services and activities auxiliary to financial services, stock exchange and commodity exchange services, investment fund management, venture capital fund management services, central depository services, clearing or settlement services, voluntary mutual insurance services, private pension services, insurance services, reinsurance services, insurance consulting services, occupational retirement provision, investment services and activities auxiliary to investment services, mediation (agency) activities;

b) in connection with insider dealing or market manipulation;

c) in connection with the enforcement of the obligation of notification and publication relating to insider persons;

d) for monitoring compliance with regulations relating to company takeovers;

e) for the enforcement of regulations relating to the obligation of notification and publication referred to in Articles 5-8 and to the restrictions on uncovered transactions referred to in Articles 12-14 of Regulation (EU) No. 236/2012 of the European Parliament and of the Council [Paragraphs *a)-e)* hereinafter referred to collectively as „market surveillance procedures“)].

⁷⁸ Enacted by Section 252 of Act XVI of 2014, effective as of 25 February 2014.

(2) In proceedings opened to identify any operation conducted without proper authorization or notification, suspected cases of insider trading or market manipulation, for the enforcement of the obligation of reporting and publication relating to insider persons and the regulations relating to company takeovers, the administrative time limit shall be six months from the date of opening the proceedings ex officio. The administrative time limit may be extended in justified cases once, by up to three additional months.

(3) At the MNB's request and with the reason and purpose indicated, the bodies and persons covered by the acts enumerated in Subsections (1) and (2) of Section 39 shall, in connection with a market surveillance procedure and of the procedure as relating to a client:

- a) submit documents, electronically recorded data, signals, or recorded phone conversations;
- b) provide other information; and
- c) disclose any personal data that the MNB is authorized to process under specific other legislation.

(4) As regards the MNB's inquiries from the electronic real estate registration databases made for reasons of market surveillance, the provisions contained in Subsection (1) of Section 70 of Act CXLI of 1997 on Real Estate Registration shall not apply.

(5) The MNB may process any data it has obtained under Paragraph c) of Subsection (3) and Subsection (4),

a) until the conclusion of the proceedings if no resolution has been adopted based on the findings of the investigation or if the MNB did not initiate criminal proceedings;

b) until the resolution adopted in conclusion of the investigation without any sanctions becomes final, or until the enforcement of the resolution if it contains any sanction, or until the term of limitation of enforceability;

c) if the MNB's decision was submitted for judicial review or if the MNB has initiated criminal proceedings, until the final conclusion of the court proceedings, if no petition for extraordinary remedy has been filed;

following which the data must be destroyed without delay, within not more than two working days.

Section 91

(1)⁷⁹ The MNB shall have powers - in the course of market surveillance procedures investigating operations conducted without authorization or in the absence of notification, suspected cases of insider dealing or market manipulation, for the enforcement of the obligation of reporting and publication relating to insider persons, and monitoring the enforcement of regulations relating to company acquisitions, and for the enforcement of the obligation of notification and publication referred to in Articles 5-8 and to the restrictions on uncovered transactions referred to in Articles 12-14 of Regulation (EU) No. 236/2012 of the European Parliament and of the Council - to obtain and process to the extent necessary to discharge its duties the personal data (surname and forename, birth name, home address):

a) of clients relating to securities account, client account and payment account transactions, the number of the account to be debited and credited, the holder of such account, the purpose of crediting and debiting, and the code for the identification of the financial transaction;

⁷⁹ Amended by Paragraph i) of Section 173 of Act CCXXXVI of 2013.

b) of clients relating to the telephone number or other identifier of the subscriber terminal specified in the Act on Electronic Communications, the calling and called subscriber numbers, and the date and time of calls or other services provided;

c) for the identification of any natural person known from the payment account and securities account of a client under inspection, who is likely to have additional evidence that may be of import for the purposes of the market surveillance procedures.

(2) When requesting the data specified in Subsection (1), the MNB shall provide sufficient evidence to verify that the data requested is essential for ascertaining the relevant facts of the case to the fullest extent.

(3) The data specified in Paragraph *b)* of Subsection (1) shall be made available subject to the public prosecutor's prior consent.

(4) The public prosecutor shall refuse consent if the MNB is unable to provide sufficient evidence as required under Subsection (2), or if other legal requirements for data processing are not satisfied.

Section 92

(1) If:

a) a client has a home address or registered office in a State other than an EEA Member State;

*b)*⁸⁰ a client failed to appoint a representative, an attorney for service of process or an agent for service of process; and

c) electronic communication is not permitted;

the MNB shall have the option to dispatch its decision adopted in market surveillance procedures by the postal service provider.

(2) In connection with the communication method referred to in Subsection (1), the MNB shall communicate the decision by way of public notice as well. Such public notice shall be posted on the bulletin board of the MNB and of the Budapest Municipal Government, and shall be published on the central system and on the MNB's website for providing information electronically.

Section 93

(1) If an activity is found to be illegal due to the absence of authorization, the MNB shall:

a) prohibit further conduct of the activity in question;

b) initiate criminal proceedings at the competent investigative authority if, in the MNB's opinion, there is any criminal element involved in accordance with the Criminal Code;

c) take actions or order exceptional measures; and/or

d) impose a market surveillance fine.

(2) In connection with any activity performed without notification, the MNB shall:

a) prohibit further conduct of the activity in question;

b) take actions or order exceptional measures; and/or

c) impose a market surveillance fine.

(3) The MNB:

⁸⁰ Amended by Paragraph j) of Section 173 of Act CCXXXVI of 2013.

a) in the event of non-compliance with the obligation of notification and publication referred to in Articles 5-8 of Regulation (EU) No. 236/2012 of the European Parliament and of the Council, shall order the person or body who failed to make the publication to do so as required;

b) in the event of any infringement of the regulations relating to the restrictions on uncovered transactions referred to in Articles 12-14 of Regulation (EU) No. 236/2012 of the European Parliament and of the Council, shall order the person or body who breached the restrictions on transactions to comply with the transaction requirements; and

c) shall impose a market surveillance fine in the cases defined in Paragraphs *a)*-*b)*.

(4) The MNB shall have powers to impose protective measures adopted in market surveillance procedures in cases where it is deemed justified with a view to protecting the interests of the clients of persons or bodies engaged in activities unlawfully. In addition to the provisions of the APA, the MNB shall have powers to impose protective measures in order to enforce its decision adopted in market surveillance procedures in cases where it is deemed justified with a view to ascertaining the recovery of the market surveillance fine or for protecting the interests of the clients of persons or bodies engaged in activities unlawfully.

(5) In market surveillance procedures:

*a)*⁸¹ the amount of fines imposed in connection with services provided without authorization or in the absence of notification shall be between one hundred thousand to five hundred million forints;

b) the amount of fine imposed in connection with any infringement of the provisions on insider dealing, market manipulation and company takeovers shall be between one hundred thousand to five hundred million forints;

c) the amount of fine imposed in connection with any infringement of the obligation of reporting relating to insider persons shall be between one hundred thousand to five million forints,

d) the amount of fine imposed in connection with any infringement of the regulations relating to the obligation of notification and publication referred to in Articles 5-8 and to the restrictions on uncovered transactions referred to in Articles 12-14 of Regulation (EU) No. 236/2012 of the European Parliament and of the Council shall be between one hundred thousand to five hundred million forints.

(6) By way of derogation from Paragraph *b)* of Subsection (5), the ceiling of the market surveillance fine shall be four hundred per cent of the exchange gain obtained or the exchange loss avoided, if the exchange spread can be identified, and if this is higher than the ceiling of the market surveillance fine set forth in Paragraph *b)* of Subsection (5).

(7) Where the MNB monitors compliance with market surveillance regulations within the framework of control procedures, Sections 90 and 91 shall apply to such control procedures as well.

(8) If the MNB finds any infringement of market surveillance regulations within the framework of the control procedures, the sanctions described in Subsections (1)-(6) hereof may be imposed for such infringements.

(9) If, based on the findings of the control procedures, in addition to the cases described in Subsection (1) of Section 75, market surveillance regulations have also been violated, the MNB shall have the option to apply a consolidated measure for all such violations, covering the

⁸¹ Amended by Paragraph d) of Section 174 of Act CCXXXVI of 2013.

measures provided for in Subsections (1)-(6) hereof as well, in addition to the provisions of Sections 75 and 76.

(10) If the MNB finds any infringement of the statutory provision relating to the bodies and persons covered by the acts enumerated in Section 39, or any violation of the MNB's resolutions in conclusion of market surveillance procedures, the sanctions described in Section 75 may be imposed for such infringements.

(11)⁸² In market surveillance procedures Paragraph *a*) of Subsection (3) and Subsections (4) and (5) of Section 29 and Section 70 of the APA, and the rules of control procedures under this Act shall also apply, with the exception of Subsections (1) and (3)-(8) of Section 64, Section 65, Subsections (1) and (2) of Section 67, Sections 69-71 and Section 76.

Section 94

(1)⁸³ If in connection with operations conducted without authorization or in the absence of notification the MNB has imposed a market surveillance fine or ordered the cessation or prohibition of the infringement, and where deemed necessary to protect the legal or economic interests of the clients of the person or organization engaged in the pursuit of activities conducted without authorization or in the absence of notification, or to protect the public interest, the MNB shall publish on its website:

- a*) the number and subject of the resolution;
- b*) the infringer's surname and forename, and home address, if a natural person;
- c*) the infringer's name and registered address, if legal persons or unincorporated business association; and
- d*) the operative part of the resolution.

(2) As regards personal data referred to in Paragraph *b*) of Subsection (1), published according to Subsection (1), the MNB shall remove such data from its website after one year from the date of publication, and may remove information, other than personal data, from its website after one year from the date of publication.

Section 95

(1) The MNB, instead of adopting a resolution, in order to eliminate the infringement uncovered during supervisory proceedings for the protection of consumers' interests and market surveillance procedures, may enter into an administrative agreement with a client who undertakes to cease and desist the unlawful behavior and to bring its behavior in line with the provisions of the relevant legislation in the manner defined in the administrative agreement.

(2) The MNB shall post a notice concerning the administrative agreement on its official website, or shall publish it by any other means it deems appropriate. The posted notice shall contain:

- a*) the fact that the agreement was concluded for reasons of public policy;
- b*) the essence of the commitment phrased in language that is easy to understand; and
- c*) an indication that the administrative agreement is available for inspection at the MNB.

⁸² Established by Section 253 of Act XVI of 2014, effective as of 25 February 2014.

⁸³ Established by Section 168 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(3) If the client violates the terms of the administrative agreement, the MNB is authorized to take the actions and apply the legal sanctions which would otherwise be applicable in accordance with the regulations on the proceedings if it had issued a resolution.

(4) The application of measures and legal sanctions against the client who has entered into an administrative agreement with the MNB may not take place in respect of an infringement committed within the time limit prescribed in the agreement, the elimination of which was the object of the administrative agreement.

(5) An administrative agreement with the contents defined in Subsection (3) of Section 76 of the APA may be concluded if the client agrees to abide by the provisions of Subsection (3) in the event that the terms of the agreement are violated.

Chapter VIII

Financial Arbitration Board

31. Duties, organization and operation of the Financial Arbitration Board

Section 96

(1) The powers and competence of the Financial Arbitration Board shall cover disputes between consumers and the bodies and persons covered by the acts enumerated in Section 39 relating to the conclusion and performance of contracts in connection with the services supplied (hereinafter referred to as „consumer dispute of a financial nature”) with a view to reaching an out-of-court settlement. To this end, the Financial Arbitration Board shall attempt to reach a conciliation agreement or, failing this, to adopt a decision in the case to enforce consumer rights simply, efficiently and practically and under the principle of cost-efficiency.

(2) The Financial Arbitration Board is a professionally independent body operated by the MNB, composed of the Chairman of the Financial Arbitration Board and arbitration board members.

(3) In the organizational structure of the MNB, the Financial Arbitration Board shall be assigned to the Governor of the MNB directly.

(4) The Financial Arbitration Board shall discharge the duties set out in the by-laws of the Financial Services Complaints Network (hereinafter referred to as „FIN-Net”) offering alternate means for the settlement of disputes of a financial nature.

(5) The MNB shall provide funding for covering the operating expenses of the Financial Arbitration Board, and shall provide funding for discharging the duties of arbitration bodies relating to participation in the FIN-Net.

Section 97

(1) Members of the Financial Arbitration Board (hereinafter referred to as „arbitration board members”) are employed by the MNB.

(2) Arbitration board members may not be instructed in their decision-making capacity in consumer disputes.

(3) Arbitration board members must have a law degree and a bar exam, or a university diploma in economics. Additional conditions for the employment of arbitration board members may be laid down in the rules of procedure of the Financial Arbitration Board.

(4) The prior consent of the Chairman of the Arbitration Board is required for the dismissal of arbitration board members.

Section 98

(1)⁸⁴ The Financial Arbitration Board shall proceed in a council of three (hereinafter referred to as “council”), except in less complicated consumer cases where the amount in dispute is below fifty thousand forints, and petitions for special consideration that can be handled by a single board member. Any reference made in this Act to an acting council or its chair, it shall also be construed as a sole board member acting alone.

(2) Members of the council shall be appointed according to the Financial Arbitration Board’s rules of procedure.

(3) The rules of procedure shall contain provisions on conflicts of interest as well.

(4) Arbitration board members delegated to the council shall, without delay, notify and disclose all circumstances that may give rise to legitimate doubt regarding their independence or impartiality.

(5) The party may lodge a motion for disqualification of an arbitration board member delegated to the council in the event that there are circumstances giving rise to legitimate doubts regarding his independence or impartiality.

(6) A reasoned written motion for disqualification may be presented within three days following the party gaining knowledge of the composition of the council or of the reason underlying the motion for disqualification.

(7) The decision for disqualification shall lie with the Chairman of the Financial Arbitration Board, to be rendered after hearing the board member affected.

Section 99

When requested, the Financial Arbitration Board must provide information in writing or by way of any other appropriate means concerning its competence and jurisdiction, procedural regulations and costs, on the conditions for passing binding decisions and recommendations, on the procedures for the enforcement of resolutions, on the conditions for annulling binding decisions and recommendations, and that its proceedings shall have no bearing on the enforcement of claims in a court of law.

Section 100

(1) The Chairman of the Financial Arbitration Board shall direct the work of the Financial Arbitration Board.

(2) The Chairman of the Financial Arbitration Board shall be appointed by the Governor of the MNB for a term of six years.

(3) The monthly salary of the Chairman of the Financial Arbitration Board, received from the MNB for the period beginning on 1 March and ending at the end of February of next year shall be eight times the national monthly average gross wage officially published by the Központi Statisztikai Hivatal for the previous year.

⁸⁴ Established by Section 51 of Act CIV of 2014, effective as of 1 January 2015.

(4) The mandate and employment relationship with the MNB of the Chairman of the Financial Arbitration Board shall terminate:

- a)* upon expiry of the term of office;
- b)* upon resignation;
- c)* by dismissal;
- d)* upon declaration of conflict of interest;
- e)* upon death.

(5) In the cases provided for in Paragraphs *a)*, *b)* and *e)* of Subsection (4), termination of the mandate of Chairman of the Financial Arbitration Board shall be established by the Governor of the MNB.

(6) Resignation of the Chairman of the Financial Arbitration Board shall be tendered in writing to the Governor of the MNB. In the event of resignation, the time of termination of the mandate of the Chairman of the Financial Arbitration Board shall be determined by the Governor of the MNB, however, such time shall not be later than sixty days following submission of the resignation to the Governor of the MNB.

(7) The Governor of the MNB shall declare a conflict of interest in relation to the Chairman of the Financial Arbitration Board.

(8) If the circumstances underlying the conflict of interest cease to exist before the declaration of conflicts of interest, no declaration of conflict of interest shall be made.

(9) The Governor of the MNB may dismiss the Chairman of the Financial Arbitration Board if:

- a)* engaged in conduct that has prevented the MNB's proper functioning;
- b)* unable to attend to his vested duties for a period of over one hundred and eighty days.

(10) The recommendation for dismissal shall be submitted to the Chairman of the Financial Arbitration Board, who may seek remedy in the administrative and labor court, in accordance with the regulations of the Labor Code. The Chairman of the Financial Arbitration Board shall forthwith send to the Governor of the MNB a copy of the petition stamped by the court, and/or the final court decision. The resolution of the Governor of the MNB may not be appealed.

(11) Declaration of a conflict of interest in relation to, or dismissal of, the Chairman of the Financial Arbitration Board may take place after the time limit for bringing action before the court, or after the court decision concerning the initiative becomes final and enforceable, if applicable.

(12) In event that the mandate of the Chairman of the Financial Arbitration Board ends, he shall be entitled to a discharge period and severance pay, unless the mandate ends for the reasons stated in Paragraphs *b)* and *d)* of Subsection (4), or the reasons for dismissal stated in Paragraph *a)* of Subsection (9).

(13) The discharge period shall amount to six months. For the discharge period, the Chairman of the Financial Arbitration Board shall be released from his obligation to perform work and shall be entitled for this period to six months of pay, to be paid in equal amounts each month.

(14) The Chairman of the Financial Arbitration Board shall be entitled to severance pay amounting to six months of pay, which shall be paid within eight days of the end of his mandate.

Section 101

(1) The Chairman of the Financial Arbitration Board shall establish the rules of procedures of the Financial Arbitration Board, subject to approval by the Governor of the MNB.

(2) The Chairman of the Financial Arbitration Board shall appoint the members of the council responsible for a given consumer dispute.

(3) The Chairman of the Financial Arbitration Board shall submit a recommendation to the Governor of the MNB on the staff number of the Financial Arbitration Board.

(4) In the course of discharging his responsibilities defined by law, instructions may not be given to the Chairman of the Financial Arbitration Board.

32. Proceedings of the Financial Arbitration Board

Section 102

(1) The proceedings of the Financial Arbitration Board shall be opened on condition that the consumer has attempted to settle the case directly with the body or person covered by the acts enumerated in Section 39, involved in the consumer disputes.

(2) In handling the complaints referred to in Subsection (1), the bodies and persons covered by the acts enumerated in Section 39 shall make efforts to avoid a consumer dispute of a financial nature from developing by all available means.

(3) Where a complaint is rejected, the organization or person shall inform the consumer affected in writing whether it has made a statement of submission provided for in Subsection (1) of Section 103, and also on his right to seek remedy and to lodge his complaint at the Financial Arbitration Board of the MNB. The decision of rejection shall indicate the mailing address of the Financial Arbitration Board.

Section 103

(1) The bodies and persons covered by the acts enumerated in Section 39 may file a standard statement of submission with the Financial Arbitration Board in writing, that is to remain in effect until further notice, undertaking to be bound by the proceedings of the arbitration board, and to the decision adopted in the absence of a negotiated settlement. In the standard statement of submission, the organization or person may limit the extent and scope of its commitment to the amount it deems appropriate for the subject matter of the dispute, or by other means.

(2) The Financial Arbitration Board shall maintain a register of the standard statements of submission it has received.

(3) If the consumer is able to substantiate having entered into a contract to which the consumer dispute of a financial nature pertains in light of the fact that the body or person covered by the acts enumerated in Section 39 has claimed in its commercial communication to abide by the proceedings of the arbitration board and to the decision adopted by the arbitration board in the absence of a negotiated settlement, the body or person shall be bound to such statement - under the terms laid down therein - in the proceedings in question, irrespective of the existence of a standard statement of submission under Subsection (1). The body or person shall not be bound to such statement if it is able to verify that it was withdrawn before the signature of the contract the same way it was undertaken.

Section 104

(1) Financial Arbitration Board proceedings are opened upon the consumer's request.

(2) The request shall be submitted to the Financial Arbitration Board in writing. The application shall contain:

a) the name and home address, or habitual residence of the consumer;

b) the name and registered address of the bodies and persons covered by the acts enumerated in Section 39, involved in the consumer dispute;

c) a brief description of the consumer's view of the complaint, along with the facts and evidence in support;

d) the consumer's statement on having made an attempt at settlement;

e) the complaint which was rejected;

f) the consumer's statement guaranteeing that he has not initiated the proceedings of another body in the same matter and has not filed for civil action;

g) the motion with regard to the decision of the board.

(3) The document, or a copy (extract) of such document, which is presented by the consumer in evidence, shall be attached to the request, such as in particular the written statement of the body or person covered by the acts enumerated in Section 39 on the rejection of the complaint or, failing this, any other documentary evidence in the possession of the consumer in proof of an attempt to reach a settlement.

(4) If the consumer is represented in the proceeding by an agent, the authorization of such agent must also be attached with the request.

(5) If the request fails to conform with the requirements set out in Subsections (2)-(4), the Financial Arbitration Board shall return the request within fifteen days of receipt to have the marked deficiencies remedied.

Section 105⁸⁵

Opening of the proceedings constitutes the discontinuation of the limitation period. Regarding the limitation period, Subsections (1) and (2) of Section 6:25 of Act V of 2013 on the Civil Code (hereinafter referred to as „Civil Code”) shall apply if the reconciliation process is successful and Subsections (1) and (2) of Section 6:24 of the Civil Code shall apply otherwise.

Section 106

(1) For establishing the deadlines starting from the opening of the proceedings, receipt of the complete request by the Financial Arbitration Board shall be considered as the time of the opening of the proceedings.

(2) Within eight days of the opening of the proceedings, the Financial Arbitration Board shall review whether the board has jurisdiction over the case and, in the event that the Financial Arbitration Board does not have jurisdiction, shall forward the case without delay to the appropriate body with jurisdiction and notify the requesting party accordingly.

(3) The Financial Arbitration Board - if its jurisdiction is established - shall notify the parties and shall set a hearing date within sixty days of the opening of the proceedings, subject to the exceptions set out in Subsection (5).

(4) In the notice, the Financial Arbitration Board shall communicate to the parties the names of those appointed to the competent council.

(5) Following deliberation and upon weighing the relevant circumstances, the chairman of the competent council may move that the proceedings be carried out in writing, however, the consent of both parties must be obtained in order to forego holding a hearing.

⁸⁵ Amended: by Section 187 of this Act, in force as of 15. 03. 2014.

Section 107⁸⁶

The Financial Arbitration Board shall reject the request in writing, without a hearing if there is evidence that mediation proceedings have previously been initiated by the same parties for the same subject under the same factual grounds, or a court action is in progress, or if a binding decision or judgement has been adopted with respect to the same subject.

Section 108

(1) The Financial Arbitration Board shall in due time notify the parties regarding the scheduled time of the hearing, or if it plans to lodge a motion to proceed without hearing, with a copy of the request attached.

(2) In the notice, the body or person covered by the acts enumerated in Section 39 shall be requested to file a written statement (response) within eight days of receipt of the notice with regard to the legitimacy of the consumer's claim, the circumstances of the case, on the failure to settle the consumer complaint, and acceptance of the decision of the council as binding (submission). In the statement, the organization or person shall indicate the facts and evidence in support of its position and shall attach any documents (or copies thereof), the contents of which it relies on as evidence. The service provider shall be advised that, in the event of its failure to file a statement regarding the merits of the case, the competent council shall pass its decision based on the information at its disposal.

(3) The chairman of the competent council shall send a copy of the response of the body or person covered by the acts enumerated in Section 39 to the consumer without delay, or if there is not sufficient time to do so, shall present it at the hearing.

(4) If the body or person covered by the acts enumerated in Section 39 fails to file a response, the competent council shall continue the proceedings, however, it shall not be construed as acceptance of the requesting person's claims.

Section 109

In the proceedings of the Financial Arbitration Board documents shall be delivered to the parties by way of postal service, in accordance with the relevant provisions on the service of official documents.

Section 110

(1) The parties may be represented in the proceedings by an authorized representative.

(2) Such authorization may be granted to any natural or legal person, or to an unincorporated organization.

Section 111

(1) In the proceedings, the chairman of the council shall attempt to negotiate an agreement between the parties. The council shall approve the negotiated settlement by resolution if it is in

⁸⁶ Amended by Paragraph k) of Section 173 of Act CCXXXVI of 2013.

conformity with the relevant legislation, otherwise, or if there is no agreement, it shall continue the proceedings.

(2) During the proceedings, the council shall afford equal treatment to the parties and shall provide all parties with an opportunity to present their case and table any motions they may have. If necessary, the chairman of the council shall inform the consumer of his rights and obligations.

(3) Proceedings are conducted in closed sessions, unless both parties have consented to have the proceedings held publicly.

Section 112

(1) The request or response may be freely modified or supplemented during the course of the proceedings, unless prohibited by the council due to any potential delay caused by such action, or if the body or person covered by the acts enumerated in Section 39 objects, with a view to its submission, to the request being modified or supplemented.

(2) If either of the parties fails to appear at the hearing or fails to present their evidence in spite of having been properly notified, the council shall continue the proceedings and render a decision on the basis of the information in its possession.

(3) The council shall terminate the proceedings, if:

- a)* the consumer withdraws the request;
- b)* the parties agree on the termination of the proceedings;
- c)* continuation of the proceedings becomes impossible;
- d)* continuation of the proceedings is not necessary, if so deemed by the council for any reasons, including if the request is found to be unsubstantiated.

(4) The council shall decide on the merits of the case by a simple majority.

(5) The council shall conclude the proceedings within ninety days of the time of opening. In justified cases, the Chairman of the Financial Arbitration Board shall have powers to extend this time limit by no more than an additional thirty days.

(6)⁸⁷ The Financial Arbitration Board shall hold an administrative break of eight to fifteen working days twice in a year, one in July or August and the other in December, and those periods shall not be included in the procedural time limits. The Chairman of the Financial Arbitration Board shall determine the exact date for the administrative break on a yearly basis, and shall publish it on the website of the Financial Arbitration Board.

Section 113

In the absence of a negotiated settlement the council shall:

a) adopt a binding decision on the merits of the case, if the request is found substantiated, and the body or person covered by the acts enumerated in Section 39 affected has undertaken to be bound by the decision of the Financial Arbitration Board in a standard statement of submission - filed at the Financial Arbitration Board, or contained in its commercial communication - or in a statement filed at the time of the opening of the proceedings or, at the latest, before the decision is adopted, or

b) make a recommendation on the merits of the case, if the request is found substantiated, but the body or person covered by the acts enumerated in Section 39 affected has refused to be bound

⁸⁷ Enacted by Section 52 of Act CIV of 2014, effective as of 1 January 2015.

by the decision of the council in a statement filed at the time of the opening of the proceedings, or did not declare its position concerning the decision of the council in terms of submission.

Section 114

(1) The binding decision or recommendation shall include all motions presented in the request and the reasons underlying the decision.

(2) The costs of the proceedings shall cover all expenses incurred by the parties in connection with the proceedings of the Financial Arbitration Board within reason and in good faith (such as the costs of preliminary inquiries, costs of negotiations and correspondence, travel expenses and loss of income relating to the appearance of the parties in person, etc.).

(3) The costs of the proceedings, and the party to pay such costs, shall also be specified in the binding decision.

(4) The costs of the proceedings shall be borne by the party against whom the decision was passed.

(5) In respect of the fulfillment of the obligation established in the decision, a fifteen-day deadline shall be set from the day of the delivery of the decision.

(6) The council shall deliver its decision or recommendation on the day when adopted. The council shall send within fifteen days one copy of the written decision or recommendation to each of the parties.

Section 115

The Financial Arbitration Board shall be entitled to publish, without indicating the names of the parties, a brief description of the dispute and the outcome of the proceedings.

Section 116

(1) The decision or recommendation of the council is adopted without prejudice to the consumer's right to have its claim enforced in the court of law.

(2) The binding decision or recommendation of the council may not be appealed, but annulment of the decision or recommendation by court order may be requested as specified in Subsection (3).

(3) Within fifteen days of receipt of the binding decision or recommendation, the party affected may bring action to have such decision or recommendation annulled by the Fővárosi Törvényszék (*Budapest Metropolitan Court*) if:

a) the composition or the procedure of the council was not in compliance with the provisions of this Act;

b) the Financial Arbitration Board did not have jurisdiction;

c) the request should have been rejected without a hearing.

(4)⁸⁸ In addition to what is contained in Subsection (3), the body or person covered by the acts enumerated in Section 39 may, within fifteen days from the time of receipt of the recommendation, request the Fővárosi Törvényszék to annul the decision or recommendation, if it fails to comply with the relevant statutory provisions.

⁸⁸ Amended by Paragraph e) of Section 174 of Act CCXXXVI of 2013.

Section 117

(1) The action shall be opened naming the Financial Arbitration Board as the defendant. In such cases, the Financial Arbitration Board shall be vested with legal capacity and competence in the court of law.

(2) Upon request by the party affected, the court may suspend enforcement of the decision.

(3) The ruling of the court may pertain only to having the decision or recommendation annulled.

(4) In other issues of proceedings of the court, the provisions of Chapters I-XIV of the CPC shall apply.

Section 118

(1) Within fifteen days of receipt of the decision or recommendation, the party affected may request to have any name changes, typing errors in name or number, calculation errors or any other typing errors of similar nature which may occur in the decision or in the recommendation corrected, or to issue an interpretative clause for a specific section of the binding decision or the recommendation.

(2) If the competent council deems the request justified, it shall implement such correction within eight days of receiving the request, or shall issue the interpretative clause. Such clause shall be construed an integral part of the binding decision or recommendation.

(3) The competent council may correct the error(s) defined in Subsection (1) within thirty days of the delivery of the decision or recommendation of its own motion, without being requested to do so.

(4) The competent council shall submit the corrected decision or recommendation to the parties within fifteen days of the time of correction.

Section 119

(1) In the event that the body or person covered by the acts enumerated in Section 39 fails to comply with the council's recommendation, the Financial Arbitration Board shall be entitled to publish, without indicating the name of the consumer, a brief description of the dispute and the outcome of the proceedings after sixty days of the time of delivery of the recommendation to the service provider in question.

(2) By way of derogation from Subsection (1), the recommendation may not be made available to the public if a petition was submitted to have it annulled, until the court proceeding is concluded by a final decision.

Section 120

(1) In the event of failure by the body or person covered by the acts enumerated in Section 39 to discharge the binding decision of the council, or the negotiated settlement approved by resolution within the prescribed time limit, the consumer may request the court to append an enforcement clause to the council's decision.

(2) The court may refuse to order enforcement of the binding decision in the event that the Financial Arbitration Board did not have jurisdiction.

(3) The consumer shall be required to notify the Financial Arbitration Board in the event of any failure of compliance with the approved settlement or the binding decision, or with the contents of the recommendation.

Section 121

The Financial Arbitration Board shall have authority to make public the name and address of any body or person covered by the acts enumerated in Section 39, including a description of the activity to which the proceedings pertain, that did not comply with the request made to file a statement concerning the merits of the case on hand - consistent with what is contained in Subsection (2) of Section 108 - and did not appear at the scheduled hearing, thus preventing the conclusion of a settlement. The body or person affected shall be advised of this in the notice.

Section 122

In the event of any infringement on the part of a body or person covered by the acts enumerated in Section 39 of the provisions relating to the settlement of consumer disputes of a financial nature, the MNB shall have powers to impose the sanctions specified in this Act.

Section 123⁸⁹

The Financial Arbitration Board shall be entitled to consult independent lawyers holding a university law degree and a bar exam or economists holding a university diploma in economics; the detailed regulations for its proceedings are contained in its rules of procedure set out within the framework of this Act.

33. Proceedings of the Financial Arbitration Board in connection with cross-border consumer disputes of a financial nature

Section 124

In connection with cross-border consumer disputes concerning financial service activities of the bodies and persons covered by the acts enumerated in Section 39 (hereinafter referred to in this subtitle as „financial service activities”) the provisions of this Act shall apply subject to the exceptions set out in this subtitle.

Section 125

For the purposes of this subtitle:

a) ‘cross-border consumer dispute of a financial nature’ shall mean any consumer dispute where:

aa)⁹⁰ the home address or habitual residence of the consumer affected is in Hungary, and the body or person covered by the acts enumerated in Section 39 affected is established in a State that

⁸⁹ Established by Section 53 of Act CIV of 2014, effective as of 1 January 2015.

⁹⁰ Amended by Paragraph f) of Section 174 of Act CCXXXVI of 2013.

is a party to the Agreement on the European Economic Area or has its registered office or fixed establishment in an EEA Member State, or

ab) the home address or habitual residence of the consumer affected is in another EEA Member State, and the registered office of the body or person covered by the acts enumerated in Section 39 is in Hungary;

b) the activities of a service provider established in another EEA Member State shall also be construed as financial service activities.

Section 126

(1) In any cross-border consumer dispute concerning financial service activities between a consumer who is a resident of or habitually resides in Hungary and a body or person covered by the acts enumerated in Section 39 established in another EEA Member State, the proceedings shall be opened on condition for the service provider to recognize the Financial Arbitration Board of having competence in the dispute and to consider itself bound by the Financial Arbitration Board's decision.

(2) If the proceedings cannot be opened under Subsection (1), the Financial Arbitration Board shall:

a) inform the consumer of any alternate means available for the settlement of disputes, that is to say the competent bodies established in other EEA Member States, which are also members of the FIN-Net, including the specific rules for the proceedings of such bodies, in particular the requirement of prior consultation with the service provider affected and the time limits prescribed for the opening of the proceedings in the case on hand, and

b) forward the consumer's request made on the standard form used in the FIN-Net - upon the consumer's request - to the alternate FIN-Net body vested with powers and competence in another EEA Member State for dispute settlement.

Section 127

(1) The proceedings are conducted in writing, the chairman of the competent council, however, shall have the right - upon weighing the circumstances - to conduct hearings, for which the consent of both parties is required.

(2) If the chairman of the competent council did not move to have a hearing scheduled according to Subsection (1), the notice referred to in Subsection (1) of Section 108 shall inform the parties concerning the opening of the proceedings instead of the time of the hearing. Where a hearing is scheduled, the notice shall contain an indication of the fact and a warning that the consent of both parties is required.

(3) If the chairman of the competent council did not move to have a hearing scheduled according to Subsection (1), the competent council may - with a view to determining as to whether the request is well founded - instruct the parties to provide information in writing or make available documents within the prescribed deadline. The statements and allegations of a party shall be made known to the other party, with the possibility to express its opinion in the matter.

(4) If the chairman of the competent council did not move to conduct a hearing under Subsection (1), Subsection (6) of Section 114 shall not apply. The council shall deliver its decision to each of the parties without delay after it is adopted.

Section 128

(1) The Financial Arbitration Board - at the consumer's request - shall hear the case in the language and render its decision - evidenced by a certified copy - in the language in which the contract to which the dispute pertains was written, or that was used for communication between the person or organization engaged in the pursuit of financial service activities and the consumer affected.

(2) The related translation costs shall be comprised in the costs of the proceedings.

(3) In justified cases, the time limit for the proceedings may be extended by an additional ninety days.

Section 129

(1) When requested, the Financial Arbitration Board must provide information in writing or by way of any other appropriate means concerning - in addition to what is contained in Section 99:

a) the function of FIN-Net, and

b) the alternate FIN-Net body vested with powers and competence in another EEA Member State for the settlement of cross-border consumer disputes concerning financial service activities, including the proceedings of such body.

(2) The Financial Arbitration Board shall provide information concerning the provisions of the relevant Hungarian laws pertaining to the case in question at the request of the alternate FIN-Net body vested with powers and competence in another EEA Member State for the settlement of cross-border consumer disputes concerning financial service activities.

(3) The Financial Arbitration Board shall prepare a summary report on its activities relating to the settlement of cross-border consumer disputes concerning financial service activities and shall send it to the Chairman by 31 January of the following year.

(4) After the summary report is accepted, the Chairman of the Financial Arbitration Board shall publish the summary report and shall send it to the minister in charge of the money, capital and insurance markets.

(5) The Financial Arbitration Board shall report to the European Commission concerning its activities using the standard form prescribed by the European Commission.

Section 130

(1) The Chairman of the Financial Arbitration Board shall prepare a summary report on the activities of the Financial Arbitration Board each year and shall send it to the Chairman by 31 January of the following year for approval.

(2) After the summary report is accepted, the Chairman of the Financial Arbitration Board shall publish the summary report and shall send it to the minister in charge of consumer protection.

PART FOUR

RELATIONS OF THE MNB WITH OTHER AGENCIES

34. Relations with Parliament

Section 131

(1) Parliament may request ad hoc information, written or oral, from the Governor of the MNB.

(2) The Governor of the MNB shall report to the Parliamentary Standing Committee for Economic Affairs in writing every six months on the MNB's semi-annual activity, with the same content as the annual account. At the request of the Parliamentary Committee for Economic Affairs, the Governor of the MNB shall be required to attend in person and supplement the report verbally.

(3) At the request of the Speaker of the Parliament or the Chairman of the Parliamentary Standing Committee for Economic Affairs, the Governor of the MNB shall be subject to an exceptional reporting obligation.

(4) Upon request the Governor of the MNB shall provide information to the competent committee of the Parliament.

(5) The MNB shall compile a detailed annual plan covering its operating costs and investments before the start of the financial year, with a separate plan made for its basic and other tasks. Following closure of the financial year, it shall compile a comparative analysis of planned and actual developments in operating costs and investment expenses. The MNB shall forward the analysis, including the auditor's opinion, in conjunction with the annual account to the Parliamentary Standing Committee for Economic Affairs and to the Állami Számvevőszék (*State Audit Office*).

(6) The MNB may, contemporaneously with compiling the detailed annual plan under Subsection (5), present its proposal for determining the rate of the supervision fee as provided for in specific other legislation, and shall submit it to the Parliamentary Standing Committee for Economic Affairs and to the minister in charge of the money, capital and insurance markets.

(7) The reporting obligations of the Governor of the MNB, as defined in Subsections (1)-(3) hereof, shall not result in interference in the independence of the members of the MNB's decision-making bodies, shall not affect the status of the Governor of the MNB as a member of the Governing Council of the ECB, and shall not affect the obligation of confidentiality stemming from the Statute.

35. Relations with the Government, the ministries and the general public

Section 132

The MNB shall be consulted concerning the drafts of decisions and of legislation related to the tasks and duties of the MNB and which affect the financial intermediary system.

Section 133

After the Government adopted the bill on the act on the central budget (hereinafter referred to as „budget proposal”), the Minister shall provide information without delay to the MNB on the budget proposal. The MNB shall be entitled to send its opinion on the budget proposal directly to the Minister. The Governor of the MNB shall present this opinion at the meeting of the Budgetary Council. The Governor of the MNB shall not be bound by this opinion in freely exercising his rights as a member of the Budgetary Council.

Section 134

The Government shall invite the Governor of the MNB to attend its meetings where the agenda contains any matters pertaining to the tasks and duties of the MNB.

Section 135

(1) The MNB shall prepare and publish a report on the trends in monetary developments and other important issues related to its basic tasks at least on a quarterly basis, unless the relevant legislation provides otherwise. The MNB shall publish an announcement on the method and frequency of providing such information.

(2) The MNB shall prepare a prudential and consumer risk report each year on the activities of the bodies and persons covered by the acts enumerated in Section 39, and on the functioning of the financial markets and the financial intermediary system.

(3) Upon request, the MNB shall provide ad hoc information to the Government, or to the members of the Government, on the trends in monetary developments and other important issues related to its basic tasks.

(4) The Governor of the MNB shall notify the Minister of the key decisions of operational importance adopted within the Executive Board's powers under Section 12 in relation to the control of MNB's operation following the time when the decision is adopted. The MNB shall notify the Minister of the foreign exchange transactions it has conducted and in respect of gold and foreign exchange reserves on a weekly basis. Each year the Minister and the Governor of the MNB shall agree in writing concerning any additional information to be provided by the MNB.

(5) Pursuant to the Government's request, the MNB may undertake tasks incumbent on the Government in international financial organizations, unless otherwise provided for by law.

Section 136

The Government and the central administrative bodies shall, at the request of the MNB, provide information related to their activities.

Section 137

(1) Data on gold and foreign exchange reserves and the composition of such reserves, data on transactions conducted for the purposes of reserves management, decisions and internal regulations in connection with reserves management - provided that they are not classified - shall not be considered public information until made publicly available by the MNB, or for a maximum period of ten years from the date of origin of the data. Making such data publicly available within said time limit shall be decided by the Governor of the MNB.

(2) Any information compiled or recorded as part of, and in support of, a decision-making process of the Monetary Council, the Financial Stability Board and the Executive Board relating to the basic tasks, shall not be made available to the public for thirty years from the date of its origin, and no request can be made before or after the decision is made for accessing any data or information underlying the decision.

Section 138

In the context of fulfillment of the tasks referred to in Subsection (9) of Section 4, the MNB may join international organizations promoting the international cooperation of financial supervisory authorities inter se.

36. Relations with the International Monetary Fund

Section 139

(1) According to the decision of the International Monetary Fund in respect of Hungary's membership thereof, and having regard to the Articles of Agreement of the International Monetary Fund, the MNB shall function as the paying agency acting in the name and on behalf of Hungary, for making payments to the International Monetary Fund periodically from funds specified by the relevant legislation or by any directly applicable legislation of the European Union, including payments related to participation in the Special Drawing Rights Department of the International Monetary Fund.

(2) In accordance with the Articles of Agreement of the International Monetary Fund, the MNB may issue non-transferable, non-interest bearing notes to the benefit of the International Monetary Fund in relation to Hungary's membership thereof.

(3) The MNB shall function as the fiscal agent on behalf of Hungary, as required by the Articles of Agreement of the International Monetary Fund. To that end, the MNB shall function as the body authorized to set up and execute all transactions prescribed by the Articles of Agreement of the International Monetary Fund in the name and on behalf of Hungary, and to act as beneficiary in its capacity as the fiscal agent in respect of any sums transferred or paid to Hungary pursuant to the Articles of Agreement of the International Monetary Fund.

(4) The MNB shall function as the designated depositary in safeguarding the foreign currency reserves of the International Monetary Fund in Hungary.

37. Relations with bodies of the European Union

Section 140

(1) The MNB shall cooperate:

a) in respect to its tasks defined in Subsection (9) of Section 4 with:

aa) the European Commission,

ab) the European Supervisory Authorities, meaning the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority,

ac) the European Systemic Risk Board,

ad) the European Insurance and Occupational Pensions Committee, and

ae) the European Banking Committee;

b) in respect of the tasks defined in Subsection (7) of Section 4, with the European Systemic Risk Board;

*c)*⁹¹ in respect to its tasks defined in Subsection (8) of Section 4 with the European Banking Authority.

⁹¹ Enacted by Subsection (7) of Section 160 of Act XXXVII of 2014, effective as of 16 September 2014.

(2) The MNB shall be responsible to fulfill the reporting obligations towards the authorities referred to in Subsection (1).

(3) The MNB shall notify the European Commission of the following in writing:

a) authorizations issued to insurance companies or reinsurance companies, and the withdrawal of such authorizations;

b) authorizations issued to the Hungarian branches of third-country credit institutions, investment firms, insurance companies or reinsurance companies;

c) authorization issued to an investment fund manager - for the management of undertakings for collective investment in transferable securities - that is a subsidiary, whether directly or indirectly, of a company established in a third country;

d) acquisition of holdings in a credit institution established in Hungary by a third-country credit institution as a result of which the credit institution established in Hungary becomes a subsidiary of the third-country credit institution, and the termination of such holdings;

e) acquisition of holdings in an insurance company established in Hungary by a third-country insurance company as a result of which the insurance company established in Hungary becomes a subsidiary of the third-country insurance company, and the termination of such holdings;

f) acquisition of holdings in a reinsurance company established in Hungary by a third-country reinsurance company as a result of which the reinsurance company established in Hungary becomes a subsidiary of the third-country reinsurance company, and the termination of such holdings;

g) application or termination of consolidated supervision of a financial holding company;

*h)*⁹² resolutions adopted under Subsection (5) of Section 36 of the Banking Act;

*i)*⁹³ proceedings opened in connection with Subsections (5)-(7) of Section 174 of the Banking Act relating to supervision on a consolidated basis;

j) agreements referred to in Subsection (5) of Section 181/J of the CMA, if, as a result of the agreement, the MNB is responsible for consolidated supervision;

*k)*⁹⁴ the resolutions adopted under Section 164 of the IRA;

l) any restrictions on the freedom of establishment creating barriers for insurance companies or reinsurance companies registered in Hungary in establishing themselves and operating in a third country or carrying on activities in a third country;

*m)*⁹⁵ measures adopted according to Subsection (5) of Section 199 of the Banking Act, Subsection (2) of Section 404 of the CMA and Subsection (2) of Section 177 of the IRA;

n) the arrangements entered into with regard to delegation of responsibilities, including the precise conditions regulating such delegation;

o) the statutory provisions prescribing mandatory insurance and any changes thereunto;

p) the cases notified under Section 30/A of Act CXXV of 2003 on Equal Treatment and the Promotion of Equal Opportunity, risk assessments, the data related to these procedures and the means of publication of such data;

⁹² Amended by Paragraph l) of Section 173 of Act CCXXXVI of 2013.

⁹³ Amended by Paragraph m) of Section 173 of Act CCXXXVI of 2013.

⁹⁴ Established by Subsection (1) of Section 169 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁹⁵ Amended by Paragraph n) of Section 173 of Act CCXXXVI of 2013.

q) information relating to bonds, mortgage bonds, and the particulars of the issuers of such, which satisfy the conditions set out in Article 52(4) of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (hereinafter referred to as „Directive 2009/65/EC”), including a list of the relevant categories above with a notice specifying the status of the guarantees offered attached; and

r) the withdrawal of the operating (business) license of a credit institution;

*s)*⁹⁶ the names of the other systemically important institution and global systemically important institution and the respective sub-category to which global systemically important institutions are allocated;

*t)*⁹⁷ findings of these reviews provided for in Subsection (1) of Section 35/A of this Act, Subsection (1) of Section 92 of the Banking Act and Subsection (1) of Section 110/G of the IRA;

*u)*⁹⁸ the exemptions under Subsection (4) of Section 110/A and Subsection (8) of Section 110/B of the IRA.

(4) The MNB shall notify:

a) the European Securities and Markets Authority,

aa) concerning market abuse and the administrative measures and sanctions imposed in connection with any infringement of the statutory provisions relating to investment firms and commodity dealers, following publication, and also annually in aggregate form,

ab) concerning the approval of the prospectus and any supplement thereto at the same time as that approval is notified to the issuer, the offeror or the person asking for admission to trading on a regulated market, as the case may be, and shall at the same time provide a copy of the prospectus and any supplement thereto,

ac) concerning the granting and withdrawal of authorization to engage in investment service activities, for the foundation of an stock exchange and exchange market operations, and also for the pursuit of investment fund management activities,

ad) on the regulated markets established in Hungary, including a list of such regulated markets and any changes therein,

ae) on the extra-judicial complaint and redress mechanisms which are available to the bodies and persons covered by the acts enumerated in Section 39,

af) concerning bonds, mortgage bonds, and the particulars of the issuers of such, which satisfy the conditions set out in Article 52(4) of Directive 2009/65/EC, including a list of the relevant categories above with a notice specifying the status of the guarantees offered attached, and

ag) on the information available relating to third countries under Subsection (2) of Section 12, Subsection (7) of Section 18, Subsection (6) of Section 27 and Subsection (3) of Section 30 of the MLT,

*ax)*⁹⁹ in order to protect the integrity of the internal market and to seek funding from alternative financing sources;

⁹⁶ Enacted by Subsection (2) of Section 169 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁹⁷ Enacted by Subsection (2) of Section 169 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁹⁸ Enacted by Subsection (2) of Section 169 of Act CCXXXVI of 2013, effective as of 1 January 2014.

⁹⁹ Enacted by Subsection (8) of Section 160 of Act XXXVII of 2014, effective as of 16 September 2014.

*b)*¹⁰⁰ the European Banking Authority:

ba) on the granting and withdrawal of the operating (business) license of a credit institution, including the reasons,

bb) on authorizations issued to the Hungarian branches of third-country credit institutions,

bc) on the resolutions adopted under Subsection (5) of Section 36 of the Banking Act,

bd) concerning the application or termination of consolidated supervision of a financial holding company,

be) on the agreements referred to in Subsection (5) of Section 175 of the Banking Act, if, as a result of the agreement, the MNB is responsible for consolidated supervision, and in the case of credit institutions supervised on a consolidated basis, on internal governance at the group level, and on arrangements, processes and mechanisms,

bf) on the evaluation provided for in Subsections (4) and (5) of Section 167 of the Banking Act,

bg) on the information available relating to third countries under Subsection (2) of Section 12, Subsection (7) of Section 18, Subsection (6) of Section 27 and Subsection (3) of Section 30 of the MLT,

bh) on the names of authorities that received any information in the framework of the exemption granted under Paragraph *b)* of Subsection (3) of Section 159 and Paragraph *c)* of Subsection (2) of Section 161 of the Banking Act, respectively, from business secrecy and bank secrecy,

bi) on the acquisition qualifying holding in a credit institution,

bj) on any financial holding company or mixed-financial holding company covered by Article 11 of Regulation 575/2013/EU,

bk) if Subsections (3), (7) and (11) of Section 9 of Act LXXXIII of 2013 on the Supplementary Supervision of Financial Conglomerates (hereinafter referred to as “Financial Conglomerates Act”) are applied in connection with any mixed financial holding company,

bl) on the information provided for in Subsection (5) of Section 126 of the Banking Act,

bm) on the authorizations granted under Subsection (4) of Section 145 of the Banking Act,

bn) on the resolutions adopted under Subsection (5) of Section 174, Section 185 and Subsection (5) of Section 199 of the Banking Act, and under Section 164 of the IRA,

bo) on authorizations issued to the Hungarian branches of third-country credit institutions or investment firms,

bp) on consultations planned with regard to the implementation and coordination of a recovery plan provided for in Section 114 of the Banking Act,

bq) on the application of Subsection (1) of Section 180 of the Banking Act and Subsection (5) of Section 162 of the IRA,

br) on the supervisory review and evaluation processes provided for in Section 177 of the Banking Act and Section 163/A of the IRA, and on the methods used by the MNB,

bs) on the information specified in Subsection (2) of Section 35/A,

bt) on the decisions adopted in connection with Sections 86 and 88 of the Banking Act, and with Sections 110/A and 110/C of the IRA,

bu) on the names of the other systemically important institution and global systemically important institution and the respective sub-category to which global systemically important institutions are allocated,

¹⁰⁰ Established by Subsection (3) of Section 169 of Act CCXXXVI of 2013, effective as of 1 January 2014.

bv) on the findings of the reviews provided for in Section 35/A of this Act, Section 92 of the Banking Act and Section 110/G of the IRA,

bw) if applying Subsections (3), (7) and (11) of Section 9 of the Financial Conglomerates Act in connection with any mixed financial holding company,

bx) on the analyses under Subsection (5) of Section 112 of the Banking Act and Subsection (5) of Section 24/D of the IRA,

by) on the exemption granted under Subsection (4) of Section 110/A and Subsection (8) of Section 110/B of the IRA,

*bz)*¹⁰¹ following consultation with the competent resolution authorities, on the application of the requirements set out in Subsection (3) of Section 65 of the Resolution Act relating to own funds and liabilities eligible for write down or conversion;

c) the European Insurance and Occupational Pensions Authority,

ca) on the information available relating to third countries under Subsection (2) of Section 12, Subsection (7) of Section 18, Subsection (6) of Section 27 and Subsection (3) of Section 30 of the MLT,

cb) on the granting and withdrawal of the authorization of institutions for occupational retirement provision;

*d)*¹⁰² the European Banking Committee on authorizations issued to the Hungarian branches of third-country credit institutions;

*e)*¹⁰³ the European Systemic Risk Board:

ea) on the countercyclical buffer rate set for the quarter under Subsection (4) of Section 33, and on the information published in accordance with Paragraph *m)* of Subsection (2) of Section 43,

eb) on the exemption granted under Subsection (4) of Section 110/A and Subsection (8) of Section 110/B of the IRA,

ec) on the information specified in Subsection (2) of Section 35,

ed) on the names of the other systemically important institution and global systemically important institution and the respective sub-category to which global systemically important institutions are allocated,

ee) on the findings of the reviews provided for in Subsection (1) of Section 35 of this Act, Subsection (9) of Section 89 of the Banking Act and Subsection (9) of Section 110/D of the IRA,

*ef)*¹⁰⁴ on the requirements set out Subsection (2) of Section 113 of the Resolution Act.

(5) The notification referred to in Paragraph *a)* of Subsection (3) shall contain an indication whether the authorization is issued to an insurance company, which is directly or indirectly a subsidiary of one or more third-country companies, and in such cases the structure of the corporate group shall be presented in detail.

(6) The notification referred to in Paragraph *b)* of Subsection (3) pertaining to a credit institution shall also be sent to the European Banking Committee established by Commission Decision 2004/10/EC of 5 November 2003 establishing the European Banking Committee.

¹⁰¹ Enacted by Subsection (9) of Section 160 of Act XXXVII of 2014, effective as of 16 September 2014.

¹⁰² Enacted by Subsection (4) of Section 169 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹⁰³ Enacted by Subsection (4) of Section 169 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹⁰⁴ Enacted by Subsection (10) of Section 160 of Act XXXVII of 2014, effective as of 21 July 2014.

(7) The notification referred to in Paragraph *c*) of Subsection (3) shall provide a detailed presentation of the structure of the corporate group.

(8)¹⁰⁵ The notification referred to in Paragraphs *g*) and *n*) of Subsection (3) shall also be sent to the financial supervisory authorities of the EEA Member States.

(9) The MNB shall report to the European Commission concerning the activities of the Financial Arbitration Board using the standard form prescribed by the European Commission.

Section 141

(1) The MNB shall compile data disclosed on the basis of legislation in relation to the remuneration policies of credit institutions and investment firms established in Hungary provided for in the CIFE and the IRA, for the purposes of analyzing remuneration trends. The MNB shall submit this information to the European Banking Authority.

(2) In respect of credit institutions and investment firms established in Hungary, for the purposes of analyzing policies as defined in specific other legislation, the MNB shall compile information on the number of executive officers and employees who are in the remuneration category of 300 million forints or more annually. The MNB shall forward this information to the European Banking Authority.

*Section 141/A*¹⁰⁶

(1) Within the framework of its responsibilities set out in Subsection (7) of Section 4, the MNB shall notify:

a) the European Commission, the European Banking Authority and the competent or designated authorities of the EEA Member States concerned one month before the publication of the decision referred to in Subsection (1) of Section 35/A for setting or resetting a systemic risk buffer rate,

b) the European Commission, the European Banking Authority, the European Systemic Risk Board and the competent or designated authorities of the EEA Member States concerned if recognizing under Section 35 the systemic risk buffer rate set in another EEA Member State.

(2) If in accordance with Section 183/A the MNB requires credit institutions established in Hungary to hold a countercyclical capital buffer before 1 January 2016, it shall notify the European Commission, the European Systemic Risk Board, the European Banking Authority and the relevant college of supervisors thereof.

(3) If the designated authority of an EEA Member State has set a countercyclical buffer rate before 1 January 2016, the MNB may recognize that buffer rate and shall notify the European Commission, the European Systemic Risk Board, the European Banking Authority and the relevant college of supervisors accordingly.

38. College of supervisors

Section 142

¹⁰⁵ Amended by Paragraph h) of Section 173 of Act CCXXXVI of 2013.

¹⁰⁶ Enacted by Section 170 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(1) In the interests of ensuring coordination of consolidated supervisory activities, including cooperation within the framework of crisis management, and appropriate cooperation with the competent financial supervisory authorities of third countries, the MNB, in its capacity as the consolidating supervisory authority defined in specific other act, shall establish the college of supervisors.

(2) In cooperation with the competent financial supervisory authorities of the Member States of the European Union, the college of supervisors shall carry out the following tasks:

- a) exchanging information between financial supervisory authorities;
- b) agreeing on voluntary entrustment of tasks and voluntary delegation of responsibilities where appropriate;
- c) determining supervisory examination programs based on group-level risk assessment for enterprises to which supervision on a consolidated basis applies;
- d) increasing the efficiency of supervision;
- e) consistently applying the prudential requirements in respect of all entities to which supervision on a consolidated basis applies, without prejudice to the options and discretions available in the national legislation of Member States;
- f)¹⁰⁷ cooperating pursuant to Subsection (4) of Section 176 of the CIFE.

(3) Following consultation with the MNB and the competent financial supervisory authorities of the other Member States involved, the college of supervisors shall be established and shall operate on the basis of the written agreement formulated by the MNB. The MNB may request the participation in the college of supervisors of the supervisory authorities overseeing the subsidiaries of EU parent credit institutions, EU parent investment firms, EU parent insurance companies, EU parent financial holding companies or EU parent mixed financial holding companies, as well as the competent authorities overseeing the systemically relevant branches involved, as defined by specific other act, the relevant central banks if necessary, and the competent authorities of third countries in specific cases in connection with consolidated supervision or supplementary supervision at the level of the financial conglomerate.

(4) The person appointed by the Governor of the MNB shall chair the meetings of the college. The MNB shall decide which of the competent financial supervisory authorities of the other Member States involved shall take part in specific meetings or activities of the college of supervisors, with due consideration of the role of the competent financial supervisory authority of the other Member State in the specific activity. The MNB shall keep all members of the college of supervisors fully informed on the anticipated topics of the meeting and the decisions rendered.

(5) The MNB shall, furthermore, be required to establish the college of supervisors, in the event that a credit institution or investment firm established in Hungary which is not subject to consolidated supervision creates a branch with systemic significance in other Member States of the European Union, where the provisions of Subsections (3) and (4) shall apply to the operation of the college of supervisors.

(6) The MNB shall notify the European Banking Authority on the activities of the college of supervisors and notify it of any information which is important from the perspective of regulatory convergence.

(7) The MNB shall participate in the activities of college of supervisors created by other foreign financial supervisory authorities, in its supervisory role for the host country.

¹⁰⁷ Amended by Section 57 of Act CIV of 2014.

Section 143

The MNB shall set up and operate the college provided for in Article 18 of Regulation 648/2012/EU within the framework of its responsibilities set out in Subsection (9) of Section 4.

39. Relations with the Állami Számvevőszék (*State Audit Office*)

Section 144

Prior to the appointment or proposal for dismissal of the auditor of the MNB, the Governor of the MNB shall consult the President of the Állami Számvevőszék.

40. MNB account services

Section 145

(1) The MNB shall manage:

- a) the single Treasury account; and
- b) the payment account of the Államadósság Kezelő Központ Zártkörűen Működő Részvénytársaság (*Government Debt Management Agency Private Limited Company*).

(2) The MNB shall pay interest on the balance of the single Treasury account at market rate - but at a level that is not higher than the central bank base rate - to the central budget.

41. Relations with Parliament

Section 146

The MNB shall not provide overdraft facilities or any other type of credit facility to the public sector bodies defined in Article 123 of the Treaty on the Functioning of the European Union, and shall not purchase debt instruments directly from such bodies in consideration of the provisions of Council Regulation (EC) No. 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty.

Section 147

(1) The MNB shall allocate to the forint exchange rate equalization reserve any exchange rate gains or losses incurred from the revaluation of its foreign currency receivables and liabilities based on the official exchange rate in effect on the last day of the year to which it pertains.

(2) The MNB shall allocate to the foreign currency securities equalization reserve the difference determined on the basis of the market valuation of receivables in foreign currency securities, following the re-entry of the opening balance.

(3) The forint exchange rate equalization reserve and the foreign currency securities equalization reserve described in Subsections (1) and (2) above shall form a part of the MNB equity.

(4) In the event that - based on the available data - the balance of the equalization reserves specified in Subsections (1) and (2) is negative, and this negative balance exceeds the sum of the positive amount of the profit reserve and the balance sheet total, the central budget shall, by 31

March of the year following the subject year, make a direct cash injection to the profit reserve up to the level of negative balance that exceeds the positive sum of the profit reserve and the balance sheet total, i.e. in case of a negative balance of the profit reserve and the balance sheet total, to the extent of the negative balance of the equalization reserves, to be accounted for in the balance sheet in the subject year.

(5) Where, based on the definitive data and in consideration of the cash injection specified in Subsection (4), the balance of the equalization reserves specified in Subsection (1) or (2) is negative, and this negative balance exceeds the sum of the profit reserve and the balance sheet total, the central budget shall make a direct cash injection to the profit reserve within eight days of the shareholder's receipt of the notification defined in Subsection (2) of Section 6, up to the level of negative balance that exceeds the sum of the profit reserve and balance sheet total. In the event that the cash injection described in Subsection (4) exceeds the cash injection requirement, as determined based on definitive data, the MNB shall refund the overpayment to the central budget from the profit reserve within eight days of the shareholder's receipt of the notification defined in Subsection (2) of Section 6. These items shall be recorded in the balance sheet of the year in which payments are affected.

Section 148

(1) The MNB may act as an agent for the State on the securities market, by authorization of the State or in respect of State-owned securities, with the exception of shares.

(2) By authorization of the State, the MNB may participate in the State's foreign currency borrowing operations and in the issuance of its securities abroad, as well as in discharging the tasks related to the management of the State's foreign receivables.

(3) The MNB may conclude forward and hedging transactions with the State or as an agent of the State under market conditions.

PART FIVE

PROVISIONS RELATING TO MEMBERS OF THE MNB BODIES AND OTHER EMPLOYEES OF THE MNB

42. Remuneration of the Governor, Deputy Governors and the members of the Monetary Council and Supervisory Board

Section 149

(1) The monthly salary of the Governor received from the MNB for the period beginning on 1 March and ending at the end of February of next year shall be ten times the national monthly average gross wage officially published by the Központi Statisztikai Hivatal (*Central Statistics Office*) for the previous year.

(2) The salary of the MNB Deputy Governor appointed for performing the tasks of the Deputy Chairman of the Monetary Council from the MNB shall be 80 per cent of the Governor's salary. The salary of the other Deputy Governors of the MNB from the MNB shall be 70 per cent of the Governor's salary.

(3) The salary of the members of the Monetary Council referred to in Paragraph *c*) of Subsection (4) of Section 9 from the MNB shall be 60 per cent of the Governor's salary.

(4) The Governor, Deputy Governors and the members of the Monetary Council referred to in Paragraph *c*) of Subsection (4) of Section 9, shall be entitled under the same conditions to other benefits from the MNB (including non-cash allowances, benefits in kind and social benefits).

(5) The gross monthly remuneration for the Chairman of the Supervisory Board shall be 1,200,000 forints.

(6) The gross monthly remuneration for the other members of the Supervisory Board shall be 800,000 forints.

(7) The Governor and Deputy Governors of the MNB shall not receive extra remuneration for their membership in the Monetary Council.

(8) Members of the Monetary Council of the MNB may not enter into an employment relationship, or any other work-related relationships with a credit institution for six months following the termination of their mandate under Paragraph *a*) of Subsection (8) of Section 9. In compensation of this prohibition, they shall be entitled to an allowance in an amount equivalent to six months' salary upon termination of their mandate pursuant to Paragraph *a*) of Subsection (8) of Section 9.

43. Professional secrecy and the legal status of employees

Section 150

(1) Employees of the MNB and members of the Supervisory Board shall be required not to disclose any personal data, classified information, bank secrets, securities secrets, payment secrets, fund secrets, insurance secrets, occupational retirement secrets and business secrets which have come to their knowledge in performing their duties, and shall comply with the relevant legislation on the processing of such data. This obligation shall remain in effect following the termination of their mandate.

(2) Employees of the MNB shall treat as professional secrets all information, data, facts or circumstances of which they gain knowledge in the course of carrying out regulatory activities and which the MNB is not required by law to render accessible to other authorities or the public, and shall not disclose or use them without proper authorization.

Section 151

(1) The provisions of Act I of 2012 on the Labor Code (hereinafter referred to as „Labor Code”) shall apply to the employees of the MNB, with the exceptions set out in this Act.

(2) Subsection (3) of Section 204, Section 205 and Section 207 of the Labor Code shall not apply to the MNB, or to its employees.

44. Conflict of interest

Section 152

(1) Unless otherwise provided for by law, employees of the MNB referred to in Sections 9, 13, 97 and 100 and the employees appointed to carry out the basic tasks specified in Subsections (7)-(9) of Section 4, shall not have any membership or ownership share in, and shall not enter into

and shall not maintain an employment relationship or work-related contractual relationship with, or a relationship as an executive officer or member of the supervisory board of an organization covered by the acts enumerated in Section 39.

(2) The restriction defined in Subsection (1) shall not apply to any membership in a voluntary mutual insurance fund, private pension fund, credit institutions set up as cooperative societies or in a mutual association, or to holding a seat on the supervisory board of a nonprofit business association provided for in Subsection (2) of Section 79, and to maintaining any relationship under Subsection (1) in a financial institution in which the MNB holds a share.

(3) The MNB employees under Subsection (1) may not acquire, except by way of inheritance:

a) securities, with the exception of government bonds, certificates of deposit, collective investment instruments, mortgage bonds, or

b) other financial instruments not listed under Paragraph *a)* as set out in Section 6 of the IRA.

(4) The MNB employees referred to in Subsection (1) shall:

a) declare at the time of commencement of their employment any membership or ownership share they may have, and

b) declare immediately upon the operative date of the grant of probate adopted in probate proceedings concerning any interest set out under Paragraph *a)* they may have acquired by way of inheritance,

including any financial instrument which they are not allowed to have following the commencement of their employment.

(5) The MNB employees referred to in Subsection (1) shall terminate any membership or ownership share they may have, or shall alienate any securities and other financial instrument within three months from the time of the commencement of employment with the MNB, or of the grant of probate taking legal effect in the case of inheritance.

(6) The MNB employees referred to in Subsection (1) shall forthwith notify the employer in the event that, following the commencement of their employment, a close relative living in the same household enters into an ownership or shareholder relationship in a body covered by the acts enumerated in Section 39 or acquires securities or other financial instruments provided for in Section 6 of the IRA.

(7) At the time of commencement of their employment, the MNB employees referred to in Subsection (1) shall submit a declaration on their existing membership in any mutual association, private pension fund, or voluntary mutual insurance fund.

(8) At the time of commencement of their employment, the MNB employees referred to in Subsection (1) shall provide a statement concerning any close relative living in the same household who is employed by, holds an executive office in, has another work-related legal relationship with, or is a member of the supervisory board of any of the bodies covered by the acts enumerated in Section 39. The MNB employees referred to in Subsection (1) shall forthwith notify any such relationship established after the time of commencement of their employment.

(9) The MNB employees referred to in Subsection (1) may not participate in preparing and reaching any decisions which applies to the organization affected:

a) before terminating the relationship referred to in Subsection (1),

b) before compliance with the obligations set out in Subsection (5),

c) in the cases provided for in Subsections (6)-(8).

(1) Unless otherwise provided for by law, employees of the MNB appointed to carry out the basic tasks specified in Subsections (1)-(6) of Section 4 shall not enter into and shall not maintain an employment relationship, work-related contractual relationship with, or a relationship as an executive officer or member of the supervisory board of a financial institution - other than the ones in which the MNB holds a share -, or at other legal entities engaged in activities auxiliary to financial services, investment firms, or the Országos Betétbiztosítási Alap (*National Deposit Insurance Fund*) or the Befektetővédelmi Alap (*Investor Protection Fund*).

(2) Subject to the exceptions set out in Subsection (3), the MNB employees referred to in Subsection (1) may not hold any interest in a financial institution, legal entity engaged in activities auxiliary to financial services or in an investment firm.

(3) The MNB employees referred to in Subsection (1) shall:

a) declare at the time of commencement of their employment any existing interest they may have, and

b) declare without delay upon the operative date of the grant of probate adopted in probate proceedings concerning any interest they may have acquired by way of inheritance during the time of employment,

in a financial institution, legal entity engaged in activities auxiliary to financial services or investment firm, and shall terminate such interest within three months from the time of the commencement of employment with the MNB, or of the grant of probate taking legal effect in the case of inheritance.

(4)¹⁰⁸ The MNB employees referred to in Subsection (1) shall notify the acquisition of any financial instruments governed under the IRA - other than government securities and open-ended public investment units issued by an investment fund - within three working days from the time of acquisition.

(5) The MNB employees referred to in Subsection (1), before terminating the relationship or interest referred to in Subsections (1)-(3), and before compliance with the obligations set out in Subsection (4) may not participate in the preparation and taking of any decisions pertaining to an organization affected.

(6) By way of derogation from the provisions set out in Section 152, Subsections (1)-(5) hereof, and Sections 154-156 on conflicts of interest, members of the Monetary Council and MNB employees shall be allowed - exempted from the requirement of prior notification - to enter into and to maintain a relationship - other than employment relationship - for holding a seat in the board of directors or supervisory board of a business association under majority MNB ownership, or a membership - other than employment relationship - in the management, board of trustees or supervisory board of a foundation established by the MNB.

Section 154

(1)¹⁰⁹ Employees of the MNB not falling under the scope of Section 9 may only establish or maintain employment relationships or work-related contractual relationship with the prior permission of the Governor of the MNB, with the exception of scientific, educational, artistic, editorial and revisory activities, intellectual activities protected by copyright and the activities of registered foster carers. Such activities must be notified.

¹⁰⁸ Amended by Paragraph o) of Section 173 of Act CCXXXVI of 2013.

¹⁰⁹ Established by Section 98 of Act CI of 2014, effective as of 1 January 2015.

(2) Employees of the MNB not falling under the scope of Sections 152 and 153:

a) shall declare at the time of commencement of their employment any interest they may have in a financial institution, legal entity engaged in activities auxiliary to financial services or investment firm, and

b) shall forthwith notify the acquisition of any interest referred to in Paragraph *a)* during the time of employment.

(3) Employees of the MNB shall forthwith notify the holding of any interest by a close relative living in their household in a financial institution, legal entity engaged in activities auxiliary to financial services or investment firm existing at the time of commencement of their employment or acquired during the term of their employment.

(4) At the time of commencement of their employment, employees of the MNB shall be required to notify any membership they may have in cooperative credit institutions. The above specified membership of the MNB employee existing at the time of commencement of his employment need not be terminated as long as the employee has any debt owed to the cooperative credit institution.

(5) Employees of the MNB:

a) are required to provide a written statement at the time of commencement of their employment about any close relative living in the same household who is employed by, holds an executive office in, has another work-related contractual relationship with, or is a member of the supervisory board of, any financial institution, legal entity engaged in activities auxiliary to financial services or investment firm, and

b) shall notify without delay where any such relationship under Paragraph *a)* is established by any close relative living in the same household.

(6) In the cases provided for in Subsections (1)-(5), employees of the MNB may not participate in preparing and reaching any decisions which applies to the body in question.

Section 155

(1) Employees of the MNB not falling under the scope of Section 9 shall submit the notices and statements described in Sections 152-154 to the party exercising employer's rights.

(2) No legal relationship shall be established in the MNB in consequence of which an employee of the MNB would come into a management (supervisory), controlling or accounting relationship with a close relative.

(3) With a view to carrying out the obligations specified in Sections 152-154, and for the purpose of monitoring compliance therewith, the MNB shall retain the notices and statements provided by the employees for a period of three years following the termination of employment relationship.

(4) For the purposes of Sections 152-154, close relatives shall be understood as the persons defined as such in the Civil Code, including domestic partners.

Section 156

(1) Members of the Monetary Council may only engage in any other activities which are compatible with their decision making duties under this Act. Such members shall not hold office in political parties, may not carry out public activities on behalf of or in the interest of political parties, shall not be Members of Parliament or representatives of a local government, and shall not be senior officers or public officials in the national or in a local government.

(2) Members of the Monetary Council shall not be executive officers or supervisory board members of a business association.

(3) The Governor and Deputy Governors of the MNB shall not enter into any other employment relationship or other work-related contractual relationship.

(4) Members of the Monetary Council referred to in Paragraph *c*) of Subsection (4) of Section 9 may - subject to notification requirement - enter into another employment relationship or work-related contractual relationship if such does not constitute conflict of interest with their membership in the Monetary Council.

(5)¹¹⁰ Members of the Monetary Council may enter into other work-related contractual relationships for the performance of scientific, educational, artistic, editorial and revisory activities, intellectual activities protected by copyright and the activities of registered foster carers. Such relationships shall be reported in advance.

(6) The members of the Monetary Council referred to in Paragraphs *a*) and *b*) of Subsection (4) of Section 9 shall submit their notices and statements pursuant to Section 152 and Subsection (5) of this Section to the President of the Republic, and the members referred to in Paragraph *c*) of Subsection (4) of Section 9 shall submit their notices and statements pursuant to Section 152 and Subsections (4) and (5) of this Section to the Speaker of the Parliament.

(7) In respect of members of the Monetary Council, the conflict of interest provisions set out in Subsection (1) of Section 152 shall remain in effect for a period of six months following termination of the employment relationship with the MNB.

(8) The conflict of interest of members of the Monetary Council referred to in Paragraphs *a*) and *b*) of Subsection (4) of Section 9 shall be declared by the President of the Republic by recommendation of the Prime Minister, and conflict of interest of the members referred to in Paragraph *c*) of Subsection (4) of Section 9 shall be declared by the Speaker of the Parliament by recommendation of the Parliamentary Standing Committee for Economic Affairs.

(9) If the circumstances underlying the conflict of interest cease to exist before the declaration of conflicts of interest, no declaration of conflict of interest shall be made.

(10) Sections 154 and 155 shall be applied to members of the Supervisory Board.

45. Declaration of personal wealth

Section 157

(1) The Governor and Deputy Governors of the MNB, and the members of the Monetary Council referred to in Paragraph *c*) of Subsection (4) of Section 9, as well as members of the Supervisory Board, shall file their declarations of personal wealth in the same manner, with the same content and at the same frequency as Members of Parliament. The declaration of personal wealth shall be filed in the year when due showing the status as at 31 December of the previous year, and the declaration of personal wealth that is required at the time of dismissal and at the time of appointment shall be filed showing the status of the date of appointment or dismissal. Each person subject to this requirement shall enclose, together with his own declaration, the declaration of his spouse or domestic partner living in the same household, and his children, subject to the same content requirements as those of Members of Parliament.

¹¹⁰ Established by Section 99 of Act CI of 2014, effective as of 1 January 2015.

(2) The Parliamentary Committee on Matters of Immunity and Conflict of Interest shall record the declarations of personal wealth. The declarations of personal wealth of the members of the Monetary Council and the members of the Supervisory Board, as well as the related proceedings with the exceptions set out in this Section, shall be subject to the provisions governing the declarations of personal wealth of Members of Parliament, and the related proceedings. Anyone may initiate proceedings concerning declarations of personal wealth at the Speaker of the Parliament.

PART SIX

MISCELLANEOUS PROVISIONS

46. Rights of the central bank

Section 158

(1) The Governor of the MNB may - with a view to enhancing the stability of the financial intermediary system - submit legislative proposals to the Government or proposals for initiating the legislative process, or to any member of the Government for adopting new regulations. At the discretion of the Governor of the MNB, such proposals may be submitted publicly as well.

(2) In relation to any proposal made by the Governor of the MNB to the Government under Subsection (1), the minister in charge of the money, capital and insurance markets, on behalf of the Government, and in the event of a proposal submitted to a member of the Government, the member of the Government shall inform the Governor of the MNB within fifteen working days of receipt or publication of the proposal - through public channels if the proposal has been submitted publicly - of the opening of a procedure directed at adopting a legal act or at initiating a legislative proposal; in the event of legislative proposal - of the time limit for presenting a draft law to the Parliament, or in the event of regulation in a decree, the deadline for its publication; or in the absence of a procedure directed at adopting a legal act or at initiating a legislative proposal, of the reasons for such decision of the Government, or a member of the Government if the proposal was submitted to a member specifically.

(3) If the required result was not achieved within the time limit prescribed under Subsection (2), the recipient of the proposal shall forthwith inform the Governor of the MNB - through public channels if the proposal was submitted publicly - concerning the reasons for the delay, and - if in agreement - indicating the new deadline for presenting the bill to Parliament or for the publication of the decree.

Section 159

(1) The MNB shall be entitled to manage forint and foreign exchange accounts on behalf of:

- a)* payment service providers covered by the Act on the Pursuit of the Business of Payment Services;
- b)* bodies providing clearing and settlement services under the CMA;

- c)¹¹¹ bodies engaged in the operation of payment systems under the CIFE;
- d) bodies engaged in the pursuit of cash processing activities;
- e) central depositories;
- f) the Országos Betétbiztosítási Alap (*National Deposit Insurance Fund*);
- g) the Befektetővédelmi Alap (*Investor Protection Fund*);
- h) any other resident organization in connection with discharging the functions specified under Subsections (1), (4), (5) and (7) of Section 4; and
- i) a foreign central bank and any nonresident organization in connection with discharging the functions specified under Subsections (1), (4), (5) and (7) of Section 4 and with a view to discharging any commitment assumed under international treaty;
- j)¹¹² the Claims Fund for Questor Victims.

(1a)¹¹³ The MNB shall be entitled to open payment accounts for its employees in forints and other currencies, however, to the debit of that bank account the employee shall be able to initiate cash withdrawal from payment account only.

(2) In discharging its functions referred to in Subsections (1)-(5) and (7) of Section 4, the MNB shall have authority to conduct any other transactions in forints, foreign currencies and precious metals included in the scope of financial services and activities auxiliary to financial services.

(3) In performing its tasks set out in Subsections (1) and (7) of Section 4, the MNB may perform safe custody and recording of financial assets as a service auxiliary to investment activities in accordance with the IRA, in relation to this it may open client accounts, or manage deposits and related securities accounts, and in the case of printed securities, may keep records of such securities and manage client accounts.

(4) In order to support the activity of the investigative authorities and the public prosecutor, the MNB is entitled - with respect to the prohibition of monetary financing under Section 146 - to provide forint and foreign banknotes to these organizations for the performance of their investigative activities.

Section 160

(1) Based on claims arising in connection with performing the duties provided for in Subsections (1)-(7) of Section 4, the MNB shall be entitled to a statutory lien on the assets of a debtor established in Hungary, regardless of the legal grounds upon which title to such assets has been acquired. Based on the statutory lien, the MNB may satisfy its claims from the property to which the lien pertains without any court proceedings, in the manner it deems most suitable. These provision shall also apply accordingly to satisfaction from collateral security provided to the MNB.

(2) In respect of performing the duties provided for in Subsections (1)-(7) of Section 4, to the liens or collateral security obtained by the MNB the provisions of the Act on Bankruptcy

¹¹¹ Amended by Paragraph p) of Section 173 of Act CCXXXVI of 2013, Paragraph a) of Section 17 of Act XXV of 2014.

¹¹² Enacted by Section 15 of Act XXXIX of 2015, effective as of 18 April 2015.

¹¹³ Enacted by Section 254 of Act XVI of 2014, effective as of 25 February 2014.

Proceedings and Liquidation Proceedings on the restriction of direct enforcement of such liens and collateral claims shall not be applied.

(3) The provisions of Subsections (1) and (2) shall also apply to securities provided to the benefit of the central bank of another Member State of the European Union or of the ECB in connection with their central banking duties.

(4) The MNB may satisfy its claims from credit institutions arising in connection with its activities specified in Section 18 from the accounts it maintains on behalf of such credit institutions, in the order preceding the execution of official transfer orders and transfers carried out under a writ of transfer.

Section 161

Legal action against the MNB in Hungary may only be filed at the court having jurisdiction for the place where it is established. This provision shall not apply to legal actions arising from employment relationships.

Section 162

(1) The books of the MNB and duly signed excerpts from such books shall have power of evidence as authentic instruments.

(2) In accord with its tasks and primary objective, the MNB may establish business associations under majority MNB ownership, or foundations.

47. Data Processing by the MNB

Section 163

(1) Within the framework of its responsibilities set out in Subsection (9) of Section 4, in addition to what is contained in Section 57, the MNB may use any data and information received from foreign financial supervisory authorities under international cooperation solely for carrying the tasks the MNB is required to perform stemming from its membership in the European System of Financial Supervisors, and it may furnish information to foreign financial authorities exclusively for the fulfillment of those tasks.

(2)¹¹⁴ The MNB may release data or information it processes to a foreign financial supervisory authority only if it guarantees equivalent or better legal protection of such data and information than the protection afforded under Hungarian law. Transmission of data to authorities exercising financial supervision in EEA Member States shall be automatically treated as if the transmission took place within the territory of Hungary and under equivalent legal protection.

(3) The MNB shall make available to the Government oversight agency all data and information the Government oversight agency is authorized to process in accordance with Paragraph *g*) of Subsection (1) of Section 63 of Act CXCV of 2011 on Public Finances (hereinafter referred to as „PFA”), and in Paragraph *h*) of Subsection (1) of Section 63 of the PFA in connection with the prior, for exercising its supervisory competence.

¹¹⁴ Amended by Paragraph h) of Section 173 of Act CCXXXVI of 2013.

(4)¹¹⁵ Each department of the MNB shall make available data and information to other departments of the MNB to the extent inter alia required for the other department to discharge its duties delegated by law.

48. Legal recourse in the public interest

Section 164

(1) The MNB may, within the framework of its responsibilities set out in Subsection (9) of Section 4, bring civil action on behalf of consumers against a person engaged in any violation of the provisions of the acts listed under Section 39, and the legislation adopted for the implementation of such acts or the provisions of Paragraph *b*) of Subsection (1) of Section 81, furthermore, who is allegedly engaged in the use of any unfair standard contract term covered by the Civil Code in connection with his activities, where such illegal action affects a wide range of consumers whose identity can be established relying on the circumstances of the infringement.

(2) No action may be brought after three years following the time of commission of the aforementioned infringement. This deadline shall apply with prejudice. If the infringement is constant, the time limit shall commence at the time the infringement is terminated. Where an illegal conduct is realized through failure to terminate a particular situation or circumstance, the above-specified period shall not commence as long as such situation or circumstance continues to prevail.

(3) Where, with respect to the consumers affected by the infringement, the legal grounds for the claim and the amount of damages demanded, or the overall contents of the claim in the case of other claims, can be clearly established irrespective of the individual circumstances of the consumers affected by the infringement, the MNB may request the court to award such claims and order the body or person covered by the acts enumerated in Section 39 in question to satisfy these claims, or failing this, to request the court to declare the infringement covering all consumers indicated in the claim. If according to the court's decision the violation was established covering all consumers indicated in the claim, the consumers affected may bring civil action against the body or person covered by the acts enumerated in Section 39 and are required to verify only the amount of damages and that the damage is the direct result of such infringement.

(4) The court's decision shall specify the consumers who are affected by the infringement, and therefore are entitled to demand satisfaction based on the judgement, and shall determine the data required for their identification.

(5) In its ruling the court may authorize the MNB to publish the court's decision in a national daily newspaper at the infringer's expense, or to make it available to the general public by means consistent with the nature of the infringement.

(6) If the court's decision, apart from having established the infringement, also contains a clause ordering the body or person covered by the acts enumerated in Section 39 to provide satisfaction for a specific claim, the infringer shall be required to satisfy the claim of the consumer referred to in Subsection (4) according to the judgement of the court. If the consumer's claim is not satisfied voluntarily, the consumer may request judicial enforcement. The court shall

¹¹⁵ Enacted by Subsection (11) of Section 160 of Act XXXVII of 2014, effective as of 21 July 2014.

probe the consumer's entitlement in its proceedings for the issue of an enforcement order based on the conditions set out in the judgement.

(7) The recourse exercised by the MNB under this Section is without prejudice to the consumers' right to bring civil action independently against the infringer.

(8) The entitlement to file for legal action shall be afforded, pursuant to Subsections (1) and (2)-(7),

a) to associations for the protection of consumers' interests under the Act on Consumer Protection, and

*b)*¹¹⁶ to all qualified entities established under the laws of any EEA Member State - with respect to the consumer interest they protect - that are included in the list published in the Official Journal of the European Communities pursuant to Article 4(3) of Directive 2009/22/EC of the European Parliament and of the Council on injunctions for the protection of consumers' interests, provided that the claim for which the action is filed pertains to any infringement of the legal provisions on the transposition of the directives listed under Subsection (1) of Section 41.

49. Acquisitions of shares and payment of dividends

Section 165

(1) Unless otherwise provided for by law, the MNB may not hold any ownership interests in any organization, resident or nonresident.

(2) The MNB shall be authorized to hold an ownership interest in organizations:

a) established in connection with its activities;

b) engaged in the operation of payment systems; or

c) established for stock exchange, clearing house, central depository and central counterparty activities.

(3) Subsection (1) hereof shall not apply to the acquisition of equity securities in a regulated market in the process of discharging the functions conferred upon the MNB in Subsections (1) and (7) of Section 4, with the exception that the MNB may not acquire a qualifying interest specified by the IRA in the issuer of such securities. The MNB, within the framework of its functions conferred under Subsections (1) and (7) of Section 4, shall not acquire equity securities directly from the issuer of the securities.

(4) Subsection (1) shall not apply to shares the MNB has acquired in carrying out its tasks provided for in Subsection (3) of Section 4.

(5) The MNB shall pay its part of contribution to the ECB's capital as defined in Articles 28 and 29 of the Statute.

Section 166

(1) On the basis of Subsection (5) of Section 147, the MNB shall pay dividend from the profits retained for the year or from the profit reserve - that is not used for setting off the negative amount of the equalization reserves - based on the decision of the Executive Board as defined in Paragraph *b)* of Subsection (4) of Section 12.

(2) The MNB shall not pay interim dividends.

¹¹⁶ Amended by Paragraph h) of Section 173 of Act CCXXXVI of 2013.

(3) Where the amount of loss incurred in the given year exceeds the profit reserve, the difference shall be directly reimbursed from the central budget to the profit reserve within eight days of the shareholder's receipt of the notification on the financial report of that year as defined in Subsection (2) of Section 6.

(4) The shareholder may provide capital injections to the profit reserve in cash.

50. Rules for the payment of supervision fees

Section 167

(1) Supervision fees shall be declared on the standard form posted on the official website of the MNB.

(2) Persons liable for the supervision fee payable shall calculate the amount of the fee by the formula contained in specific other legislation, and shall submit the standard form referred to in Subsection (1) to the MNB within the prescribed payment deadline.

(3) Persons liable for the supervision fee payable shall be required to submit a declaration regardless of whether or not there is any fee payable for the period in question. Payment of the fee shall not constitute an exemption from the obligation to calculate and declare the fee.

(4) In the event of non-compliance with the obligation prescribed under Subsections (2)-(3) the MNB shall open control procedures against the persons liable for the supervision fee payable.

(5) The obligation to submit a declaration shall not apply to tied capital market agents, independent financial intermediaries and independent insurance intermediaries.

Section 168

(1) The persons liable for the supervision fee payable and holding a valid authorization on the first day of the calendar year, and listed in the MNB's register at the same time shall be required to pay the minimum charge calculated according to the provisions of specific other legislation for the entire year by way of transfer to the MNB's account by 31 January of the year to which it pertains.

(2) The persons liable for the supervision fee payable shall be required to pay the variable-rate fee calculated according to the provisions of specific other legislation on a quarterly basis, by way of transfer to the MNB's account by the last day of the month following the quarter to which it pertains.

(3) Apart from the fees calculated and declared on a quarterly basis, where it is necessary following the approval of the annual account by the general meeting or members' meeting of the bodies covered by the acts enumerated in Section 39, any payment liability stemming from unpaid fees for the year shall be shown under adjustments in the declaration for the second quarter following the current year.

(4) The payment liability in connection with the said unpaid fees shall be satisfied simultaneously with the fee calculated and declared for the second quarter of the following year. Any overpayment in supervision fees may be deducted from the amount of the fee due for the second quarter following the current year.

Section 169

(1)¹¹⁷ The supervision fees established by the MNB by final ruling shall be enforced by the state tax authority as taxes if not paid, as well as any default interest charged on such supervision fees if unpaid, or if paid past the due date. The MNB shall enclose a copy of said final ruling with the request made to the state tax authority.

(2) Any unpaid supervision fee or delay in the payment of the supervision fee shall be subject to late charges from the due date specified in Section 168 until the supervision fee is paid in full.

(3) Late charges, computed as twice the current central bank base rate divided by three hundred and sixty-five, shall be assessed for each day of delinquency.

51. Revenues of the MNB

Section 170

(1) The following shall constitute revenue for the MNB:

- a) supervision fees;
- b) fines imposed by the MNB;
- c) administrative service fees; and
- d) other revenues not covered under Paragraphs a)-c).

(2) The MNB shall allocate a sum equal to the payments of fines it has received for the objectives set out under Subsection (3); any sum unused for such purposes shall be credited to the profit reserve.

(3) The MNB's revenues from fines may be used for:

- a) facilitating and supporting the training of economic and financial experts;
- b) facilitating and supporting economic, financial and interdisciplinary research projects;
- c) the reinforcement and spread of financial culture, improving financial awareness, and promoting these objectives, such as in particular for the development of the related training and research infrastructure;
- d) supporting foundations; and
- e) charitable purposes.

Chapter IX

Closing Provisions

52. Authorizations

Section 171

(1) The Governor of the Magyar Nemzeti Bank is hereby authorized to decree:

- a) the base interest rate in accordance with the decision of the Monetary Council;
- b) the minimum level of the reserve ratio and the interest rate payable on the minimum central bank reserve in accordance with the decision of the Monetary Council;

¹¹⁷ Established by Section 255 of Act XVI of 2014, effective as of 25 February 2014.

c) the method of calculation of the required minimum central bank reserve, and the method of allocation and placement of such reserve, and the measures to be implemented in the event of non-compliance with these regulations;

d) the issuance, denomination, distinguishing features and withdrawal from circulation of banknotes and coins, including commemorative banknotes and commemorative coins;

e) the technical and other measures referred to in Subsection (1) of Section 24 for the protection from counterfeiting of Hungarian and foreign legal tender;

f) the organizations liable to provide data, pursuant to Subsection (5) of Section 24, and the method and content of such data disclosure;

g) the conditions for the authorization of making imitations of banknotes or coins in circulation as the legal tender, and imitations of legal tender withdrawn from circulation by the MNB but convertible to legal tender, and the requirements concerning the production, registration, safekeeping and destruction of imitations;

h) regulations concerning imitations of euro banknotes and coins - including medals and tokens similar to euro coins - having regard to Council Regulation (EC) No. 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins, with the exception of the applicable sanctions;

i) the type of information to be supplied for the purposes of the central bank information system and the bodies required to supply them, including the related procedures and time limits, and matters relating to the notification of any major malfunction in the IT system arising in the process of data disclosure;

j) the terms and conditions for the payment of supervision fees and the method of calculation of such fees;

k) the measures required to prevent the build-up of systemic risks and to reduce systemic risks, and to increase the resilience of the financial intermediary system, within the strategic framework defined by the Monetary Council, based on the decision of the Financial Stability Board:

ka) measures for the reduction of risks stemming from excessive credit growth,

kb) the conditions for the implementation and functioning of countercyclical capital buffer,

kc) requirements for the reduction of systemic liquidity risks,

kd)¹¹⁸

(2) The Governor of the Magyar Nemzeti Bank is hereby authorized to decree, in connection with the duties of the MNB conferred under Subsection (5) of Section 4 and Subsection (2) of Section 27:

a) the provisions for the execution of payment orders and the detailed rules on payment methods in payment transactions;

b) the conditions for cash distribution;

c) the regulations for money processing operations; and

d)¹¹⁹ the detailed rules on activities in the operation of the payment system.

(3) The Governor of the Magyar Nemzeti Bank is hereby authorized to decree, in connection with the duties of the MNB conferred under Subsection (5) of Section 4 and Subsections (1) and (2) of Section 28:

¹¹⁸ Repealed by Paragraph a) of Section 174 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹¹⁹ Amended by Paragraph q) of Section 173 of Act CCXXXVI of 2013, Paragraph b) of Section 17 of Act XXV of 2014.

- a)*¹²⁰ the formal and content requirements relating to the standard service agreements of organizations operating payment system, and other internal regulations relating to their activities;
- b)* the formal and content requirements relating to the standard service agreements of bodies providing clearing and settlement services under the CMA, and
 - ba)* the regulations relating to the commencement and termination of client relationships,
 - bb)* the regulations relating to the financial and technical conditions to be satisfied by the clients,
 - bc)* clearing and settlement procedures,
 - bd)* risk management mechanisms,
 - be)* the procedures for the provision and appropriation of compulsory guarantees,
 - bf)* the procedures for the setting up, use and administration of guarantee funds, and
 - bg)* the guidelines relating to setting the fees charged for services rendered to clients;
- c)* in connection with central depositories:
 - ca)* the regulations relating to the commencement and termination of client relationships,
 - cb)* the regulations relating to the financial and technical conditions to be satisfied by the clients,
 - cc)* the guidelines relating to setting the fees charged for services rendered to clients; and
 - cd)* risk management mechanisms;
- d)* in connection with organizations engaged in central counterparty activities:
 - da)* the regulations relating to the commencement and termination of client relationships,
 - db)* the regulations relating to the financial and technical conditions to be satisfied by the clients,
 - dc)* the rules for the settlement of transactions conducted under the central counterparty's guarantees,
 - dd)* risk management mechanisms,
 - de)* the procedures for the provision and appropriation of compulsory guarantees,
 - df)* the procedures for the setting up, use and administration of guarantee funds, and
 - dg)* the guidelines relating to setting the fees charged for services rendered to clients, and
 - dh)* clearing and settlement procedures.

Section 172

(1) With a view to ascertaining the safe operation of the financial intermediary system, the Governor of the Magyar Nemzeti Bank is hereby authorized, within the strategic framework defined by the Monetary Council, based on the decision of the Financial Stability Board, to prohibit or restrict by decree, or impose conditions upon the pursuit of certain activities governed by the acts enumerated in Section 39 for specific periods of time of maximum ninety days, covering all bodies and persons covered by the acts enumerated in Section 39 with entitlement to carry out the activities in question, including the supply of goods and services falling within the scope of such activities, if the activity in question constitutes a major risk potentially jeopardizing the stability of the financial intermediary system with respect to the soundness and integrity of the financial intermediary system on the whole, with the proviso that the activity may be prohibited only if there is no other way to have the risk eliminated.

¹²⁰ Amended by Paragraph q) of Section 173 of Act CCXXXVI of 2013, Paragraph b) of Section 17 of Act XXV of 2014.

(2) In the application of Subsection (1) above, an activity is deemed to constitute a major risk factor, in connection with which there is reason to believe - based on the number of persons and organizations engaged in the pursuit of the activities in question or on the number of customers and creditors of the bodies and persons engaged in the pursuit of the said activities, or on the value of the transactions affected - that:

a) a large number of customers and creditors of the persons and bodies covered by the acts enumerated in Section 39 are likely to be harmed, or

b) the transparency of the financial intermediary system is likely to diminish as a consequence.

(3) The conditions for the pursuit of certain specific activities shall be laid down in the decree under Subsection (1) to allow for the elimination of the major risk factors referred to in Subsection (2), while at the same time avoiding any impediment to the principle of freedom of contract to an extent above and beyond what is deemed absolutely necessary for minimizing said major risk factors.

(4) The Governor of the MNB shall notify the Government upon having adopted the decree mentioned in Subsection (1), but before its publication, including the reasons thereof.

Section 173

The Governor of the Magyar Nemzeti Bank is hereby authorized to decree:

a) having regard to money, capital and insurance market organizations, voluntary mutual insurance funds, private pension funds, and institutions for occupational retirement provision, with respect to the proceedings falling within the MNB's competence - other than the proceedings for the appointments granted under the Act on Settlement Finality in Payment and Securities Settlement Systems -, the amount of administrative service fees, including the collection, handling, accounting and refund of such fees, relating to:

aa) the authorization of foundation or implementation,

ab) the authorization of mergers and divisions,

ac) registration,

ad) authorization for the taking up of activities,

ae) notification of cross-border activities,

af) the setting up of branches,

ag) the approval or amendment of internal regulations,

ah) the acquisition of a qualifying interest,

ai) authorization for the use of an independent or tied intermediary, or their registration;

b) the amount of the administrative service fee payable for the authorization of making imitations of banknotes or coins in circulation as the legal tender, and imitations of legal tender withdrawn from circulation by the MNB but convertible to legal tender, and the terms and conditions of payment;

c) the languages accepted by the MNB and those customary in the sphere of international finance;

d) the content and formal requirements relating to the printed forms and standard electronic forms prescribed under Subsection (4) of Section 59, including the submission thereof;

e) the procedure and method, and the content and formal requirements relating to cases defined in Schedule No. 1 where electronic communication between the MNB and the bodies affected is mandatory, and as regards the functions and use of the dedicated communication storage space operated by the MNB.

Section 174

(1) The minister in charge of the judicial system need not be consulted in connection with the decrees of the Governor of the MNB.

(2) A decree adopted under Paragraph *c*) of Subsection (1) of Section 171 shall be published fifteen days prior to coming into effect.

(3) Prior to publication of the decree adopted under Paragraph *k*) of Subsection (1) of Section 171 the MNB shall notify the European Systemic Risk Board.

53. Entry into force

Section 175

(1) This Act - with the exceptions set out in Subsections (2) and (3) - shall enter into force on the day following the day of its publication.

(2) Sections 1-174, Sections 176-177, Subsections (1)-(4), (6)-(9) of Section 178, Subsections (1), (3) and (4) of Section 179, Section 180, Section 182, Sections 184-186 and Sections 188 shall enter into force on 1 October 2013.

(3) Section 187 shall enter into force on 15 March 2014.

54. Transitional provisions

Section 176

(1) The Pénzügyi Szervezetek Állami Felügyelete (*Hungarian Financial Supervisory Authority*) (hereinafter referred to as „PSZÁF”) shall cease to exist on 1 October 2013, having regard to Subsections (2)-(8) hereof and to Sections 177-183.

(2) Subject to the exception set out in this Act, effective as of 1 October 2013 the MNB shall exercise civil rights and obligations of the PSZÁF, as the body designated under Subsection (5) of Section 11 of Act CXCV of 2011 on Public Finances.

(3) The accrual of the rights and obligations under Subsection (2) shall not abolish the claims outstanding against the PSZÁF, and it shall not be cited as an argument for making any claim on the grounds of breach of contract or for demanding any guarantee.

(4) Accounting and taxation obligation existing on 1 October 2013, or which may arise upon the termination of PSZÁF shall be satisfied by the MNB based on the documents received from PSZÁF. The MNB shall prepare the closing financial report relating to the termination of PSZÁF with the involvement of the ministry headed by the minister in charge of accounting regulations.

(5) In public procurement procedures opened before 1 October 2013, which are still in progress, the MNB shall take the place of PSZÁF.

(6)¹²¹ In contentious or non-contentious proceedings opened before 1 October 2013, which are still in progress, the MNB shall take the place of PSZÁF, and the Financial Arbitration Board of PSZÁF shall be succeeded by the Financial Arbitration Board.

(7) Petitions for judicial review of any regulatory decision of PSZÁF adopted before 1 October 2013 shall be submitted against the MNB after 30 September 2013.

¹²¹ Amended by Paragraph r) of Section 173 of Act CCXXXVI of 2013.

(8) The entry into force of this Act shall not affect the recommendations issued by PSZÁF before 1 October 2013.

Section 177

(1) The State property managed by PSZÁF as at 30 September 2013 shall be transferred - with the exception set out in Subsection (2) - on the strength of this Act to the MNB free of any consideration, and shall be shown under the MNB's profit reserve.

(2) The State-owned real estate properties managed by the PSZÁF as at 30 September 2013 shall be transferred on the strength of this Act to the MNB free of any consideration. As regards asset management the provisions relating to asset management contracts concluded by Magyar Nemzeti Vagyonkezelő Zrt. (*Hungarian National Asset Management Company*) shall be applied henceforward.

(3)¹²² Effective as of 1 October 2013 the MNB shall exercise ownership rights with respect to the shares in the Hitelintézeti Felszámoló Nonprofit Kft. (*Credit Institution Liquidation Nonprofit Company*) in the name of the State.

(4) The costs of the assets transferred to the MNB under Subsection (1) shall be the same as the book value of the assets at the time of transfer. The termination of PSZÁF as provided for in Section 176, and the transfer of the ownership and management rights of the assets transferred shall be treated in the same way as the transformation referred to in Paragraph *h*) of Subsection (3) of Section 17 of Act CXXVII of 2007 on Value Added Tax.

(5) The liabilities shown in the books of PSZÁF on 30 September 2013 and those referred to in Subsections (2)-(6) of Section 176 shall be transferred to the MNB's balance sheet as a reduction of its profit reserve. The costs of these assets shall be the same as their book value at the time of transfer.

(6) If the funds received from PSZÁF and the revenues from its supervisory activities are insufficient to cover the liabilities transferred into the balance sheet of MNB as specified in Subsection (5) at their due time, the part of such outstanding liabilities in the amount that is not covered by the funds received from PSZÁF and by the revenues from its supervisory activities shall be guaranteed by the State. The State's guarantee obligations shall also apply in the case of contentious or non-contentious proceedings specified in Subsection (6) of Section 176 to the sums of liabilities accruing to the MNB above the contingency provision established by PSZÁF for such liabilities, and also to the compensation obligations for which the MNB is liable stemming from the proceedings provided for in Subsection (7) of Section 176.

Section 178

(1) The MNB shall replace PSZÁF in administrative proceedings in progress on 1 October 2013. The proceedings of PSZÁF, including re-opened proceedings, already in progress on 1 October 2013 shall be governed by the provisions in force on 30 September 2013, with the proviso that PSZÁF shall be construed as the MNB. The MNB shall ensure that the change in the person of the party is notified in proceedings which are in progress on 1 October 2013. The MNB shall oversee the implementation of regulatory decisions the PSZÁF has adopted before 1 October 2013; moreover, the obligations set out in such decisions are to be satisfied to the MNB.

¹²² Amended by Paragraph g) of Section 174 of Act CCXXXVI of 2013.

(2) As regards the administrative agreements concluded by PSZÁF, which are in effect on 30 September 2013, the MNB shall replace PSZÁF as on 1 October 2013. Said administrative agreements shall be governed by the provisions in force on 30 September 2013, with the proviso that PSZÁF shall be construed as the MNB.

(3) The provisions set out in Subsection (1) shall apply to the proceedings of the Financial Arbitration Board in progress, with the proviso that the Financial Arbitration Board of PSZÁF shall be succeeded by the Financial Arbitration Board, a professionally independent body operated by the MNB.

(4) A standard statement of submission made before the Financial Arbitration Board of PSZÁF shall remain with respect to the Financial Arbitration Board valid without any alteration as to scope and content.

(5) The Financial Arbitration Board of PSZÁF shall make available to the MNB its records on statements of submission taken before 30 September 2013, and the MNB shall place such records at the disposal of its own Financial Arbitration Board.

(6) The Financial Arbitration Board shall post the recommendations made by the Financial Arbitration Board of PSZÁF on its website.

(7) The Financial Arbitration Board shall be construed as the successor of the Financial Arbitration Board of PSZÁF having regard to the duties set out in the by-laws of FIN-Net.

(8) As regards the cooperation agreements concluded by PSZÁF and its predecessors with foreign financial supervisory authorities, which are in effect on 30 September 2013, and in respect of memberships held by PSZÁF in international organizations promoting the international cooperation of financial supervisory authorities inter se, as on 30 September 2013, the MNB shall replace PSZÁF as the contracting party or member representing Hungary as of 1 October 2013.

(9) The MNB shall inform the parties to such cooperation agreements and the relevant international organizations that MNB has taken the place of PSZÁF - pursuant to Subsection (8) - in respect of the legal status stemming from the agreement and also in respect of the membership.

Section 179

(1) The authorizations and licenses held by PSZÁF in connection with performing its duties shall be transferred to the MNB on 1 October 2013. The necessary amendments of such authorizations and licenses shall be initiated by the MNB.

(2) The confidentiality requirement pertaining to tax secrets, banking secrets, securities secrets, payment secrets, fund secrets, insurance secrets, occupational retirement secrets and business secrets shall not be considered violated, where such secrets are disclosed by PSZÁF to the MNB following the publication of this Act, for the purpose of carrying out the tasks stemming from the entry into force of this Act.

(3) As regards tenders and projects funded by the European Union PSZÁF shall be replaced by the MNB on 1 October 2013. The MNB shall request to have the contracts on such projects amended within ten days after 1 October 2013. The support organization or the intermediate body shall take measures for having the contracts amended within twenty days from the date of the request.

(4) On 1 October 2013 any relationship where the MNB is the sole beneficiary and PSZÁF is the sole obligor, and any relationship where PSZÁF is the sole beneficiary and the MNB is the sole obligor shall be terminated on the strength of this Act.

Section 180

(1) On the day when PSZÁF is terminated, its payment accounts shall be terminated as well, and the funds held on the payment accounts of PSZÁF, the sums not yet credited to the payment accounts of PSZÁF on the basis of payment orders made out to PSZÁF, and any cash held by PSZÁF on that day shall accrue to the MNB. The funds thus received shall increase the profit reserve of the MNB.

(2) The organization keeping the accounts of PSZÁF shall - as instructed by PSZÁF - transfer all funds shown on the payment account of PSZÁF on the day when PSZÁF is terminated to the payment account of the MNB.

(3) The supervision fees, administrative service fees and fines falling due after the termination of PSZÁF, which are payable to PSZÁF, shall be paid to the MNB as of 1 October 2013.

Section 181

(1) The President of PSZÁF in office at 30 September 2013, and other managers and executive officers of PSZÁF in office at 30 September 2013 based on the mandate received from the President (hereinafter referred to as „transferor”), shall personally transfer - properly documented - on 1 October 2013 all ongoing cases within the powers and responsibilities of PSZÁF to the Governor of the MNB, or to other executive officers of the MNB mandated by the Governor (hereinafter referred to as „transferee”).

(2) As part of the transfer process referred to in Subsection (1), the transferor shall make available all information and documents to the transferee which are deemed necessary for exercising the obligations and for the enforcement of rights accruing to the MNB effective as of 1 October 2013 pursuant to Sections 176-180 and 183.

(3) As part of the transfer process referred to in Subsection (1), the transferor shall make available to the transferee the records on the State property provided for in Subsections (1) and (4) of Section 177 and of the liabilities mentioned in Subsection (5) of Section 177, with a statement on their completeness attached.

(4) As part of the transfer process referred to in Subsection (1), the transferor shall make available the personnel files, declarations of personal wealth held by PSZÁF relating to the persons employed by PSZÁF before 1 October 2013, including the assessments prepared on the basis of national security checks under the Act on National Security Agencies.

(5) The transferor shall transfer all information technology infrastructure and modules of the information technology systems of PSZÁF, assisted by the highest ranking PSZÁF officer in charge of information technology, including all applications and user rights relating to:

- a) records and registers,
- b) data disclosure, reporting and publication systems,
- c) electronic communication system,

that are within the framework of the responsibilities of PSZÁF and required for the fulfillment of its responsibilities and for the functioning of PSZÁF, as well as the licenses required for operating the information technology systems - if transferable -, and the databases PSZÁF had at its disposal on 30 September 2013.

(6) The provisions of Subsections (1)-(2) and (5) shall also apply to the Financial Arbitration Board of PSZÁF, with the proviso that the Chairman of the Financial Arbitration Board of PSZÁF in office on 30 September 2013, or any other executive officer of PSZÁF in office on 30 September 2013 based on the mandate received from the Chairman shall function as the transferor.

Section 182

(1) The MNB shall accept until 1 December 2013 the printed forms and standard electronic forms which are to be submitted to the MNB even if they meet the requirements set out in the regulations in effect on 30 September 2013 as pertaining to content, form and submission.

(2) If the Governor of the MNB adopts a decree after 1 October 2013 in accordance with Subsection (4) of Section 59 laying down the content and formal requirements relating to printed forms and standard electronic forms, and laying down detailed provisions on the submission thereof, before the sixtieth day following the date of publication of such decree the obligations affected by the decree may be satisfied also according to the provisions in effect on the day preceding the date of publication as regards the authorization, approval, registration and de-registration proceedings, governed therein, including notifications, or in the absence thereof, without the requirements prescribed in the decree.

Section 183

(1) Subject to the exception set out in Subsection (5), on 1 October 2013 any:

a) public service relationship or employment relationship of an indefinite period at PSZÁF held on 30 September 2013 shall be transformed into an employment relationship of an indefinite period with the MNB,

b) fixed-term public service relationship or employment relationship at PSZÁF held on 30 September 2013 shall be transformed into a fixed-term employment relationship with the MNB.

In the case of full-time or part-time employment, the relationship shall be transformed into full-time employment relationship or a part-time employment relationship, respectively. The duration of probationary period stipulated in a public service relationship or employment relationship that existed with PSZÁF on 30 September 2013 shall remain unaltered after the transition, with the proviso that the probationary period must end on 31 December 2013.

(2) By way of derogation from Subsection (1), public service relationship or employment relationship shall not be transformed if the MNB is banned by the statutory provisions pertaining to employment from entering into a contract of employment with the person mentioned in Subsection (1). In that case the public service relationship or employment relationship shall terminate on 30 September 2013 on the strength of this Act, with the proviso that accounts shall be settled - in accordance with Subsections (3)-(4) of Section 72 of the Public Officials Act - with the person mentioned in Subsection (1) by 15 October 2013 according to his/her appointment or employment contract in effect on 30 September 2013.

(3) The salary of the person mentioned in Subsection (1) may not be less after 1 October 2013 than the remuneration due at PSZÁF on 30 September 2013 according to his/her classification pursuant to Act CXCIX of 2011 on Public Service Officials (hereinafter referred to as „Public Officials Act”) together with the premiums due under the Public Officials Act, or than the salary due on 30 September 2013 according to the employment contract existing pursuant to Act I of 2012 on the Labor Code (hereinafter referred to as „Labor Code”).

(4) If the employee fails to sign the employment contract for the employment relationship entered into under Subsections (1)-(3) within eight days of receipt thereof, his/her employment relationship shall cease to exist in accordance with the provisions of the Labor Code relating to termination by the employee, with the proviso that the notice period shall begin on the ninth day following receipt of the employment contract, except if the employee fell in delay through no fault of his/her own. Until such as the employment contract is signed by the employee, the

designated Deputy Governor of the MNB shall exercise employer's rights as regards the employment with the MNB.

(5) The mandate and civil service relationship of the President and Vice-Presidents of PSZÁF and the Chairman of the Financial Arbitration Board shall terminate on 30 September 2013. Termination of the mandate of the President of PSZÁF shall be declared by the President of the Republic by recommendation of the Prime Minister, and termination of the mandate of the Vice-Presidents of PSZÁF and the Chairman of the Financial Arbitration Board shall be declared by the President of PSZÁF. The President and Vice-Presidents of PSZÁF and the Chairman of the Financial Arbitration Board shall be entitled to a one-time payment in the amount due for the discharge period, and to severance pay in the amount determined under Subsections (2) and (3) of Section 20 of Act CLVIII of 2010 on the Pénzügyi Szervezetek Állami Felügyelete, payable in full on the day preceding the date of termination of their mandate.

(6) The collective agreement in effect at PSZÁF shall cease to have effect on 1 October 2013.

(7) The works council at PSZÁF shall be terminated on 1 October 2013.

(8) Matters not regulated in this Act as related to the transformation of public service relationships into employment relationships shall be covered by Section 72 of the Public Officials Act.

(9) Subsection (2) shall also apply where any conflict of interest exist under this Act in respect of the persons mentioned in Subsection (1), with the exception is the reason behind the conflict of interest can be eliminated; to that end the employee shall take action by 15 October 2013 and shall provide evidence thereof.

(10) Within a period of six months following the termination of PSZÁF as on 1 October 2013, as regards the termination of employment of the employees of the MNB by way of notice, the elimination of positions which are considered obsolete for reasons of efficiency in terms of human resources management shall be treated as reasons in connection with the employer's operations.

(11) The duration of the relationship at PSZÁF, as referred to in Subsection (1) - including any recognized duration of employment related to such relationship - shall be recognized and taken into consideration as time spent at the MNB in employment after the transition. The PSZÁF shall issue a public service or employer certificate to persons employed at PSZÁF on 30 September 2013.

(12) The performance appraisal obligation under Section 130 of the Public Officials Act shall not apply to PSZÁF.

(13) PSZÁF shall redeem the vacation time that has not been allocated to persons in employment on 30 September 2013, to which they are entitled on 30 September 2013 in public service or employment relationship.

(14) The persons in employment on 30 September 2013 at PSZÁF shall be entitled to non-wage benefits from PSZÁF for the whole of 2013. If the annual amount of non-wage benefits provided by the MNB exceeds the annual amount of non-wage benefits provided by PSZÁF, the persons affected by the transition shall be entitled to receive the difference on a time proportionate basis.

(15) As regards the persons in the employment of PSZÁF on 30 September 2013 pursuant to Act CXXII of 2004 on the 'Premium Years' Program and on Special Employment Status (hereinafter referred to as „PYP”), concerning their employment by the MNB following the transition under this Act, the PYP shall apply subject to the conditions prescribed before the time of transition for the persons participating in the „Premium Years” Program.

(16) As regards the persons referred to in Subsection (1), the MNB shall satisfy the obligations relating to notices and notification of changes, and the related data disclosures to the Nemzeti

Adó- és Vámhivatal (*National Tax and Customs Authority*) relating to insured persons employed by the employer or payer within eight working days following the commencement of the employment.

Section 183/A¹²³

(1) In accordance with Subsection (1) of Section 33, the MNB shall set the countercyclical capital buffer - subject to the exceptions set out in Subsection (2), (3) or (4) - at the rate specified in Section 87 of the Banking Act and in Sections 110/B of the IRA, as established by Act CCXXXVI of 2013 on the Amendments of Financial Regulations (hereinafter referred to as “Act CCXXXVI/2013”), effective as of 1 January 2019 at the latest.

(2) In accordance with Subsection (1) of Section 33, the MNB shall set the countercyclical capital buffer rate - by way of derogation from Section 87 of the Banking Act and Section 110/B of the IRA, as established by Act CCXXXVI/2013, as per the following:

a) in the period between 1 January 2014 and 31 December 2014, up to 0.625 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

b) in the period between 1 January 2015 and 31 December 2015, up to 1.25 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU; and

c) in the period between 1 January 2016 and 31 December 2016, up to 1.875 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU; with the proviso that, effective as of 1 January 2017, the countercyclical capital buffer rate shall be calculated according to Section 33 of this Act, Section 87 of the Banking Act and Section 110/B of the IRA, as established by Act CCXXXVI/2013.

(3) In accordance with Subsection (1) of Section 33, the MNB shall set the countercyclical capital buffer rate - by way of derogation from Section 87 of the Banking Act and Section 110/B of the IRA, as established by Act CCXXXVI/2013, as per the following:

a) in the period between 1 January 2015 and 31 December 2015, up to 0.625 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

b) in the period between 1 January 2016 and 31 December 2016, up to 1.25 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU; and

c) in the period between 1 January 2017 and 31 December 2017, up to 1.875 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU; with the proviso that, effective as of 1 January 2018, the countercyclical capital buffer rate shall be calculated according to Section 33 of this Act, Section 87 of the Banking Act and Section 110/B of the IRA, as established by Act CCXXXVI/2013.

(4) In accordance with Subsection (1) of Section 33, the MNB shall set the countercyclical capital buffer rate - by way of derogation from Section 87 of the Banking Act and Section 110/B of the IRA, as established by Act CCXXXVI/2013, as per the following:

a) in the period between 1 January 2016 and 31 December 2016, up to 0.625 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

b) in the period between 1 January 2017 and 31 December 2017, up to 1.25 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU; and

c) in the period between 1 January 2018 and 31 December 2018, up to 1.875 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

¹²³ Enacted by Section 171 of Act CCXXXVI of 2013, effective as of 1 January 2014.

with the proviso that, effective as of 1 January 2019, the countercyclical capital buffer rate shall be calculated according to Section 33 of this Act, Section 87 of the Banking Act and Section 110/B of the IRA, as established by Act CCXXXVI/2013.

Section 183/B

In accordance with Subsection (5) of Section 35/A, as established by Act CCXXXVI/2013, the MNB may set the systemic risk buffer rate between 3 and 5 per cent as of 1 January 2015.

Section 183/C¹²⁴

The MNB shall have authority to process the documents connected to the financial supervisory functions of PSZÁF, originating from before it was terminated according to Section 176, held in the records and archives of PSZÁF on 30 September 2013.

Section 183/D¹²⁵

(1) The Magyar Nemzeti Bank shall acquire ownership rights over the shares held by the State in the Hitelintézeti Felszámoló Nonprofit Kft. (*Credit Institution Liquidation Nonprofit Company*) without any consideration, and such shares shall be shown under the profit reserve of the Magyar Nemzeti Bank.

(2) The date of acquisition of the shares provided for in Subsection (1) shall be the date of entry into force of the Collective Investments Act.

Section 183/E¹²⁶

In cases falling within the scope of the Act on the Rules of Settlement Provided for in Act XXXVIII of 2014 on the Resolution of Questions Relating to the Uniformity Decision of the Curia Regarding Consumer Loan Agreements of Financial Institutions and on Other Related Provisions and the Act on Matters Arising from Replacing the Currency of Denomination of Consumer Loan Agreements and in Connection with Amending the Rules Relating to Interest Rates:

a) the Financial Arbitration Board shall, by way of derogation from Subsection (3) of Section 106, set a hearing date for the parties within seventy-five days,

b) the service provider shall submit its reply provided for in detail under Subsection (2) of Section 108 to the Financial Arbitration Board within fifteen days from the date of receipt of notice.

55. Compliance with the majority requirement set out in the Fundamental Law

¹²⁴ Enacted by Section 171 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹²⁵ Enacted by Section 256 of Act XVI of 2014, effective as of 25 February 2014.

¹²⁶ Enacted by Section 54 of Act CIV of 2014, effective as of 1 January 2015.

Section 184¹²⁷

Sections 1-14, Sections 16-21, Subsections (1), (2) and (10) of Section 23, Subsections (1), (2), (4) and (5) of Section 24, Sections 26-28, Sections 29-32, Subsection (1) of Section 33, Section 34, Subsection (1) of Section 35, Section 36, Subsections (1) and (2) of Section 39, Section 42, Section 44, Sections 96-101, Sections 167-169, Section 176, Subsections (8) and (9) of Section 178 and Subsections (1) and (5) of Section 183 shall be considered cardinal pursuant to Article 41(1), (4) and (5) and Article 42 of the Fundamental Law.

56. Compliance with the Acquis

Section 185

This Act serves the purpose of compliance with the following legislation of the European Union:

a) Article 2(1)*a)* and *b)*, and Article 4(1) Directive 2009/22/EC of the European Parliament and of the Council of 23 April 2009 on injunctions for the protection of consumers' interests;

b) Article 21 of Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision;

c) Article 47 of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC;

d) Article 5(2) and Article 16 of Council Directive 2004/113/EC of 13 December 2004 implementing the principle of equal treatment between men and women in the access to and supply of goods and services;

e) Article 4 of Directive 2005/14/EC of the European Parliament and of the Council of 11 May 2005 amending Council Directives 72/166/EEC, 84/5/EEC, 88/357/EEC and 90/232/EEC and Directive 2000/26/EC of the European Parliament and of the Council relating to insurance against civil liability in respect of the use of motor vehicles;

f) Directive 2005/68/EC of the European Parliament and of the Council of 16 November 2005 on reinsurance and amending Council Directives 73/239/EEC, 92/49/EEC as well as Directives 98/78/EC and 2002/83/EC;

*g)*¹²⁸ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

*h)*¹²⁹
*i)*¹³⁰ Article 1 of Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks

¹²⁷ Established by Section 55 of Act CIV of 2014, effective as of 1 January 2015.

¹²⁸ Established by Subsection (1) of Section 172 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹²⁹ Repealed by Paragraph a) of Section 174 of Act CCXXXVI of 2013, effective as of 1 January 2014.

affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management;

j) Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast);

k) Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organizational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company;

l) Commission Directive 2010/44/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards certain provisions concerning fund mergers, master-feeder structures and notification procedure;

m) Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory MNB (European Banking MNB), the European Supervisory MNB (European Insurance and Occupational Pensions MNB) and the European Supervisory MNB (European Securities and Markets MNB);

n) Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps;

o) Commission Regulation (EU) No. 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community;

p) Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate;

*q)*¹³¹ Regulation (EU) No. 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No. 924/2009;

*r)*¹³² Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;

*s)*¹³³ Regulation (EU) No. 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds;

*t)*¹³⁴ Regulation (EU) No. 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds;

¹³⁰ Established by Subsection (2) of Section 172 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹³¹ Enacted by Subsection (3) of Section 172 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹³² Enacted by Subsection (3) of Section 172 of Act CCXXXVI of 2013, effective as of 1 January 2014.

¹³³ Enacted by Section 257 of Act XVI of 2014, effective as of 15 March 2014.

¹³⁴ Enacted by Section 257 of Act XVI of 2014, effective as of 15 March 2014.

u)¹³⁵ Commission Implementing Regulation (EU) No. 447/2013 of 15 May 2013 establishing the procedure for AIFMs which choose to opt in under Directive 2011/61/EU of the European Parliament and of the Council;

v)¹³⁶ Commission Implementing Regulation (EU) No. 448/2013 of 15 May 2013 establishing a procedure for determining the Member State of reference of a non-EU AIFM pursuant to Directive 2011/61/EU of the European Parliament and of the Council.

Section 186

(1) Paragraph *a*) of Subsection (1) of Section 24 serves the purpose of compliance with Decision ECB/2001/11 of the European Central Bank of 8 November 2001 on certain conditions regarding access to the Counterfeit Monitoring System (CMS).

(2) Paragraphs *b*)-*d*) of Subsection (1) and Subsections (2)-(6) of Section 24 - together with the MNB decree adopted by authorization conferred under Paragraphs *e*) and *f*) of Subsection (1) of Section 171 - contains provisions for the implementation of:

1. Council Regulation (EC) No. 1338/2001 of 28 June 2001 laying down measures necessary for the protection of the euro against counterfeiting, and Council Regulation (EC) No. 44/2009 amending it;

2. Council Regulation (EC) No. 1339/2001 of 28 June 2001 extending the effects of Regulation (EC) No. 1338/2001 laying down measures necessary for the protection of the euro against counterfeiting to those Member States which have not adopted the euro as their single currency, and Council Regulation (EC) No. 45/2009 amending it.

(3) Subsection (1) of Section 41, Section 87, Paragraphs *a*)-*c*) of Subsections (1) of Section 88 and Section 89 of this Act contain provisions for the implementation of Article 4(1) and (6) of Regulation (EC) No. 2006/2004 of the European Parliament and of the Council of 27 October 2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws as regards mutual assistance, in connection with the MNB's competence and proceedings.

(4) Subsection (2) of Section 41 of this Act contains provisions for the implementation of Commission Decision 2007/76/EC of 22 December 2006 implementing Regulation (EC) No. 2006/2004 of the European Parliament and of the Council on cooperation between national authorities responsible for the enforcement of consumer protection laws as regards mutual assistance, as amended by Commission Decision 2008/282/EC of 17 March 2008, in connection with the MNB's competence and proceedings.

(5) The following provisions of Section 40 contain provisions in connection with the MNB's competence and proceedings:

a) Subsection (1) contains provisions for the implementation of Article 15(3) of Regulation (EC) No. 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds;

b) Subsection (2) contains provisions for the implementation of Commission Regulation (EC) No. 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms,

¹³⁵ Enacted by Section 257 of Act XVI of 2014, effective as of 15 March 2014.

¹³⁶ Enacted by Section 257 of Act XVI of 2014, effective as of 15 March 2014.

transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive;

c) Subsection (3) contains provisions for the implementation of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;

d) Subsection (4) contains provisions for the implementation of Articles 9, 10, 12 and 13 of Regulation (EC) No. 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No. 2560/2001;

e) Subsection (5) contains provisions for the implementation of Article 22(1) and Article 25a of Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies;

f) Subsection (8) contains provisions for the implementation of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories;

g)¹³⁷ Subsection (16) contains provisions for the implementation of Regulation 909/2014/EU.

(6) As regards consumer disputes of a financial nature, this Act contains provisions in connection with the MNB's competence and proceedings for the implementation of:

a) Article 14 of Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services and amending Council Directive 90/619/EEC and Directives 97/7/EC and 98/27/EC;

b) Article 83 of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC;

c) Article 24 of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC;

d) Commission Recommendation 98/257/EC of 30 March 1998 on the principles applicable to the bodies responsible for out-of-court settlement of consumer disputes;

e) Articles 11 and 12 of Regulation (EC) No. 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No. 2560/2001.

57. Amendment and repeals

Section 187¹³⁸

Section 188¹³⁹

Schedule No. 1 to Act CXXXIX of 2013

¹³⁷ Enacted by Section 56 of Act CIV of 2014, effective as of 1 January 2015.

¹³⁸ Repealed under Section 12 of Act CXXX of 2010, effective as of 16. 03. 2014.

¹³⁹ Repealed under Section 12 of Act CXXX of 2010, effective as of 2. 10. 2013.

Electronic communication shall be used in the following cases

In proceedings between the MNB and:

a) the investment fund manager as regards the investment fund it manages:

aa) in connection with the marketing of investment units:

1. in the case of open-ended funds investing in securities, for the approval of the prospectus, public notice, management policy and key investor information, and for the approval of the depositary agreement to enter into effect,

2. in the case of open-ended funds investing in real estate properties, for the approval of the prospectus, management policy, public notice and key investor information, for the approval of the depositary agreement to enter into effect, and for the approval of the mandate of the real estate appraiser,

3. in the case of closed-ended funds investing in securities, for the authorization of publication of the public prospectus/base prospectus, public notice, for the approval of the management policy, and for the approval of the depositary agreement to enter into effect,

4. in the case of closed-ended funds investing in real estate properties, for the authorization of publication of the public prospectus/base prospectus, public notice, for the approval of the management policy, for the approval of the depositary agreement to enter into effect, and for the approval of the mandate of the real estate appraiser,

5. for registration of the investment fund,

6. for the approval of the depositary agreement to enter into effect,

7. for authorization of the amendment of the public investment fund's management policy,

ab) for the withdrawal of registration of the investment fund,

ac) in connection with UCITS:

1. for authorization for the investment of a feeder UCITS into a given master UCITS,

2. in the event of termination of a master UCITS, for authorization for the investment of at least 85 per cent of the assets of the feeder UCITS in units of another master UCITS, and for approval of the proposed amendment to the management policy,

3. in the event of termination of a master UCITS, for authorization for the amendment of its management policy in order to enable the feeder UCITS to convert into a UCITS which is not a feeder UCITS,

4. if a master UCITS merges with another UCITS or is divided into two or more UCITS, for authorization for the feeder UCITS to continue to be a feeder UCITS of the master UCITS, and for approval of the proposed amendment to the feeder UCITS's management policy,

5. if a master UCITS merges with another UCITS or is divided into two or more UCITS, for authorization for the feeder UCITS to continue to be a feeder UCITS of the master UCITS resulting from the merger or division of the master UCITS or to invest at least 85 per cent of its assets in collective investment instruments of another master UCITS not resulting from the merger or the division, and for approval of the proposed amendment to the feeder UCITS's management policy,

6.¹⁴⁰ if a master UCITS merges with another UCITS or is divided into two or more UCITS, or if liquidated, for authorization in order to enable the feeder UCITS to convert into a UCITS which is not a feeder UCITS in accordance with Paragraph b) of Subsection (4) of Section 143 of the Collective Investments Act and with Paragraph c) of Subsection (6) of Section 143 of the

¹⁴⁰ Amended by Paragraphs a) and b) of Section 258 of Act XVI of 2014.

Collective Investments Act, and for approval of the proposed amendment to the feeder UCITS's management policy,

7. if a master UCITS merges with another UCITS or is divided into two or more UCITS, for the withdrawal of registration of the feeder UCITS,

8. for authorization enabling the master UCITS to function as the receiving UCITS in a proposed merger, and for approval of the proposed amendment to the master UCITS's management policy,

9. for authorization enabling the master UCITS to continue materially unchanged as one of the resulting UCITS in a proposed division, and for approval of the proposed amendment to the master UCITS's management policy,

10. if the master UCITS is the merging UCITS and, due to the merger, the feeder UCITS becomes an investor in the receiving UCITS, for approval of that investment and the proposed amendment to the management policy,

11. for authorization enabling the feeder UCITS to become an investor of a UCITS resulting from a division that is materially different to the master UCITS, and for approval of the proposed amendment to the management policy,

ad) in other matters:

1. for approval of the prospectus made for the restructuring of a public investment fund and for authorization of the amendment to the management policy,

2. for authorization of the prospectus made for the restructuring of a private public investment fund and converting it into a public investment fund, and for authorization of the amendment to the management policy,

3. for the transfer of management of an investment fund,

4. for authorization of the merger of investment funds,

5. for the merger of harmonized investment funds (UCITS),

6.¹⁴¹ for merger where an investment fund becomes a newly constituted investment compartment with another investment fund managed by the same management company and depositary under Subsection (7) of Section 82 of the Collective Investments Act,

7. for authorization of the division of a collective investment trust, or any investment compartment thereof,

8. for the extension of suspension of the marketing of investment units,

9. in the case of merger, for suspension of the redemption of investment units,

10. for authorization for entering into a contract with a real estate appraiser,

11. for notification of the intention of marketing investment units in other EEA Member States;

b) the venture capital fund manager as regards the venture capital fund it manages:

ba) for registration of the venture capital fund,

bb) for approval of the prospectus indicating the reason for, and date and the conditions of, merger or division,

bc) for approval of the venture capital fund's management policy, and any amendment thereof,

bd) for removing the venture capital fund from the MNB's register,

be) for extension of the time limit for the sale of assets from the venture capital fund's portfolio;

c) the issuer:

ca) for the approval of a purchase offer,

¹⁴¹ Amended by Paragraph c) of Section 258 of Act XVI of 2014.

cb) if the prospectus is already authorized, for decision relating to the equivalence of any new information contained in the documents,

cc) for authorization of the publication of any supplement to the prospectus or base prospectus,

cd) for authorization of the publication of public prospectus, base prospectus and public notice,

ce) for authorization of the publication of public-offer prospectus,

cf) for authorization of the prospectus and public notice drawn up in connection with the offering of debt securities issued by the local government of a community or by the regional or local authorities of any Member State of the European Union or securities guaranteed by the regional or local authorities of any Member State of the European Union to the public or their admission to trading on a regulated market,

cg) for authorization of the publication of prospectus by an issuer established in a third country,

ch) for exemption from the requirement to disclose information to the public, if the issuer is able to provide proof of continuing operating in the form of a private limited company,

ci) for supplementing a takeover bid, for requesting detailed information, and for approval of any amendment to the takeover bid;

d) the offeror, and between the investment service provider mandated under Subsection (4) of Section 68 of the CMA, for approval of the takeover bid;

e) the issuer of publicly offered securities:

ea) for the notification of regulated information,

eb) for notification of the information received according to Section 61 of the CMA, communication shall be maintained by way of electronic means.