COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)

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Report on Fourth Assessment Visit - **Annexes**

Anti-Money Laundering and Combating the Financing of Terrorism

HUNGARY

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LIST OF ANNEXES

ANNEX I: DETAILS OF ALL BODIES MET ON THE ON-SITE MISSION - MINISTRIES, OTHER GOVERNMENT AUTHORITIES OR BODIES, PRIVATE SECTOR REPRESENTATIVES AND OTHERS

Association of Hungarian Insurance Companies
Chamber of Hungarian Auditors
Chamber of Publics Notaries
Civil Society Development Foundation
European Center for Not- For- Profit- Law
Gaming Board Department of the Tax and Financial Control Administration
General Prosecutor's Office
Hungarian Bar Association
Hungarian Banking Association
Hungarian Customs and Finance Guard
Hungarian Financial Supervisory Authority
Hungarian Post
Hungarian Real Estate Association
Hungarian Trade Licensing Office
Casino representatives
Metropolitan Court
Ministry of Finance
Ministry of Foreign Affairs
Ministry of Justice and Law Enforcement
National Association of Hungarian Jewellers
National Bank of Hungary
National Police Headquaters
Representatives of two banks
State Secretary, Member of the Anti Money Laundering, Inter-ministerial Committee

ANNEX II: DESIGNATED CATEGORIES OF OFFENCES BASED ON THE FATF METHODOLOGY

Designated categories of offences based on the FATF Methodology	Offence in domestic legislation
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Terrorism, including terrorist financing	• **Section 261 HCC** – Acts of Terrorism *(Terrorcselekmény)*
Trafficking in human beings and migrant smuggling; Sexual exploitation, including sexual exploitation of children;	• **Section 175/B HCC** – Trafficking in Human Beings *(Emberkereskedelem)* • **Section 218 HCC** – Smuggling of Human Beings *(Embercsempészés)* • **Section 197 HCC** – Rape *(Erőszakos közösülés)* • **Section 198 HCC** – Sexual Assault *(Szemérem elleni erőszak)* • **Section 207 HCC** – Pandering *(Kerítés)* • **Section 205 HCC** – Promotion of Prostitution *(Üzletszerű kéjelgés elősegítése)* • **Section 204 HCC** – Crimes with Illegal Pornographic Material *(Tiltott pornográf felvétellel visszaélés)* • **Section 201 HCC** – Sexual Abuse of Children *(Megrontás)*
Illicit trafficking in narcotic drugs and psychotropic substances;	• **Sections 282-283 HCC** – Misuse of Narcotic Drugs *(Kábitószerrel visszaélés)* • **Section 283/A HCC** – Illegal Possession of Drug Precursors *(Visszaélés kábítószer-prekurzorral)* • **Section 286/A HCC** – Interpretative Provision *(Értelmező rendelkezés)*
Illicit arms trafficking	• **Section 261/A HCC** – Violation of International Economic Restrictions *(Nemzetközi gazdasági tilalom megszegése)* • **Section 263/A HCC** – Illegal Possession of Firearms or Ammunition *(Visszaélés lőfegyverrel vagy lőszerrel)* • **Section 263/B HCC** – Criminal Misuse of Military Items and Services, and Dual-Use Items and Technology *(Visszaélés haditechnikai termékkel és szolgáltatással, illetőleg kettős felhasználású termékkel)*

	• **Section 264/C HCC** – Crimes with Weapons Prohibited by International Convention *(Visszaélés nemzetközi szerződés által tiltott fegyverrel)*
Illicit trafficking in stolen and other goods	• **Section 244 HCC** – Harboring a Criminal *(Bűnpártolás)* • **Section 326 HCC** – Receiving of Stolen Goods *(Orgazdaság)* • **Section 311/A HCC** – Illegal Trafficking of Excise Goods *(Jövedéki orgazdaság)*
Corruption and bribery	• **Sections 250-255/A HCC** – Bribery *(Vesztegetés)* • **Section 255/B HCC** – Misprision of Bribery *(Vesztegetés feljelentésének elmulasztása)* • **Section 256 HCC** – Influence Peddling *(Befolyással üzérkedés)* • **Sections 258/B-258/D HCC** – Bribery in International Relations *(Vesztegetés nemzetközi kapcsolatban)* • **Section 258/E HCC** – Influence Peddling in International Relations *(Befolyással üzérkedés nemzetközi kapcsolatban)*
Fraud	• **Section 318 HCC** – Fraud *(Csalás)* • **Section 297/A HCC** – Credit Fraud *(Hitelezési csalás)* • **Section 299/B HCC** – Capital Investment Fraud *(Tőkebefektetési csalás)* • **Section 310 HCC** – Tax Fraud *(Adócsalás)* • **Section 310 HCC** – Employment Related Tax Fraud *(Munkáltatással összefüggésben elkövetett adócsalás)*
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Counterfeiting and piracy of products	• **Section 292-294 HCC** – Marketing of Substandard Products *(Rossz minőségű termék forgalomba hozatala)* • **Section 296 HCC** – False Marking of Goods *(Áru hamis megjelölése)* • **Section 328 HCC** – Defrauding Consumers *(Vásárlók megkárosítása)* • **Section 329 HCC** – Plagiarism *(Bitorlás)*
Environmental crime	• **Section 280 of HCC** – Damaging of the Environment *(Környezetkárosítás)* • **Section 281 HCC** – Damaging the Natural Environment *(Természetkárosítás)* • **Section 281/A HCC –** Violation of Waste

	Management Regulations *(A hulladékgazdálkodás rendjének megsértése)*
Murder, grievous bodily injury	• **Section 166 HCC** – Homicide *(Emberölés)* • **Section 167 HCC** – Voluntary Manslaughter *(Erős felindulásban elkövetett emberölés)* • **Section 168 HCC** – Aiding and Abetting Suicide *(Öngyilkosságban közreműködés)* • **Section 169 HCC** – Abortion *(Magzatelhajtás)* • **Section 170 HCC** – Battery *(Testi sértés)* • **Section 171 HCC** – Malpractice *(Foglalkozás körében elkövetett veszélyeztetés)* • **Section 184 HCC** – Crimes Against Transportation Safety *(A közlekedés biztonsága elleni bűncselekmény)* • **Section 185 HCC** – Endangerment of Railway, Air or Water Transportation *(Vasúti, légi vagy vízi közlekedés veszélyeztetése)* • **Section 186 HCC** – Causing Danger on the Highways *(Közúti veszélyeztetés)* • **Section 187 HCC** – Causing a Public Road Accident *(Közúti baleset okozása)* • **Section 188 HCC** – Driving Under the Influence of Alcohol or Other Psychoactive Substances *(Járművezetés ittas vagy bódult állapotban)*
Kidnapping, illegal restraint and hostage-taking	• **Section 175/A HCC** – Kidnapping *(Emberrablás)* • **Section 175 HCC** – Violation of Personal Freedom *(Személyi szabadság megsértése)* • **Section 174 HCC** – Coercion *(Kényszerítés)* • **Section 228 HCC** – Unlawful Detention *(Jogellenes fogvatartás)*
Robbery or theft;	• **Section 321 HCC** – Robbery *(Rablás)* • **Section 322 HCC** – Plundering *(Kifosztás)* • **Section 325 HCC** – Unlawful Appropriation *(Jogtalan elsajátítás)* • **Section 316 HCC** – Theft *(Lopás)*
Smuggling	• **Section 218 HCC** – Smuggling of Human Beings *(Embercsempészés)* • **Section 312 HCC** – Illegal Importation *(Csempészet)*
Extortion	• **Section 174 HCC** – Coercion *(Kényszerítés)* • **Section 323 HCC** – Extortion *(Zsarolás)*
Forgery	• **Section 274 HCC** – Forgery of Public Documents *(Közokirat-hamisítás)* • **Section 276 HCC** – Forgery of Private Documents *(Magánokirat-hamisítás)* • **Section 277/A HCC** – Counterfeiting of Individual Identification Marks *(Egyedi azonosító jel meghamisítása)* • **Section 329/C HCC** – Falsifying Data Related to

	Copyright Management *(Jogkezelési adat meghamisítása)*
Piracy;	• **Section 329/A HCC** – Infringement of Copyright and Certain Rights Related to Copyright *(Szerzői vagy szerzői jogokhoz kapcsolódó jogok megsértése)* 1. **Section 329/B HCC** – Compromising or Defrauding the Integrity of Technological Measures for the Protection of Copyright and Certain Rights Related to Copyright *(Szerzői vagy szerzői joghoz kapcsolódó jogok védelmét biztosító műszaki intézkedés kijátszása)* 2. **Section 329/D HCC** – Violation of Industrial Design Rights *(Iparjogvédelmi jogok megsértése)*
Insider trading and market manipulation	3. **Section 296/B HCC** – Agreement in Restraint of Competition in Public Procurement and Concession Procedures *(Versenyt korlátozó megállapodás közbeszerzési és koncessziós eljárásban)* 4. **Section 299/A HCC** – Insider Trading *(Bennfentes kereskedelem)* 5. **Section 300/F HCC** – Interpretative Provisions *(Értelmező rendelkezések)*

ANNEX III: ACT CXXXVI OF 2007 ON THE PREVENTION AND COMBATING OF MONEY LAUNDERING AND TERRORIST FINANCING

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Act CXXXVI of 2007
On the Prevention and Combating of Money Laundering and Terrorist Financing

The objective of this Act is to effectively enforce the provisions on combating money laundering and terrorist financing with a view to preventing the laundering of money and other financial means derived from the commitment of criminal acts through the financial system, the capital markets and other areas exposed to potential money laundering operations, as well as to help combat the flow of funds and other financial means used in financing terrorism.

In order to achieve the above objectives the Parliament has adopted the following Act:

Scope of the Act
Section 1

(1) With the exceptions set out in Subsections (3)-(5) this Act shall apply to persons who, in the territory of the Republic of Hungary are:
a) engaged in providing financial services or in activities auxiliary to financial services;
b) engaged in providing investment services or in activities auxiliary to investment services;
c) engaged in providing insurance services, insurance intermediary services or employer pension services;
d) engaged in providing commodity exchange services;
e) engaged in accepting and delivering domestic and international postal money orders;
f) engaged in providing real estate agency or brokering and any related services;
g) engaged in providing auditing activities;
h) engaged in providing accountancy (bookkeeping), tax consulting services whether or not certified, or tax advisory activities under agency or service contract;
i) operating a casino or electronic casino;
j) engaged in trading with precious metals or articles made of precious metals;
k) engaged in trading in goods involving the acceptance of cash payments in the amount of three million six hundred thousand forints or more;
l) operating as a voluntary mutual insurance fund;
m) acting as lawyers or notaries public.

(2) This Act shall apply to:
a) customers of service providers;
b) executive officers, employees of service providers and their contributing family members.

(3) Service providers engaged in trading in goods may not, within the scope of these activities, accept any cash payment in the amount of three million six hundred thousand forints or more, unless they undertake to discharge the obligations conferred upon service providers by this Act in accordance with Subsection (4) of Section 33.
(4) This Act shall not apply to:
a) the activities of agents described in Point 12.2 of Chapter I of Schedule No. 2 to Act CXII of 1996 on Credit Institutions and Financial Enterprises (hereinafter referred to as the 'CIFE Act');
b) the dependant insurance intermediaries described in Subsection (4) of Section 33 of Act LX of 2003 on Insurance Institutions and Insurance Business (hereinafter referred to as the 'Insurance Act');

c) the independent insurance intermediaries described in Subsection (4) of Section 33 of the Insurance Act as regards their activities relating to the field of non-life insurance under Part A of Schedule No. 1 to the Insurance Act;
d) the insurance companies, if authorized to pursue only the activities relating to the field of non-life insurance under Part A of Schedule No. 1 to The Insurance Act, and the insurance companies authorized to engage in activities in the field of non-life insurance under Part A of Schedule No. 1 to the Insurance Act and at the same time in activities in the field of life assurance under Schedule No. 2 to the Insurance Act, as regards their activities relating to the field of non-life insurance.

(5) This Act shall not apply to the activity defined in Paragraph *a)* of Subsection (1), if carried out by the Central Bank of Hungary (hereinafter referred to as 'MNB'), with the exception of providing money transmission services under the provisions of Sections 2 and 22.

Section 2

Section 22 shall apply to the service providers, who:
a) are engaged in the activities referred to in Paragraphs *a)-b)* and *e)* of Subsection (1) of Section 1 of this Act; and
b) provide money transmission services within the territory of the Republic of Hungary under Point 7 of Article 2 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 (hereinafter referred to as the 'Regulation').

Interpretative provisions
Section 3

For the purposes of this Act:
a) 'tax adviser, tax consultant, certified tax consultant' shall mean any person, who has the qualifications described under specific other legislation, is authorized to engage in such activities, and is registered in the registry of tax advisers, tax consultants and certified tax consultants described under specific other legislation;
b) 'identification' shall mean the recording in writing of the data specified in Subsections (2)-(3) of Section 7, and in Subsections (2)-(3) of Section 8;
c) 'European Union' shall mean the European Union and the European Economic Area;
d) 'Member State of the European Union' shall mean any Member State of the European Union and other States who are parties to the Agreement on the European Economic Area;
e) 'shell bank' shall mean a service provider engaged in the activity defined in Paragraph *a)* of Subsection (1) of Section 1, incorporated in a jurisdiction in which it has no physical presence, and to which supervision on a consolidated basis shall not apply;
f) 'network' shall mean the larger structure to which the service providers engaged in the activity defined in Paragraphs *g)-h)* and *m)* of Subsection (1) of Section 1 belong and which shares common ownership, management and compliance control;
g) 'third country' shall mean any state that is not member of the European Union;
h) 'real estate agency or brokering' shall mean the business of mediation of the transfer or lease of real estate properties, including the preparation of transaction orders, real estate appraisal, real estate investment and real estate development;
i) 'trading in goods' shall mean the sale of goods by way of business to buyers, traders or processors;
j) 'accounting services' shall mean the activities defined in Subsections (1)-(2) of Section 150 of Act C of 2000 on Accounting;

k) 'correspondent banking services' shall mean the keeping of an account by a credit institution for an other credit institution for the purpose of performing orders of financial transaction services or of performing financial or investment services;
l) 'authority operating as the financial intelligence unit' shall mean the department of the customs authority appointed under specific other legislation and functioning as the national financial intelligence unit;
m) 'official certificate suitable for the proof of identity' shall mean the personal identity card, passport, or driver's license in a card format;
n) 'verification of identity (verification)' shall mean the procedure to verify the identity of the customer, the proxy, the authorized signatory and the representative, in accordance with the provisions of Subsections (4)-(6) of Section 7, and to verify the identity of the beneficial owner in accordance with the provisions of Subsection (5) of Section 8;
o) 'service provider' shall mean the person or organization engaged in the activity referred to in Subsection (1) of Section 1;
p) 'executive officer of a service provider' shall mean any natural person, who is entitled to represent a service provider whether being a legal person or an organization not having a legal personality, to exercise the power of taking decisions on behalf of this service provider, and to exercise the controlling power within this service provider;
q) 'individual transaction orders linked in effect' shall mean:
qa) the transactions for which the customer places an order within a period of one year under the same legal title, for the same subject matter;
qb) in the case of service providers engaged in currency exchange activities, transactions for which the customer places an order within a period of one week;
qc) as regards the service providers engaged in the activity referred to Paragraph *k)* of Subsection (1) of Section 1, instalment payments and payment orders performed on the basis of instalment purchase;
r) 'beneficial owner' shall mean:
ra) the natural person, who owns or controls at least twenty-five per cent of the shares or voting rights in a legal person or in an organisation not having a legal personality, if that legal person or organisation not having a legal personality is not a registered company on the regulated market to which publication requirements consistent with Community legislation or equivalent international requirements apply;
rb) the natural person, who has a dominant influence in a legal person or an organisation not having a legal personality as determined in Subsection (2) of Section 685/B of Act IV of 1959 on the Civil Code (hereinafter referred to as the 'Civil Code');
rc) the natural person, on whose behalf a transaction order is executed; and
rd) in the case of foundations, the natural person:
1. who is the beneficiary of at least twenty-five per cent of the property of the foundation, if the future beneficiaries have already been determined;
2. in whose main interest the foundation is established or operates, if the beneficiaries have yet to be determined; or
3. who is a member of the managing organisation of the foundation, or who has a dominant influence over at least twenty-five per cent of the property of the foundation, or who acts on behalf of the foundation;

s) 'customer' shall mean any person signing a written contract with the service provider for the use of services within the meaning of the activities described in Subsection (1) of Section 1, or who places a transaction order for the service provider;
t) 'customer due diligence procedures' shall mean, in the cases referred to in Section 6, the carrying out of the customer due diligence measures specified under sections 7-10;

u) 'transaction order' shall mean the occasional contractual relationship based on a written agreement between a customer and a service provider pertaining to the services of the service provider falling within its professional activities;
v) 'business relationship' shall mean:
va) a long-term contractual relationship based on a written agreement between a customer and a service provider pertaining to the services of the service provider within the meaning of the activities described in Subsection (1) of Section 1;
vb) the activities of a notary public concerning the procedure specified under Subsection (2) of Section 36; or
vc) as regards the service provider engaged in the activity referred to in Paragraph *i)* of Subsection (1) of Section 1, the long-term contractual relationship created when first entering the casino or electronic casino.

Section 4

(1) For the purposes of this Act, 'politically exposed persons' shall mean natural persons residing in another Member State or in a third country who are or have been entrusted with prominent public functions within one year before the carrying out of customer due diligence measures, and immediate family members, or persons known to be close associates, of such persons.

(2) For the purposes of Subsection (1), 'natural persons entrusted with prominent public functions' shall include the following:
a) heads of the State, heads of the government, ministers, deputy ministers, secretaries of state;
b) members of parliaments;
c) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal;
d) heads of courts of auditors, members of courts auditors, or of the boards of central banks;
e) ambassadors, chargés d'affaires and high-ranking officers in the armed forces, with the ranks of chief officer or general officer;
f) members of the administrative, management or supervisory bodies of State-owned enterprises of majority control.

(3) For the purposes of Subsection (1), close relative shall have the meaning set out in Paragraph *b)* of Section 685 of the Civil Code, including domestic partners.

(4) For the purposes of Subsection (1), persons known to be close associates of politically exposed persons shall include the following:
a) any natural person who is known to have joint beneficial ownership of a legal person or an organization not having a legal personality, or any other close business relations, with a person referred to in Subsection (2);
b) any natural person who has sole beneficial ownership of a legal person or an organization not having a legal personality which is known to have been established for the benefit of the person referred to in Subsection (2).

Section 5

For the purposes of this Act, 'supervisory body' shall mean:
a) with respect to the service providers engaged in the activities referred to in Paragraphs *a)-e)* and *l)* of Subsection (1) of Section 1, with the exception set out in Paragraph *b),* the Hungarian Financial Supervisory Authority (hereinafter referred to as 'the Authority');
b) with respect to the service providers engaged in cash processing operations of activities auxiliary to financial services referred to in Paragraph *a)* of Subsection (1) of Section 1, the MNB;

c) with respect to the service providers engaged in the activities referred to in Paragraph *i)* of Subsection (1) of Section 1, the state tax authority;
d) with respect to the service providers engaged in the activity referred to in Paragraph *g)* of Subsection (1) of Section 1, the Chamber of Hungarian Auditors;
e) with respect to the service providers engaged in the activity referred to in Paragraph *m)* of Subsection (1) of Section 1, in accordance with the special provisions set out in this Act pertaining to independent lawyers and law offices (hereinafter referred to as 'lawyers') and notaries public:
ea) the competent regional bar association in which the lawyer in question is registered (hereinafter referred to as 'regional bar association');
eb) the competent regional chamber in which the notary public in question is registered (hereinafter referred to as 'regional chamber');
f) with respect to the service providers engaged in the activities referred to in Paragraphs *j)* and *k)* of Subsection (1) of Section 1, the trade licensing authority;
g) with respect to the service providers engaged in the activities referred to in Paragraphs *f)* and *h)* of Subsection (1) of Section 1, the authority operating as the national financial intelligence unit.

The obligation of carrying out customer due diligence procedures
Section 6

(1) Service providers are required to apply customer due diligence procedures:
a) when establishing a business relationship;
b) with the exception set out in Section 17, when executing transaction orders amounting to three million six hundred thousand forints or more;
c) when there is any information, fact or circumstance giving rise to suspicion of money laundering or terrorist financing, where the due diligence measures referred to in Paragraphs *a)-b)* have not been carried out yet;
d) when there are doubts about the veracity or adequacy of previously obtained customer identification data.

(2) The obligation of carrying out the due diligence procedures specified in Paragraph *b)* of Subsection (1) shall also apply to individual transaction orders linked in effect, if their combined value reaches three million six hundred thousand forints or more. In this case, due diligence procedures shall be carried out at the time of acceptance of the transaction order the execution of which brings the combined value of the linked transactions to the threshold of three million six hundred thousand forints.

Customer due diligence measures
Section 7

(1) In the cases referred to in Subsection (1) of Section 6, service providers are required to identify the customer, the proxy, the authorised signatory and the representative, and to verify their identity.

(2) In the course of identification, service providers are required to record at least the following particulars of customers:
a) in connection with natural persons:
aa) surname and forename (birth name);
ab) address;
ac) nationality;
ad) type and number of identification document;
ae) in respect of foreign nationals, the place of abode in Hungary;
b) in connection with legal persons or organizations not having a legal personality:
ba) full name and abbreviated name;

bb) address of registered office or, in case of foreign-registered enterprises, the address of their branch office in Hungary;
bc) in the case of legal persons registered by the court of registration, the company registration number; in the case of other legal persons, the number of the resolution of their foundation (registration, incorporation) or their registration number.

(3) In addition to what is contained in Subsection (2), in the course of identification, service providers may record the following particulars of customers where it is deemed necessary for the identification of the customer, the business relationship or the transaction order, in the cases specified according to the internal rules referred to in Section 33, based on the nature of the business relationship or on the type and value of the transaction order and on the customer's circumstances in the interest of preventing and combating money laundering and terrorist financing:
a) in connection with natural persons:
aa) place and date of birth;
ab) mother's name;
b) in connection with legal persons or organizations not having a legal personality:
ba) principal activity;
bb) name and position of authorised representatives;
bc) identification data of agent for service of process.

(4) For the purposes of verification of identity, service providers are required to require the following documents to be presented:
a) in connection with natural persons:
aa) for Hungarian nationals, an official certificate suitable for the proof of identity and an official certificate for the proof of address;
ab) for foreign nationals, a passport or personal identity card, if it embodies an authorization to reside in Hungary, or a document evidencing the right of residence or a valid residence permit;
ac) [no longer in effect]
b) for legal persons or organizations not having a legal personality, in addition to the documents of the persons described in Paragraph *a)* who are authorized to act in their names and on their behalf, a document issued within thirty days to date, to verify:
ba) if a domestic economic operator, that it has been registered by the court of registration or that the application for registration has been submitted; if a private entrepreneur, that he has a private entrepreneur's license, or that the private entrepreneur has submitted an application to the competent regional notary for a private entrepreneur's license;
bb) in case of domestic legal persons whose existence is subject to registration by an authority or the court, the fact that the registration has taken place;
bc) in case of foreign-registered legal persons or organizations not having a legal personality, the fact that the person or body has been registered under the law of the country in which it is established;
c) prior the submitting of an application for company registration to the court of registration, or an application for registration by an authority or the court to the competent authority or court, the articles of incorporation (articles of association, charter document) of legal persons and organizations not having a legal personality.
(5) In the application of Paragraph *c)* of Subsection (4), the legal person or organization not having a legal personality is required to produce documentary evidence of having been registered by the court of registration, or the competent authority or court, within thirty days after the fact, and the service provider is required to enter the company registration number or registration number into its records.

(6) For the purposes of verification of identity, service providers are required to check the validity of identification documents presented on the basis of Subsection (4).

Section 8

(1) In the cases referred to in Subsection (1) of Section 6, the customer is required to provide a written statement to the service provider as to whether he is acting in his own name or in the name or on behalf of the beneficial owner.

(2) If the customer's written statement indicates that he is acting in the name or on behalf of the beneficial owner, the written statement shall contain the particulars of the beneficial owner specified in Subparagraphs *aa)-ac)* of Paragraph *a)* of Subsection (2) of Section 7.

(3) In addition to what is contained in Subsection (2), the service provider may request the customer to supply the particulars of the beneficial owner specified in Subparagraphs *ad)-ae)* of Paragraph *a)* of Subsection (2) and Paragraph *a)* of Subsection (3) of Section 7, where it is deemed necessary for the identification of the customer, the business relationship or the transaction order, in the cases specified according to the internal rules referred to in Section 33, based on the nature of the business relationship or on the type and value of the transaction order and on the customer's circumstances in the interest of preventing and combating money laundering and terrorist financing.

(4) Where there is any doubt concerning the identity of the beneficial owner, the service provider shall request the customer to make a (repeated) written statement concerning the beneficial owner.

(5) Where there is any doubt concerning the identity of the beneficial owner, the service provider is required to take the necessary measures in order to check the beneficial owner's identification data in registers available according to the legal provisions for this purpose or in registers which are openly accessible to the public.

Section 9

(1) In the cases referred to in Subsection (1) of Section 6, the service provider is required to record the following information pertaining to the business relationship and the transaction order:
a) regarding business relationships, the type, subject matter and the term of the contract;
b) regarding transaction orders, the subject matter and the value of the transaction.
(2) In addition to what is contained in Subsection (1), the service provider may also record the particulars of performance (place, time, mode), where it is deemed necessary for the identification of the customer, the business relationship or the transaction order, in the cases specified according to the internal rules referred to in Section 33, based on the nature of the business relationship or on the type and value of the transaction order and on the customer's circumstances in the interest of preventing and combating money laundering and terrorist financing.

Section 10

(1) In line with the legal provisions applicable to their activities, service providers are required to conduct ongoing monitoring of the business relationship including the analysis of the transaction orders executed during the existence of that business relationship in order to establish whether a given transaction order is consistent with the information available to the service provider on the customer in accordance with the relevant provisions.

(2) Service providers are required to ensure that the data and information as well as documents held in connection with business relationships are kept up-to-date.

(3) During the existence of the business relationship, the customer is required to notify the service provider any change in the data and information supplied in the course of customer due diligence or

any change concerning the beneficial owner within five working days of the day when taking cognizance of such changes.

(4) In order to perform the obligation set out in Subsection (3), service providers are required to draw the attention of their customers concerning their obligation to report any and all changes in their particulars.

(5) Where there is no assignment made, either debiting or crediting, to an account maintained by a service provider engaged in the activities referred to in Paragraphs *a)-b)*, *d)* and *l)* of Subsection (1) of Section 1, apart from transaction orders that take several years to mature, the service provider shall request the customer in writing, within 30 days or in the next account statement, to report the changes in his particulars that may have occurred during the aforementioned period.

Section 11

(1) With the exception of Subsections (2)-(5) and (8), service providers are required to carry out the verification of the identity of the customer and the beneficial owner before establishing a business relationship or executing a transaction order.

(2) Service providers may carry out the verification of the identity of the customer and the beneficial owner during the establishment of a business relationship, if it is necessary in order to avoid the interruption of normal conduct of business and where there is little risk of money laundering and terrorist financing occurring. In such cases the verification of identity shall be completed before the first transaction order is executed.

(3) The service providers engaged in the activity referred to in Paragraph *c)* of Subsection (1) of Section 1, in connection with insurance policies within the field of life assurance under Schedule No. 2. to the Insurance Act, may carry out the verification of the identity of the beneficiary under the policy and any other person entitled to receive services of the insurer / insurance provider even after the establishment of the business relation, if they were not known at the time of signature of the contract. In that case, verification of identity shall take place at or before the time of payout or at or before the time the entitled person enforce his / her rights originating from the contract (policy).

(4) The service providers engaged in the activity referred to in Paragraph *a)* of Subsection (1) of Section 1 and entitled to open payment accounts, may open a payment account provided they ensure that transactions are not executed by the customer, the proxy, the authorised signatory or the representative until the completion of the verification of the identity of the customer and the beneficial owner.

(5) The service providers engaged in the activity referred to in Paragraph *l)* of Subsection (1) of Section 1, may open a personal account governed under Act XCVI of 1993 on Voluntary Mutual Insurance Funds (hereinafter referred to as the 'VMIF Act'), provided they ensures that the customer and the beneficiary will not get any service until the completion of verification of the identity of the customer and the beneficial owner.

(6) Where the service provider is unable to carry out the customer due diligence measures specified in Sections 7-9, it may not carry out a transaction through a payment account, establish a business relationship or execute a transaction order, or it is required to terminate the business relationship with the customer in question.

(7) If the customer is a legal person or an organization not having a legal personality, following completion of the due diligence procedures on the person acting in its name and on its behalf, due diligence procedures shall also be carried out concerning the legal person or the organization not having a legal personality.

(8) The customer due diligence measures specified under Sections 7-9 shall not be repeated if:
a) the service provider has already completed the customer due diligence procedures specified under Sections 7-9 relating to the customer, the proxy, the authorised signatory and the representative in connection with previous transactions;
b) the service provider has already carried out the verification of the identity of the customer, the proxy, the authorized signatory and the representative in connection with current transactions in accordance with Subsections (4)-(7) of Section 7; and
c) no changes have taken place in the particulars listed under Subsection (2) of Section 7 and Subsection (2) of Section 8.

Simplified customer due diligence procedures
Section 12

(1) In the cases referred to in Paragraphs *a)*, *b)* and *d)* of Subsection (1) of Section 6, service providers are required to carry out the customer due diligence measures specified in Section 10 where the customer is:
a) a service provider engaged in the activities referred to in Paragraphs *a)-e)* and *l)* of Subsection (1) of Section 1 within the territory of the European Union, or a service provider that is engaged in the activities referred to in Paragraphs *a)-e)* and *l)* of Subsection (1) of Section 1 and that has its registered office in a third country which
imposes requirements equivalent to those laid down in this Act and supervised for compliance with those requirement;
b) a listed company whose securities are admitted to trading on a regulated market in one or more Member States, or a listed company from a third country that is subject to disclosure requirements consistent with Community legislation;
c) a supervisory body mentioned under Section 5;
d) a central government body or a local authority specified in Section 1 of Act LVII of 2006 on Central Administration Authorities, and on the Legal Status of Members of the Government and State Secretaries, other than those mentioned in Paragraph *c)*;
e) an institution of the European Community (the European Parliament, the Council, the Commission, the Court, the Court of Auditors), the European Economic and Social Committee, the Committee of the Regions, the European Central Bank or the European Investment Bank.
(2) Where a third country meets the conditions laid down in Paragraphs *a)-b)* of Subsection (1), the service provider shall inform the competent supervisory body mentioned under Section 5, which is to forward that information to the minister in charge of the money, capital and insurance markets (hereinafter referred to as 'minister') without delay.
(3) The minister informs the Commission and the member states of cases where he considers that a third country meets the conditions laid down in Paragraphs *a)-b)* of Subsection (1).

Section 13

(1) In the cases referred to in Paragraphs *a)*, *b)* and *d)* of Subsection (1) of Section 6, service providers are required to carry out only the customer due diligence measures specified in Section 10 in respect of:

a) insurance policies within the field of life assurance under Schedule No. 2 to the Insurance Act, where the annual premium is no more than two hundred and sixty thousand forints or the single premium is no more than six hundred and fifty thousand forints;
b) insurance policies for pension schemes if there is no surrender clause and the funds payable to the insured person cannot be used as collateral for any credit or loan arrangement.
(2) Where a party entering into a contract with an insurance company purchases life insurance under the same policy to the benefit of more than one person (group insurance), the insurance company in this case is required to apply customer due diligence measures only in respect of the contracting party.
(3) The insurance company is not required to identify the customer, if an independent insuranceintermediary, in the framework of its insurance intermediating activity, has previously already identified that customer.

Enhanced customer due diligence procedures
Section 14

(1) Service providers are required to record all data and particulars specified in Subsections (2)-(3) of Section 7, where the customer has not been physically present for identification purposes or for the verification of his identity.

(2) For the purposes of verification of the identity of the customer, the customer is required to submit to the service provider certified copies of the documents specified in Subsection (4) of Section 7 containing the data specified in Subsections (2)-(3) of Section 7.
(3) Certified copies of the documents referred to in Subsection (2) shall only be accepted for the identification and verification of the identity of the customer, if:
a) it was prepared by a Hungarian consulate officer or a notary public, and certified accordingly; or
b) the Hungarian consulate officer or the notary public has provided an endorsement for the copy to verify that the copy is identical to the original presented; or
c) the copy was prepared by an authority of the country where it was issued, if such authority is empowered to make certified copies and, unless otherwise provided for by an international agreement, the competent Hungarian consulate officer has provided a confirmatory certification of the signature and seal of the said authority.

Section 15

(1) Service providers engaged in the activity referred to in Paragraph *a)* of Subsection (1) of Section 1 are required, before establishing correspondent banking relationships with service providers having their registered offices in a third country, to:
a) prepare a comprehensive assessment on the service provider having its registered office in the third country, for the purposes of assessing and evaluating its system of means applied against money laundering and terrorist financing;
b) ascertain the fact that the service provider having its registered office in the third country has carried out the verification of the identity of the customer having a direct access to the correspondence account, and performs ongoing monitoring on the direct access to the correspondence account; and
c) ascertain the fact that the service provider having its registered office in the third country is able to provide the relevant customer due diligence data on request.
(2) Establishing a correspondent banking relationship with a service provider having its registered office in a third country, can take place only after the approval of the executive officer specified in the organisational and operational rules of the service provider engaged in the activity referred to in Paragraph *a)* of Subsection (1) of Section 1.

(3) Service providers engaged in the activity referred to in Paragraph *a)* of Subsection (1) of Section 1 are prohibited to establish or maintain a correspondent banking relationship with a shell bank or with a service provider that maintains a correspondent banking relationship with a shell bank.

Section 16

(1) Customers residing abroad are required to make a written statement for the service provider declaring whether they are classified as politically exposed persons according to the law of their country. If a customer residing abroad is classified as a politically exposed person, the aforementioned statement shall also indicate the paragraph of Subsection (2) of Section 4 on the basis of which he/she is classified as a politically exposed person.
(2) Where there is any doubt concerning the veracity of the abovementioned statement, the service provider is required to take the necessary measures in the interest of checking the statement submitted under Subsection (1) in registers available according to the legal provisions for this purpose or in registers that are openly accessible to the public.
(3) In case of a foreign politically exposed person, the establishment of the business relationship or the execution of a transaction order may take place only after the approval of the executive officer specified in the organisational and operational rules of the service provider.

Section 17

(1) In cases of exchanging money in the amount of five hundred thousand forints or above, service providers providing the currency exchange service are required to carry out the identification procedure with respect to all of the data listed under Subsections (2)-(3) of Section 7 and to verify the customer's identity, furthermore they are required to carry out the customer due diligence measures specified under Sections 8-9.
(2) The transaction receipt shall indicate the data listed in Subparagraphs *aa)-ab)* and *ad)* of Paragraph *a)* and Subparagraphs *ba)-bc)* of Paragraph *b)* of Subsection (2) of Section 7, and, in case of foreign natural persons, the Hungarian place of abode, as well.
(3) The obligation of carrying out the customer due diligence measures specified in Subsection (1) shall also apply to individual transaction orders linked in effect, if their combined value reaches five hundred thousand forints. In this case due diligence measures shall be carried out at the time of acceptance of the transaction order the execution of which brings the combined value of the linked transactions to the threshold of five hundred thousand forints.

Customer due diligence measures carried out by other service providers
Section 18

(1) Service providers are entitled to accept the outcome of the customer due diligence procedures laid down in Sections 7-9, if the customer due diligence measures were carried out by a service provider that is engaged in the activities referred to in Paragraphs *a)-e)* and *l)* of Subsection (1) of Section 1 within the territory of the Republic of Hungary, with the exception of service providers carrying on money transmission and currency exchange activities.
(2) Service providers are entitled to accept the outcome of customer due diligence procedures laid down in Sections 7-9, if the customer due diligence measures were carried out by a service provider that is engaged in the activities referred to in Paragraphs *a)-e)* and *l)* of Subsection (1) of Section 1, with the exception of service providers carrying on money transmission and currency exchange activities:
a) within an other member state of the European Union; or
b) within a third country that meets the requirements laid down in Subsection (6) and Section 19.
(3) Service providers engaged in the activities referred to in Paragraphs *g)-h)* and *m)* of Subsection (1) of Section 1 are entitled to accept the outcome of customer due diligence procedures laid down

in Sections 7-9, if the customer due diligence measures were carried out by a service provider that is engaged in the activities referred to in Paragraphs *g)-h)* and *m)* of Subsection (1) of Section 1 within the territory of the Republic of Hungary.
(4) Service providers engaged in the activities referred to in Paragraphs *g)-h)* and *m)* of Subsection (1) of Section 1 are entitled to accept the outcome of customer due diligence procedures laid down in Sections 7-9, if the customer due diligence measures were carried out by a service provider that is engaged in the activities referred to in Paragraphs *g)-h)* and *m)* of Subsection (1) of Section 1:
a) within the territory an other member state of the European Union; or
b) within a third country that meets the requirements laid down in Subsection (6) and Section 19.
(5) The outcome of customer due diligence procedures specified in Subsections (2) and (4) may be accepted even if the documents or data on which these requirements have been based are different to those determined in this Act.
(6) If the customer due diligence procedures were carried out by a service provider that is engaged in the activities referred to in Paragraphs *a)-h)*, *l)* and *m)* of Subsection (1) of Section 1, with the exception of service providers carrying on money transmission and currency exchange activities, the outcome of customer due diligence procedures may be accepted according to Subsections (2) and (4), if the service provider:
a) is included in the mandatory professional register; and
b) applies customer due diligence procedures and record keeping requirements as laid down or equivalent to those laid down in this Act and its supervision is executed in accordance with the requirements laid down or equivalent to those laid down in this Act, or its registered office is in a third country, which applies equivalent requirements to those laid down in this Act.

(7) Service providers are required to inform the supervisory body mentioned under Section 5 if a third country meets the conditions laid down in Paragraph *b)* of Subsection (6). The supervisory body shall forward that information to the minister without delay.
(8) The minister shall inform the Commission and the Member States of cases where a third country meets the conditions laid down in Paragraph *b)* of Subsection (6).

Section 19

(1) In the cases referred to in Subsections (1)-(4) of Section 18, service providers shall be authorized to make available to other service providers data and information obtained for the purposes of carrying out due diligence procedures laid down in Sections 7-9 subject to the prior consent of the customer affected.
(2) In the cases referred to in Subsections (1)-(4) of Section 18, the service provider that has carried out the customer due diligence measures shall be authorized to make available, at the written request of the service provider accepting the outcome of customer due diligence procedures, data and information obtained for the purposes of identification and verification of identity of the customer and the beneficial owner, and copies of other relevant documentation on the identity of the customer or the beneficial owner to other service providers subject to the prior consent of the customer affected.

Section 20

In the cases specified in Subsections (1)-(4) of Section 18, as regards compliance with the requirements set out in Section 7-9, the responsibility is to be borne by the service provider accepting the outcome of the customer due diligence procedures carried out by an other service provider.

Section 21

Sections 18-20 shall not apply to outsourcing agency relationships where, on the basis of a contractual arrangement, the outsourcing service provider or agent is to be regarded as part of the service provider.

Information on the payer accompanying the transfers of funds
Section 22

(1) The Authority and the authority operating as the financial intelligence unit shall function as the "authorities responsible for combating money laundering or terrorist financing" as described in Article 14 of the Regulation.
(2) For the purposes specified in Article 14 of the Regulation, upon the request of the authorities referred to in Subsection (1) acting within their competence, service providers are required to hand over to them the information on the payer as specified in Article 4 of the Regulation.
(3) The Authority shall function as the "authority responsible for application" as described in Paragraph (2) of Article 15 of the Regulation, and as the "competent authority" as described in Paragraph (3) thereof, while, in respect of the MNB, the authority operating as the financial intelligence unit shall have the same functions.
(4) As carrying on supervision the Authority shall act in accordance with the provisions of the Act on the General Rules of Administrative Proceedings and Services, respecting the derogations set out in Act CXXXV of 2007 on the Hungarian Financial Supervisory Authority (hereinafter referred to as the 'HFSA Act'), furthermore, the authority operating as the financial intelligence unit shall act in accordance with the APS Act.
(5) In the event of any infringement of the provisions of the Regulation or non-compliance with the obligations set out in the Regulation, the Authority, consistent with the weight of the infringement, shall take the measures specified under Paragraphs *b)-e)* of Subsection (1) of Section 35 and may also take the measures specified below:
a) call upon the service provider to introduce the necessary measures to comply with the provisions of the Regulation, and to eliminate the revealed deficiencies;
b) prohibit the service provider from engaging in money transmission services before the infringement is terminated.
(6) The fine referred to in Paragraph *e)* of Subsection (1) of Section 35 may be imposed upon any service provider which fails to meet the obligations of the Regulation and of the resolution of the Authority, or meets them with delay or deficiency.
(7) In the event of any infringement of the provisions of the Regulation or non-compliance with the obligations set out in the Regulation, the authority operating as the financial intelligence unit, consistent with the weight of the infringement, shall apply the measures specified under Paragraphs *c)-d)* of Subsection (1) of Section 35 and may call upon the service provider to introduce the necessary measures to comply with the provisions of the Regulation, and to eliminate the revealed deficiencies.
(8) In cases set out in Paragraph (4) of Article 3 and in Paragraph (4) of Article 5 of the Regulation, when calculating the amount of the transferred money in euro, the official exchange rate published by MNB on the day when the order for the money transmission was received shall apply; in cases of currencies that are not included in the MNB Bulletin for the conversion of currencies the exchange rate translated into euro and included in the publication of MNB valid on the day when the order for the money transmission was accepted has to be applied.
(9) The "national identification number" referred to in Paragraph (2) of Article 4 of the Regulation shall be construed as the numbers specified in Subparagraph *ad)* of Paragraph *a)* and (9) Subparagraph *bc)* of Paragraph *b)* of Subsection (2) of Section 7.
(10) Service providers are not required to apply the provisions of the Regulation with respect to money transmissions within the Republic of Hungary that are in compliance with the conditions set to in Paragraph (6) of Article 3 of the Regulation.

Reporting obligation
Section 23

(1) In the event of noticing any information, fact or circumstance indicating money laundering or terrorist financing, the person(s) defined in Paragraph *b)* of Subsection (2) of Section 1 shall, without delay, submit a report to the person referred to in Subsection (2) of this Section. The report shall contain:
a) the information and data the service provider has recorded pursuant to Sections 7-9; and
b) a brief description of the information, fact or circumstance indicating money laundering or terrorist financing.
(2) Service providers are required to designate, depending on the structure of the organization, one or more persons (hereinafter referred to as 'designated person'), who shall forward without delay the report received on the basis of Subsection (1) from the person referred to in Paragraph *b)* of Subsection (2) of Section 1 to the authority operating as the financial intelligence unit. Service providers are required to notify the authority operating as the financial intelligence unit concerning the name and the position of the designated person, and any subsequent changes therein, within five working days of the date of designation or the effective date of the change.
(3) Service providers shall forward the report to the authority operating as the financial intelligence unit in the form of a secure electronic message, on the receipt of which the authority operating as the financial intelligence unit shall, without delay, send a confirmation to the service provider forwarding the report in a form of a secure electronic message.
(4) The service provider may not execute the transaction order until the report is submitted as set out in Paragraph (2).
(5) The service provider shall submit the report as determined in Subsection (2) after executing the transaction order, if the execution of the transaction order cannot be prevented according to Subsection (4), or the filing of the report before the execution of the transaction order is likely to jeopardize efforts to trace the beneficial owner.
(6) In the event of emerging any information, fact or circumstance indicating money laundering or terrorist financing, the authority operating as the financial intelligence unit, acting either under its own initiative or in order to fulfil the requests made by an authority operating as a foreign financial intelligence unit, shall have powers to make a request to service providers for data and information that are considered bank secret, payment secret, securities secret, insurance secret, fund employer pension secret and, with respect to service providers engaged in the activities referred to Paragraph *e)* of Subsection (1) of Section 1, business secret, the release of which the service providers may not deny.
(7) In the event of emerging any information, fact or circumstance indicating money laundering or terrorist financing the authority operating as the financial intelligence unit, acting either under its own initiative or in order to fulfil the requests made by an authority operating as a foreign financial intelligence unit, shall have powers to make a request to the tax authority or the customs authority for data and information that are considered tax secrets or customs secrets, the release of which the tax authority or the customs authority may not deny.
(8) Pursuant to Subsections (6)-(7), the authority operating as the financial intelligence unit may release data or information to an authority operating as a foreign financial intelligence unit, if the latter is able to guarantee equivalent or better legal protection of such data and information than the protection afforded under Hungarian law.
(9) The person referred to in Paragraph *b)* of Subsection (2) of Section 1 and the designated person (hereinafter jointly referred to as 'reporting persons'), in the case of good faith, shall not be held liable if the report ultimately proves to be unsubstantiated.
(10) The authority operating as the financial intelligence unit shall publish information about the efficiency of the reports and its proposal to improve efficiency on its official website semi-annually.

Section 24

(1) The service provider shall suspend the execution of a transaction order, if any information, fact or circumstance indicating money laundering or terrorist financing in connection with the transaction order is emerged and the service provider considers the immediate action of the authority operating as the financial intelligence unit to be necessary for checking the data, fact or circumstance indicating money laundering or terrorist financing. In this case the service provider is required to submit a report without delay to the authority operating as the financial intelligence unit in order to investigate the cogency of the report.
(2) In case the authority operating as the financial intelligence unit notifies, in a form of a secure electronic message, the service provider any information, fact or circumstance indicating money laundering or terrorist financing in connection with a transaction order, this notification shall be considered as the immediate action of the authority operating as the financial intelligence unit for checking the data is necessary, unless, simultaneously with the notification, otherwise instructed by the financial intelligence unit.
(3) The service provider shall submit the report to the authority operating as the financial intelligence unit in the form of a secured electronic message, on the receipt of which the authority operating as the financial intelligence unit shall send a confirmation to the service provider filing the report without delay in a form of a secured electronic message.
(4) The authority operating as the financial intelligence unit shall examine the report:
a) in the case of domestic transaction orders within one working day after the report is submitted;
b) in the case of foreign transaction orders within two working days after the report is submitted.
(5) The authority operating as the financial intelligence unit shall inform the reporting service provider in writing:
a) on the actions taken in accordance with the Act on Criminal Procedures; or
b) on the fact that no action was taken pursuant to the Act on Criminal Procedures.
in the course of the examination launched under Subsection (4).

(6) The service provider shall execute the suspended transaction order, if the authority operating as the financial intelligence unit notifies it according to Paragraph *b)* of Subsection (5), or after the expiry of the time limits specified in Subsection (4) in the absence of a notification from the authority operating as the financial intelligence unit.
(7) The service provider and the authority operating as the financial intelligence unit acting in accordance with Subsection (2), in the case of good faith, shall not be held liable for the suspension of the transaction order, if this latter can be performed on the basis of what is contained in Subsection (6).

Section 25

If the supervisory body mentioned under Section 5 obtains any information, fact or circumstance during its regulatory supervision that is to be reported according to Subsection (1) of Section 23, it shall inform the authority operating as the financial intelligence unit without delay.

Section 26

(1) The authority operating as the financial intelligence unit shall be authorized to use the information obtained under this Act only for the purposes of prevention and combating money laundering and terrorist financing, and for the purposes of the investigation of acts of terrorism [Section 261 of Act IV of 1978 on the Criminal Code (hereinafter referred to as the 'Criminal Code')], unauthorized financial activities (Section 298/D of the Criminal Code), money laundering (Sections 303-303/A of the Criminal Code), failure to comply with the reporting obligation related to money laundering (Section 303/B of the Criminal Code), tax fraud (Section 310 of the Criminal Code), embezzlement (Section 317 of the Criminal Code), fraud (Section 318 of the Criminal Code)

and misappropriation of funds (Section 319 of the Criminal Code), and to disseminate such information to other investigating authorities, the public prosecutor, the national security service or an authority operating as a foreign financial intelligence unit.
(2) The authority operating as the financial intelligence unit is required to keep records on the information disseminated according to Subsection (1). The aforesaid data transfer records shall be retained for a period of five years from the time of dissemination.
(3) The data transfer records shall contain:
a) the personal identification data of the natural person affected, or the information necessary for the identification of the legal person or an organization not having a legal personality;
b) the data processor's registration number;
c) the date and time of disclosure of information;
d) the purpose and legal grounds of dissemination, and the information supplied;
e) the name of the person or party requesting the data.

Prohibition of disclosure
Section 27

(1) The reporting persons and the authority operating as the financial intelligence unit shall not provide information to the customer concerned or to other third persons on the fact that information has been transmitted in accordance with Section 23, on the contents of such information, on the fact that the transaction order has been suspended under Section 24, on the name of the reporting persons, or on whether a money laundering or terrorist financing investigation is being or may be carried out on the customer, and is required to ensure that the filing of the report, the contents thereof, and the identity of the reporting persons remain confidential.
(2) The prohibition laid down in Subsection (1) shall not prevent provision of information to the supervisory body mentioned under Section 5, including the investigating authority conducting the criminal procedure.
(3) In connection with supervision on a consolidated basis conducted under the CIFE Act, Act CXX of 2001 on the Capital Market, and the Insurance Act, or on supplementary supervision of a financial conglomerate, the prohibition laid down in Subsection (1) shall not prevent disclosure of information between undertakings from Member States, or from third countries, which impose requirements upon such undertakings equivalent with those laid down in this Act, and are supervised for compliance those requirements.
(4) The prohibition laid down in Subsection (1) shall not prevent disclosure of information between service providers engaged in the activities referred to in Paragraphs *g)-h)* and *m)* of Subsection (1) of Section 1 from Member States, or from third countries which impose requirements equivalent to those laid down in this Act, if the persons concerned perform their professional activities within the same legal person or a network.
(5) Regarding service providers engaged in the activities referred to in Paragraphs *a)-e)*, *g)-h)*, *l)* and *m)* of Subsection (1) of Section 1, the prohibition laid down in Subsection (1) shall not prevent disclosure of information between the two or more service providers involved, provided that:
a) the information refer to the same customer and the same transaction order;
b) of the two or more service providers involved, at least one is engaged in activities defined by this Act, while the other service providers are resident in a Member State, or in a third country which imposes requirements equivalent to those laid down in this Act;
c) the service providers involved are engaged in the same activity referred to Subsection (1) of Section 1; and
d) the service providers involved are subject to obligations as regards professional secrecy and personal data protection equivalent to those laid down in this Act.
(6) Where a third country meets the conditions laid down in Subsection (3)-(5) above, the service providers engaged in the activities referred to in Paragraphs *a)-e)*, *g)-h)*, *l)* and *m)* of Subsection (1) of Section 1 shall inform the supervisory body mentioned under Paragraphs *a)-b)*, *d)-e)*, *g)* of

Section 5. The supervisory body mentioned under Paragraphs *a)-b)*, *d)-e)*, *g)* of Section 5 shall forward that information to the minister without delay.
(7) The minister shall inform the Commission and the Member States of the cases referred to in Subsection (6).

Record keeping and statistics
Section 28

(1) Service providers are required to keep on file the data and documents they have obtained in the process of discharging their obligation prescribed under Sections 7-10 and Section 17, or the copies of such documents, the records of compliance with reporting obligations and data transmitting requirements specified in Section 23, and the documents certifying the suspension of the execution of transaction orders by virtue of Section 24, or the copies of such documents, for a period of eight years from the time of recording or the time of reporting (suspension). The time limit for keeping the data or documents, or their copies, obtained under Paragraph *a)* of Subsection (1) of Section 6 shall commence upon the time of termination of the business relationship.
(2) The service providers engaged in activities referred to in Paragraphs *a)-e)*, *l)* and *m)* of Subsection (1) of Section 1 are required to keep records of all executed cash transaction orders in the amount of three million six hundred thousand forints or more (whether in forints or any other currency) in the register mentioned in Subsection (1) for a period of eight years.

Section 29

(1) The authority operating as the financial intelligence unit is required to maintain statistics by virtue of which the effectiveness of the system for the combating of money laundering and terrorist financing can be controlled.
(2) The statistics specified in Subsection (1) shall cover:
a) the number of suspicious transaction reports made and the number of cases where information was provided under Section 23;
b) the number of transaction orders suspended under Section 24;
c) the number of cases for the freezing of assets in connection with terrorist financing under the Act on the Enforcement of the Economic and Financial Restrictive Measures Adopted by the European Union and the number of cases for the freezing of assets by court order, and the forint value of the funds and economic resources frozen by court order;
d) the number of suspicious transaction reports made under Section 23 upon which the authority operating as the financial intelligence unit took any action, and the number of cases investigated and prosecuted;
e) the number of cases investigated for suspicion of money laundering (Sections 303-303/A of the Criminal Code) and acts of terrorism (Section 261 of the Criminal Code), and the number of suspects;
f) in the criminal proceedings referred to in Paragraph *e)*:
fa) the number of cases and the number of persons prosecuted;
fb) the number of court verdicts and the number of persons convicted, the number of cases where any property has been frozen, seized or confiscated, the value of property seized or confiscated, and how much property has been frozen, seized or confiscated.
(3) The General Prosecutor's Office shall supply information to the authority operating as the financial intelligence unit relating to Subparagraph *fa)* of Paragraph *f)* of Subsection (2), the number of final court verdicts concerning the freezing of assets under Paragraph *c)* of Subsection (2), the forint value of the funds and economic resources frozen by court order along with the information under Subparagraph *fb)* of Paragraph *f)* by 1 July of each calendar year as pertaining to the previous calendar year.

(4) Records of the data referred to in Paragraphs *a)-d)* of Subsection (2) shall be broken down according to profession.
(5) The national financial intelligence unit shall post the aforesaid statistics on its official website annually.

Measures in the case of branches and subsidiaries located in third countries
Section 30

(1) The service providers engaged in the activities referred to in Paragraphs *a)-e)* and *l)* of Subsection (1) of Section 1 are required to apply in their branches and subsidiaries located in third countries measures at least equivalent to those laid down under Sections 6-11, Section 28 and this Section.
(2) The service providers engaged in the activities referred to in Paragraphs *a)-e)* and *l)* of Subsection (1) of Section 1 shall keep their branches and subsidiaries located in third countries informed concerning their internal control and information system (Section 31), and the contents of their internal rules (Section 33).
(3) Where the legislation of the third country does not permit application of such equivalent measures as referred to in Subsection (1), the service providers engaged in the activities referred to in Paragraphs *a)-e)* and *l)* of Subsection (1) of Section 1 shall so inform the supervisory body specified in Paragraphs *a)-b)* of Section 5, which shall forward that information to the minister without delay.
(4) The minister shall inform the Commission and the other Member States of cases where the legislation of the third country does not permit application of the measures required under Subsection (1).
(5) Where the legislation of the third country does not permit application of the measures required under Subsection (1), the service providers engaged in the activities referred to in Paragraphs *a)-e)* and *l)* of Subsection (1) of Section 1 are required to prepare a comprehensive assessment on their branches and subsidiaries located in third countries.

Internal control and information systems, special training programs
Section 31

Service providers with employees participating in carrying out the activities listed under Subsection (1) of Section 1 are required to establish adequate and appropriate internal control and information systems for the procedures of customer due diligence, reporting and record keeping in order to prevent business relationships and transaction orders through which money laundering or terrorist financing is realized or possible.

Section 32

(1) Service providers are required to ensure that their employees participating in carrying out the activities listed under Subsection (1) of Section 1 are aware of the provisions in force relating to money laundering and terrorist financing, that they are able to recognize business relationships and transaction orders through which money laundering or terrorist financing may be or is realized and to instruct them as to how to proceed in line with this Act in case a data, fact, circumstance is raised that indicates money laundering or terrorist financing.
(2) Service providers are required to ensure that their employees participating in carrying out the activities listed under Subsection (1) of Section 1 are aware of the provisions of the Act on the Enforcement of the Economic and Financial Restrictive Measures Adopted by the European Union, so that they are able to proceed in accordance with the provisions contained therein.
(3) In order to discharge the obligations set out in Subsections (1)-(2), service providers with employees participating in carrying out the activities listed under Subsection (1) of Section 1 are required to ensure the participation of their relevant employees in special training programs.

Internal rules
Section 33

(1) For performing their tasks related to the obligations conferred in this Act, service providers are required to prepare internal rules (hereinafter referred to as 'internal rules').
(2) The supervisory body mentioned under Section 5 shall approve the internal rules, if they contain the mandatory contents set out in this Act and in the decree implementing it, and if they are not contrary to any legal provision.
(3) For the purposes of drawing up the internal rules, the supervisory bodies mentioned under Section 5 shall, in collaboration with the authority operating as the financial intelligence unit and in agreement with the minister, provide sample rules as non-binding recommendations.
(4) Service providers engaged in trading in goods may undertake to discharge the obligations set out in this Act by submission of their internal rules to the trade licensing authority. The trade licensing authority, at the same time when it grants approval for the internal rules, shall also register the service provider in question. Only registered service providers engaged in trading in goods shall be authorized to accept cash payments of three million six hundred thousand forints or more.

Supervision, measures
Section 34

(1) The supervisory bodies determined in Paragraphs *a)-c), f)* and *g)* of Section 5 shall, in the process of exercising supervisory functions, ensure the compliance of service providers with the provisions of this Act.
(2) With the exceptions set out in this Act the supervisory bodies determined in Paragraphs *b)-c), f)* and *g)* of Section 5 shall carry out their respective supervisory functions in accordance with the Act on the General Rules of Administrative Proceedings and Services; the supervisory body mentioned under Paragraph *a)* of Section 5 shall carry out its supervisory functions in accordance with the Act

on the General Rules of Administrative Proceedings and Services and the HFSA Act; and the supervisory body mentioned under Paragraph *b)* of Section 5 shall carry out its supervisory functions in accordance with the Act on the General Rules of Administrative Proceedings and Services and the Act LVIII of 2001 on the National Bank of Hungary.
(3) The supervisory body determined in Paragraph *d)* of Section 5 shall carry out its supervisory required to ensure the participation of their relevant employees in special training programs.

Internal rules
Section 33

(1) For performing their tasks related to the obligations conferred in this Act, service providers are required to prepare internal rules (hereinafter referred to as 'internal rules').
(2) The supervisory body mentioned under Section 5 shall approve the internal rules, if they contain the mandatory contents set out in this Act and in the decree implementing it, and if they are not contrary to any legal provision.
(3) For the purposes of drawing up the internal rules, the supervisory bodies mentioned under Section 5 shall, in collaboration with the authority operating as the financial intelligence unit and in agreement with the minister, provide sample rules as non-binding recommendations.
(4) Service providers engaged in trading in goods may undertake to discharge the obligations set out in this Act by submission of their internal rules to the trade licensing authority. The trade licensing authority, at the same time when it grants approval for the internal rules, shall also register the service provider in question. Only registered service providers engaged in trading in goods shall be authorized to accept cash payments of three million six hundred thousand forints or more.

Supervision, measures
Section 34

(1) The supervisory bodies determined in Paragraphs *a)-c)*, *f)* and *g)* of Section 5 shall, in the process of exercising supervisory functions, ensure the compliance of service providers with the provisions of this Act.
(2) With the exceptions set out in this Act the supervisory bodies determined in Paragraphs *b)-c)*, *f)* and *g)* of Section 5 shall carry out their respective supervisory functions in accordance with the Act on the General Rules of Administrative Proceedings and Services; the supervisory body mentioned under Paragraph *a)* of Section 5 shall carry out its supervisory functions in accordance with the Act on the General Rules of Administrative Proceedings and Services and the HFSA Act; and the supervisory body mentioned under Paragraph *b)* of Section 5 shall carry out its supervisory functions in accordance with the Act on the General Rules of Administrative Proceedings and Services and the Act LVIII of 2001 on the National Bank of Hungary.
(3) The supervisory body determined in Paragraph *d)* of Section 5 shall carry out its supervisory functions in accordance with Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors (hereinafter referred to as 'the Auditors Act').
(4) The supervisory body determined in Subparagraph *ea)* of Paragraph *e)* of Section 5 shall carry out its supervisory functions in accordance with Act XI of 1998 on Attorneys (hereinafter referred to as the 'Attorneys Act'), and the supervisory body mentioned under Subparagraph *eb)* of Paragraph *e)* of Section 5 shall carry out its supervisory functions in accordance with Act XLI of 1991 on Notaries Public (hereinafter referred to as 'NPA').

Section 35

(1) In the case of any infringement of the provisions of this Act or non-compliance with the obligations set out in this Act, the supervisory bodies mentioned under Paragraphs *a)-c), f)* and *g)* of Section 5 shall take the following measures consistent with the weight of the infringement:
a) it may call upon the service provider to take the measures necessary for compliance with the provisions of this Act, and to eliminate the deficiencies;
b) it may advise the service provider:
ba) to ensure the participation of their relevant employees (executive officers) carrying out the activities listed under Subsection (1) of Section 1 in special training programs, or to hire employees (executive officers) with the appropriate professional skills required for those activities;
bb) to recondition the internal rules according to specific criteria within a prescribed deadline;
c) it may issue a warning to the service provider;
d) it may order the service provider to cease the unlawful conduct;
e) in addition to or independent of the measures listed in Paragraphs *a)-d)*, it may impose a fine of minimum two hundred thousand and maximum five million forints upon the service providers engaged in the activities referred to in Paragraphs *a)-e)* and *l)* of Subsection (1) of Section 1, and a fine of minimum one hundred thousand and maximum one million forints upon the service providers engaged in the activities referred to in Paragraphs *f), h)-i), j)* and *k)* of Subsection (1) of Section 1.

(2) *[no longer in effect]*

(3) The proceeds from fines imposed by the supervisory bodies mentioned under Paragraphs *c), f)* and *g)* of Section 5 must be used exclusively for the following purposes:
a) training of experts;
b) promoting the preparation and publication of studies on the supervisory activities mentioned under in Paragraphs *c), f)* and *g)* of Section 5;
c) providing information for customers of service providers;
d) additional training of the staff of the authority operating as the financial intelligence unit in the special knowledge required in connection with this Act.
(4) The measures defined under Subsection (1) shall be imposed upon a service provider where a director of the service provider, if a legal person or a business association not having a legal personality, has committed the infringement for the benefit of that service provider.
(5) The measures defined under Subsection (1) shall be imposed upon a service provider where an employee of the service provider, if a legal person or a business association not having a legal personality, has committed the infringement for the benefit of that service provider, and it could have been prevented by the appropriate supervision or control that is required of the director of the service provider.

Special provisions relating to attorneys and notaries public
Section 36

(1) The obligation of customer due diligence and reporting prescribed in this Act shall apply to attorneys, with the exception set out in Subsection (3), if they hold any money or valuables in custody or if they provide legal services in connection with the preparation and execution of the following transactions in accordance with Subsection (1) of Section 5 of the Attorneys Act:
a) buying or selling any participation (share) in a business association or other economic operator;
b) buying or selling real estate;
c) founding, operating or dissolving a business association or other economic operator.
(2) The customer due diligence and reporting obligations prescribed in this Act shall apply to notaries public, with the exception set out in Subsection (4), if he provides safe custody services or if he provides public notary services in connection with the preparation and execution of the following transactions in accordance with the NPA:
a) buying or selling any participation (share) in a business association or other economic operator;

b) buying or selling real estate;
c) founding, operating or dissolving a business association or other economic operator.
(3) The obligations determined in this Act shall not apply to attorneys, if:
a) the data, fact or circumstance indicating money laundering or financing of terrorism become known in connection with providing the defence in criminal proceedings or legal representation before a court, other than the court of registration, during any stage of such defence or representation or at any time thereafter;
b) the data, fact or circumstance indicating money laundering or financing of terrorism was become known in connection with the defence or legal representation referred to in Paragraph *a)* or while providing legal advice relating to the questions for the opening of a proceeding.
(4) The obligation determined in this Act shall not apply to notaries public if:
a) the data, fact or circumstance indicating money laundering or financing of terrorism become known while providing legal advice relating to the questions for the opening of a proceeding;
b) the notary public conducts a non-litigious proceeding.

Section 37

(1) Attorneys and notaries public shall submit the report prescribed in Section 23 with the regional bar association or regional chamber of notaries public, respectively. The employees of attorneys and notaries public (including assistant attorneys) shall submit the report with the attorney or notary public who exercises employer's rights. The attorneys or notaries public exercising employer's rights shall forward the report without delay to the regional bar association or regional chamber of notaries public, respectively. Employees of law firms shall report to the person designated by the members' meeting, who shall forward the report without delay to the bar association with which the law firm is registered.
(2) The presidents of regional bar associations and regional chambers of notaries public shall designate a person to be responsible for forwarding without delay the reports received from the persons referred to in Paragraph *b)* of Subsection (1) of Section 2 to the authority operating as the financial intelligence unit. The regional bar associations and regional chambers of notaries public are required to notify without delay the authority operating as the financial intelligence unit about the designated person and also when the designated person is replaced.
(3) With regard to law firms, the members' meeting may decide whether the obligations prescribed in Subsection (1) of Section 23 and in Sections 31-32 are to be fulfilled by the law firm or by the members.

Section 38

(1) In respect of discharging the responsibilities prescribed in this Act, the Hungarian Bar Association shall draw up uniform internal rules for individual lawyers and single-member law firms that shall be treated as the internal rules of individual lawyers and single-member law firms in conformity with Section 33. The aforesaid uniform internal rules shall be approved by the minister responsible for justice.
(2) In respect of discharging the responsibilities prescribed in this Act, the law firms not mentioned in Subsection (1) are required to draw up internal rules, and to present them for approval to the competent regional bar association. The Hungarian Bar Association shall draw up standard rules in compliance with Subsection (3) of Section 33, and it shall be approved by the minister responsible for justice.
(3) In respect of discharging the responsibilities prescribed in this Act, the Hungarian Chamber of Notaries Public shall draw up guidelines for notaries public that shall be treated as the internal rules of notaries public.
(4) Fulfilment of the reporting obligation by attorneys and notaries public shall not constitute a violation of the confidentiality requirements prescribed in specific other legislation.

(5) In the application of this Act, notaries public shall not be subject to the obligation laid down in Subsection (2) of Section 3 of the NPA.

Closing and authorizing provisions
Section 39

(1) This Act, with the exception of Subsections (2)-(9), shall enter into force on 14 December 2007.
(2) *[no longer in effect]*
(3) Sections 1-38, Section 40, Sections 42-43, Sections 46-51, Sections 54-55, and Section 56 shall enter into force on 15 December 2007.
(4) Subsection (10) shall enter into force on 16 December 2007.
(5) Subsection (12) and Section 52 shall enter into force on 2 January 2008.
(6) Subsection (13) shall enter into force on 3 January 2008.
(7) Subsections (1)-(2) of Section 44 shall enter into force on 15 December 2008.
(8) Subsection (3) of Section 44 shall enter into force on 1 January 2009.
(9) Subsection (11) shall enter into force on 2 January 2009.
(10) *[no longer in effect]*
(11) *[no longer in effect]*
(12) *[no longer in effect]*
(13) *[no longer in effect]*

Section 40

[no longer in effect]

Section 41

[no longer in effect]

Section 42

By way of derogation from Subsection (6) of Section 11, the service provider is required to refuse the execution of a transaction order after 1 January 2009, if:
a) it has established a business relationship with the customer prior to this Act entering into force;
b) the customer failed to appear at the service provider personally or by way of a representative for the purpose of carrying out customer due diligence procedures; and
c) regarding the customer, the outcome of the customer due diligence procedures specified under Sections 7-10 is not fully available.

Section 43

(1) The minister is hereby authorized to publish - by way of a decree - the list of third countries which impose requirements equivalent to those laid down in this Act, and to publish - by way of a decree - the list of third countries whose nationals are not permitted to benefit from the simplified customer due diligence procedures by virtue of the Commission decisions adopted according to Paragraph (4) of Article 40 of Directive 2005/60/EC.
(2) The minister is hereby authorized to lay down in a decree the mandatory content of internal rules.

Section 44

[no longer in effect]

Section 45

(1) Following the entry of this Act into force, the supervisory body mentioned under Section 5 shall make available the model rules within forty-five days after the time of this Act entering into force.
(2) Service providers already existing at the time of this Act entering into force are required to amend their internal rules within ninety days of the time of this Act entering into force to comply with the provisions of this Act.
(3) In addition to satisfy the requirements set out in specific other legislation that are to be meet for obtaining a license permit, the service providers listed under Paragraphs *a)-e)*, *i)* and *l)* of Subsection (1) of Section 1 established after the time of this Act entering into force shall submit also their internal rules for approval to the competent supervisory body mentioned under Section 5 together with the license application.
(4) The service providers commencing the activities referred to in Paragraph *a)* of Subsection (1) of Section 1, by providing payment services according to Subparagraph *g)* of Point 9 of Chapter I of *Schedule No. 2* to the CIFE Act, as well as service providers commencing the activities referred to in Paragraphs *f)-h)*, *j)* and *m)* of Subsection (1) of Section 1 are required to draw up their internal rules and submit it for approval to the supervisory body determined in Section 5 within ninety days following the commencement of operations.
(5) The Hungarian Bar Association shall draw up internal rules for individual lawyers and single-member law firms, and the Hungarian Chamber of Notaries Public shall draw internal rules for notaries public within ninety days following the time of this Act entering into force.
(6) Service providers engaged in trading in goods, if not listed in the register referred to in Subsection (4) of Section 33, may accept cash payments of three million six hundred thousand forints or more only until 15 March 2008.

Modified legal provisions
Section 46

[no longer in effect]

Section 47

[no longer in effect]

Section 48

[no longer in effect]

Section 49

[no longer in effect]

Section 50

[no longer in effect]

Section 51

[no longer in effect]

Section 52

[no longer in effect]

Section 53

[no longer in effect]

Section 54

[no longer in effect]

Section 55

[no longer in effect]

Compliance with the legal provisions of the European Communities
Section 56

(1) This Act serves the purpose of conformity with the following legislation of the Communities:
a) Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing;
b) Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.
(2) This Act contains provisions 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.

ANNEX IV: EXTRACTS FROM ACT IV OF 1978 ON THE CRIMINAL CODE

Act IV of 1978 on the Criminal Code

Title II

Attempt and Preparation
Section 16

Any person who commences the perpetration of a premeditated crime, but does not finish it, shall be punishable for attempt.

Section 17

(1) The sentence applicable to a consummated offense shall also be applied for attempt.
(2) The punishment may be reduced without limitation or dismissed altogether if the attempt has been perpetrated on an unsuitable subject or with an unsuitable instrument or in an unsuitable way.
(3) Any person who voluntarily withdraws from the criminal activity before it is committed, furthermore, the person who deliberately attempts to prevent the crime, shall not be liable for prosecution for attempt.
(4) If in the case of Subsections (2) and (3), the attempt in itself constitutes another crime, the perpetrator shall be liable for prosecution for that crime.

Preparation
Section 18

(1) If it is expressly prescribed by law, any person who provides for the perpetration of a crime the conditions required therefore or facilitating that, who invites, offers for, undertakes its perpetration, or agrees on joint perpetration, shall be punishable for preparation.
(2) Prosecution for preparation shall not apply against a person:
a) who voluntarily discontinues his participation in the preparation before the act is committed;
b) who withdraws his invitation, offer, undertaking with the aim of the prevention of the perpetration, or attempts to pursue other contributors to withdraw from the criminal activity, provided that the commencement of the perpetration does not take place for any reason whatsoever;
c) who informs the authority about the preparation.
(3) In the cases of Subsection (2), if the preparation constitutes another crime in itself, the perpetrator shall be liable for prosecution for that crime.

Title III
The perpetrator
Section 19

Perpetrators are the perpetrator, the indirect perpetrator and the coprincipal perpetrators, the abettor and the accessory (accomplices).

Section 20

(1) Perpetrator is a person who realizes the legal facts of a crime.
(2) Indirect perpetrator is a person who realizes the legal facts of a malicious crime with using a person who shall not be prosecuted for that crime because this person has not reached the age of

fourteen at the time the act was committed, or has committed the criminal act in a compromised mental state, or has committed the act under coercion or duress or has been mistaken.
(3) Coprincipals are the persons who jointly realize the legal facts of an intentional crime, in awareness of each other's activities.

Section 21

(1) Abettor is a person who intentionally persuades another person to perpetrate a crime.
(2) Accessory is, who intentionally grants assistance for the perpetration of a crime.
(3) The item of punishment established for the perpetrators shall also be applied for the accomplices.

Confiscation
Section 77

(1) An object shall be confiscated:
a) which is actually used or intended to be used as an instrument for the commission of a criminal act;
b) the possession of which constitutes an endangerment to public safety or is illegal;
c) which is created by way of a criminal act;
d) for which the criminal act was committed, or that was used for the transportation of this object in connection with the criminal act after the fact.
(2) Media products, in which a criminal act is realized, shall be confiscated.
(3) In the cases defined under Paragraphs a) and d) of Subsection (1) confiscation shall not be ordered if the object is not owned by the perpetrator, unless the owner was aware of the perpetration of the criminal act, and unless confiscation is prescribed mandatory by international convention.
(4) Confiscation shall be ordered, even if the perpetrator cannot be prosecuted due to being a minor or to a mental disorder, or if the perpetrator had been reprimanded.
(5) No confiscation shall be ordered after the lapse of time of the statute of limitations for the punishability of the act, but at least after five years.
(6) Confiscation of an object shall not be ordered if it falls within the scope of forfeiture of assets.
(7) Confiscated objects shall devolve upon the State unless otherwise prescribed by law.

Section 77/A

(1) In the cases under Paragraphs a) and d) of Subsection (1) of Section 77, confiscation may be foregone in exceptional cases, if it entailed an unreasonable burden to the perpetrator or the owner, disproportionate to the gravity of the criminal act, provided the omission of confiscation is not precluded by any international obligation.
(2) Subsection (1) shall not apply in connection with crimes committed in a criminal organisation.

Forfeiture of property
Section 77/B

(1) The following shall be subject to forfeiture of property:
a) any property resulting from criminal activities, obtained by the offender in the course of or in connection with, a criminal act;
b) any property obtained by an offender during his/her participation in a criminal organisation;
c) any property used to replace the property obtained by the offender in the course of or in connection with, a criminal act;
d) any property that was supplied or intended to be used in order to ensure the conditions required for or facilitating the commission of a crime,

e) any property which was the subject of a given material advantage.
(2) Property originating from a criminal offence obtained in the course of or in relation to the perpetration of a criminal act through which another person has enriched, shall also be forfeited. If an economic association has enriched with such kind of assets, forfeiture of property shall be ordered against that economic association.
(3) In the event of death of the perpetrator or the person profiteering as specified in Subsection (2), or the economic operator was transformed, the property as specified in Subsection (1) and transferred by succession shall be forfeited from the successor in title.
(4) In the case referred to in Paragraph b) of Subsection (1), all property obtained by the perpetrator during his participation in a criminal organisation, crime shall be subject to forfeiture until proven otherwise.
(5) The following property cannot be forfeited:
a) that is reserved to cover any civil claim awarded during the criminal proceeding;
b) that was obtained in good faith for consideration;
c) in the case referred to in Paragraph b) of Subsection (1), if the property is proven to be legitimate.

Section 77/C

(1) Forfeiture of property shall be ordered for a specific sum:
a) if the property is no longer accessible;
b) if the property subject to forfeiture under Section 77/B cannot be separated from other assets, or it would impose unreasonable difficulties;
c) in the case defined in Paragraph b) of Subsection (5) of Section 77/B.
(2) Forfeiture of assets shall be ordered, even if the perpetrator cannot be prosecuted due to being a minor or to a mental disorder, or if the perpetrator had been reprimanded.
(3) Forfeited assets shall become the property of the State unless otherwise prescribed by law.
(4) For the purposes of Sections 77/B and 77/C, any profits, intangible assets, claims of any monetary value and any material gain or advantage shall also be deemed as property.

Crimes against transportation safety
Section 184

(1) Any person who endangers the safety of railway, air, water or public road traffic by damaging or destroying a traffic route or corridor, a vehicle, traffic control equipment or the appurtenances thereof, by creating an obstacle, removing or changing a traffic sign, installing a misleading sign, using violence or threats against the driver of a vehicle in traffic, or by any other similar manner is guilty of a felony punishable by imprisonment for up to three years.
(2)The punishment shall be:
a) imprisonment for up to five years if the crime results in grievous bodily harm;
b) imprisonment between two to eight years if the crime results in permanent physical disability or a grave injury to health, or a mass catastrophe;
c) imprisonment between five to ten years if the crime results in death;
d) imprisonment between five to fifteen years if the crime results in a mass catastrophe causing death.
(3) Any person who commits the crime defined in subsection (1) by way of negligence is guilty of a misdemeanour punishable by imprisonment for up to one year in the cases defined in subsection (2), or by imprisonment for up to two years, three years, five years or between two to eight years in accordance with the distinction made there.
(4) The punishment may be reduced without limitation - or dismissed in cases deserving special consideration - against any person who voluntarily terminates the danger before any damage occurs in consequence.

Acts of Terrorism

Section 261

(1) Any person who commits a violent crime referred to in Subsection (9) against persons or commits a crime that endangers the public or involves the use of a firearm in order to:
a) coerce a government agency, another state or an international body into doing, not doing or countenancing something;
b) intimidate the general public;
c) conspire to change or disrupt the constitutional, economic or social order of another state, or to disrupt the operation of an international organization;
is guilty of a felony punishable by imprisonment between ten to twenty years, or life imprisonment.
(2) Any person who seizes considerable assets or property for the purpose defined in Paragraph a) and makes demands to government agencies or non-governmental organizations in exchange for refraining from harming or injuring said assets and property or for returning them shall be punishable according to Subsection (1).
(3) The punishment of any person who:
a) abandons commission of the criminal act defined under Subsections (1) and (2) before any grave consequences are able to materialize; and
b) confesses his conduct to the authorities;
in such a manner as to cooperate with the authorities to prevent or mitigate the consequences of such criminal act, apprehend other coactors, and prevent other criminal acts may be reduced without limitation.
(4) Any person who instigates, suggests, offers, undertakes to participate in the commission, or agrees on joint perpetration of any of the criminal acts defined under Subsection (1) or (2), or in order to promote the commission of the offence ensures the conditions required therefore or facilitating that, or provides or collects funds to promote the commission of the offence is guilty of felony punishable by imprisonment from two to eight years
(5) He/she who commits the acts described under (4) in the interest of the crimes described under (1) or (2) in a terrorist group and/or supports the activity of the terrorist group in other ways, commits a crime and is punishable with loss of liberty between 5 to 10 years.
(6) The perpetrator of a criminal act defined in Subsection (4) or (5) shall not be liable for prosecution if he confesses the act to the authorities before they become aware of it and reveals the circumstances of the criminal act.
(7) Any person threatening to commit the crimes specified in Subsections (1) and (2) is guilty of a felony punishable by imprisonment between two to eight years.
(8) Any person who has positive knowledge concerning plans for a terrorist act and fails to promptly report that to the authorities is guilty of a felony punishable by imprisonment for up to three years.
(9) For the purposes of this Section:
a) 'violent crime against a person and crime of public endangerment that involves the use of firearms' shall mean homicide [Subsections (1) and (2) of Section 166], battery [Subsections (1)-(5) of Section 170], willful malpractice [Subsection (3) of Section 171], violation of personal freedom (Section 175), kidnapping (Section 175/A), crimes against transportation safety [Subsections (1) and (2) of Section 184], endangering railway, air or water traffic [Subsections (1) and (2) of Section 185], violence against public officials (Section 229), violence against persons performing public duties (Section 230), violence against a person aiding a public official (Section 231), violence against a person under international protection (Section 232), public endangerment [Subsections (1)-(3) of Section 259], interference with public works [Subsections (1)-(4) of Section 260], seizure of an aircraft, any means of railway, water or road transport or any means of freight transport (Section 262), criminal misuse of explosives or explosive devices (Section 263), criminal misuse of firearms or ammunition [Subsections (1)-(3) of Section 263/A], criminal misuse of military items and services, and dual-use items and technology (Subsections (1)-(3) of Section 263/B), criminal misuse of radioactive materials [Subsections (1)-(3) of Section 264], criminal misuse of weapons prohibited

by international convention [Subsections (1)-(3) of Section 264/C], crimes against computer systems and computer data (Section 300/C), robbery (Section 321), and vandalism (Section 324);
b) 'terrorist group' shall mean a group consisting of three or more persons operating in accord for an extended period of time whose aim is to commit the crimes defined in Subsections (1)-(2).

Violation of International Economic Restrictions
Section 261/A

(1) Any person who violates:
a) the obligation for freezing liquid assets, other financial interests and economic resources;
b) an economic, commercial or financial restriction;
c) import or export prohibitions
imposed on the basis of an obligation to which the Republic of Hungary is committed under international law, or ordered in regulations adopted under Article 60 of the Treaty establishing the European Community, or in regulations and decisions adopted by authorization of these regulations, or ordered in the Council's common position adopted under Article 15 of the Treaty on the European Union, is guilty of a felony punishable by imprisonment for up to five years.
(2) The punishment shall be imprisonment between two to eight years if the violation of international economic restriction is committed:
a) with violence;
b) by a public official in an official capacity.
(3) The punishment shall be imprisonment between five to ten years if the violation of international economic restriction is committed:
a) in connection with trafficking in fire arms, ammunition, explosives, destructive devices or an apparatus serving for the utilization thereof, or of any product designed for military use;
b) by force of arms.
(4) Any person who engages in preparations for the violation of any international economic restriction shall be punishable for a felony by imprisonment of up to three years.
(5) The person who has positive knowledge of preparations being made for the violation of any international economic restriction or that such a crime has been committed and is as yet undetected, and fails to promptly report that to the authorities, is guilty of a misdemeanor punishable by imprisonment for up to two years. Relatives of the persons committing the offense of misprision shall not be liable for prosecution.
(6) For the purposes of this Section, unless otherwise prescribed by legal regulation promulgating an obligation or restriction under international law:
a) ‘funds, other financial assets and economic resources’ shall mean the assets specified in Point 1 of Article 1 of Council Regulation (EC) No. 2580/2001 of 27 December 2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism;
b) ‘freezing of funds, other financial assets and economic resources’ shall have the meaning conveyed in Point 2 of Article 1 of Council Regulation (EC) No. 2580/2001 of 27 December 2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism.
c) the prohibitions referred to in Paragraph c) of Subsection (1) shall mean the prohibition of import or export of the goods listed in Annex II of Council Regulation (EC) No. 1236/2005 of 27 June 2005 concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment.

Money Laundering
Section 303

(1) Any person who, in order to conceal the origin of a thing obtained from criminal activities committed by others, that is punishable by imprisonment:
a) converts or transfers the thing in question, or uses in his economic activities;
b) conceals or suppresses any right attached to the thing or any changes in this right, or conceals or suppresses the place where thing can be found;
c) performs any financial transaction or receives any financial service in connection with the thing
is guilty of felony punishable by imprisonment of up to five years.
(2) The punishment in accordance with Subsection (1) shall also be imposed upon any person who, in connection with a thing obtained from criminal activities, that is punishable by imprisonment, committed by others:
a) obtains the thing for himself or for a third person;
b) safeguards, handles, uses or consumes the thing, or obtains other financial assets by way of or in exchange of the thing, or by using the consideration received for the thing
if being aware of the origin of the thing at the time of commission.
(3) The punishment in accordance with Subsection (1) shall also be imposed upon any person who, in order to conceal the origin of a thing that was obtained from his/her criminal activities that is punishable by imprisonment:
a) uses the thing in his economic activities;
b) performs any financial transaction or receives any financial service in connection with the thing.
(4) The punishment shall be imprisonment between two to eight years if the money laundering specified under Subsections (1)-(3):
a) is committed in businesslike manner;
b) involves a substantial or greater amount of money;
c) is committed by an officer or employee of a financial institution, investment firm, commodities broker, investment fund manager, venture capital fund manager, exchange market, clearing house, central depository, body acting as a central counterparty, insurance company, reinsurance company, voluntary mutual insurance fund, private pension fund or an institution for occupational retirement provision, or an organization engaged in the operation of gambling activities;
d) is committed by a public official in an official capacity;
e) is committed by an attorney-at-law.
(5) Any person who agrees on perpetration of money laundering as specified under Subsections (1)-(4) is guilty of misdemeanour punishable by imprisonment of up to two years.
(6) The person who voluntarily reports to the authorities or initiates such a report shall not be liable for prosecution for money laundering as specified under Subsections (1)-(5), provided that the act has not yet been revealed, or it has been revealed only partially.

Section 303/A

(1) Any person who, in connection with a thing obtained from criminal activities, that is punishable by imprisonment, committed by others:
a) uses the thing in his economic activities;
b) performs any financial transaction or receives any financial service in connection with the thing,
and is negligently unaware of the origin of the thing is guilty of misdemeanour punishable by imprisonment of up to two years, community service work, or a fine.
(2) The punishment shall be imprisonment for misdemeanour for up to three years if the act defined in Subsection (1):
a) involves a substantial or greater amount of money;
b) is committed by an officer or employee of a financial institution, investment firm, commodities broker, investment fund manager, venture capital fund manager, exchange market, clearing house, central depository, body acting as a central counterparty, insurance company, reinsurance company,

voluntary mutual insurance fund, private pension fund or an institution for occupational retirement provision, or an organization engaged in the operation of gambling activities;
c) is committed by a public official in an official capacity.
(3) The person who voluntarily reports to the authorities or initiates such a report shall not be liable for prosecution for money laundering as specified under Subsections (1) and (2), provided that the act has not yet been revealed, or it has been revealed only partially.

Failure to Comply with the Reporting Obligation Related to Money Laundering
Section 303/B

Any person who fails to comply with the reporting obligation prescribed by the Act on the Prevention and Combating of Money Laundering and Terrorist Financing is guilty of misdemeanor punishable by imprisonment of up to two years.

Interpretative Provision
Section 303/C

(1) In the application of Sections 303 and 303/A, the term 'thing' shall also cover instruments embodying rights to some financial means and dematerialized securities, that allows access to the value stored in such instrument in itself to the bearer, or to the holder of the securities account in respect of dematerialized securities.
(2) In the application of Sections 303 and 303/A, financial activities and financial services shall mean financial services and activities auxiliary to financial services, investment services and activities auxiliary to investment services, commodity exchange services, investment fund management services, venture capital management services, exchange services, clearing and settlement services, central depository services, the activities of bodies acting as central counterparties, insurance services, reinsurance services, and the activities of independent insurance intermediaries, voluntary mutual insurance funds, private pension funds and institutions for occupational retirement provision.

Interpretative Provision
Section 315

(2) For the purpose of Chapter VII (comprises of Section 287 to 315) the term 'economic activities' shall mean activities in the fields of manufacture, trade or service performed at one's own risk, on a regular basis in order to originate income, or in a way which originates income.

ANNEX V: EXTRACTS FROM ACT XIX OF 1998 ON CRIMINAL PROCEEDINGS

Official requests for information
Section 71

(1) The court, the prosecutor and the investigating authority may contact central and local government agencies, authorities, public bodies, business organisations, foundations, public endowments and public organisations to request the supply or transmission of information, data or documents, and may prescribe a time limit for fulfilling such request ranging between a minimum of eight and maximum of thirty days. Encrypted data and information made unrecognisable in any other manner shall be restored in their original condition by the supplier prior to communication or delivery, or made cognisable to the requestor thereof. The organisation contacted as detailed in subsections (1) and (2) shall perform this data supply – including especially data processing, recording the data in writing or electronically and data transfer – free of charge. Unless stipulated otherwise by law, the organisation contacted shall fulfil the request within the prescribed deadline or state the reason for non-compliance therewith.
(2) The court, the prosecutor and the investigating authority may also contact the local government and other authorities for the supply of documents.
(3) Requests concerning the provision of personal data shall only extend to the amount and type of data indispensable for the achievement of the objective of the request. The request shall precisely state the purpose of the data supply and scope of data required.
(4) If the personal data coming to the notice of the requestor as a result of the request are not relevant for the achievement of the objective of the request, the data shall be deleted.
(5) If the personal data specified in subsection (4) are contained in the original copy of the document, an abstract shall be made on the data relevant for the achievement of the objective of the request, and simultaneously the document shall be returned to the sender.
(6) If the organisation contacted fails to fulfil the request within the prescribed deadline or unlawfully refuses to fulfil the request, a disciplinary penalty may be imposed. In the event of unlawful refusal to comply with the request, the coercive measures stipulated herein may also be ordered in addition to imposing the disciplinary penalty, provided that the conditions set forth by law are met.
(7) If the organisation requested is unable to fulfil the request on account of being prohibited by law, no further procedural action towards such organisation may be taken to obtain the information possessed by it.
(8) If the conditions set forth in the Act on the Admission and Stay of Foreign Citizens are otherwise not fulfilled, the prosecutor and the court may make a motion to the immigration control authority to issue a permission for the admission and stay of the foreign citizen and – in consideration of this foreign citizen – of his relative whose testimony may hold evidence which presumably would not be available otherwise.

Seizure
Section 151

(1) Seizure means taking the property into custody or ensuring the keeping of the property in some other way by the court, the prosecutor or the investigating authority in order to obtain evidence or ensure confiscation or forfeiture of the property.
(2) The court, the prosecutor or the investigating authority shall order the seizure of the property – included the property made by the investigating authority by using its own tools; the property which has been remoted of or from an object in such a way that it has no value or in itself it is unserviceable; and the property which should be considered derelict – computer system or data medium containing data recorded by such a system if it
a) constitutes a means of evidence,

b) may be subject to confiscation or forfeiture of property by law.
(3) Seizure of documents kept in the office of a notary public, a law firm or a health institution and containing any professional secret related to the notary public's or lawyer's activity or health data shall be ordered by the court.
(4) Seizure of mail and new communication not delivered to the addressee as yet, as well as of documents of the editorial office of printed matters shall be ordered prior to filing the indictment by the prosecutor, or thereafter by the court. Until the decision is made, the consignment may only be subject to retention.
(5) If seizure is ordered by the court or the prosecutor, they may request the assistance of the investigating authority for the execution of the order.
(6) If the prosecutor or the investigating authority is not entitled to order the seizure but immediate action is required, the property may be taken into custody. In this case the order for seizure shall be obtained subsequently, as early as possible from the party entitled to issue it. The property shall be released from custody and returned to the holder if seizure is not ordered by the party entitled to issue such an order.

Section 152

(1) In order to effectuate the seizure, the holder of the property, computer system or data medium containing data recorded by such system or the data manager shall be demanded to surrender the subject of the seizure or, when appropriate, make the data recorded by a computer system available. Failure to obey the above demand voluntarily may be subject to disciplinary penalty, provided however, that no disciplinary penalty may be imposed on the defendant, a person entitled to refuse to testimony as a witness and persons who may not be questioned as a witness. The refusal to surrender the property shall not prevent obtaining the property or data recorded by a computer system by way of a search or body search. The person affected shall be warned of the above.
(2) Letters and other written communication between the defendant and the counsel for the defendant, and the notes of the counsel for the defendant pertaining to the case may not be seized.
(3) Letters and other written communication between the defendant and a person who may refuse to testify as a witness under Section 82 (1) may not be seized when they are kept by the latter person.
(4) Documents the contents of which may be subject to the refusal of a testimony may not be seized, either, when they are kept by the person who may refuse to testify as a witness. This restriction shall also apply to the papers and properties kept at the official premises of a person who may refuse to testify as a witness pursuant to Section 82 (1) c).
(5) The restrictions set forth in subsections (3) and (4) shall not apply if
a) the person entitled to refuse to testify as a witness is suspected on reasonable grounds to be an accomplice, an accessory, an abettor or a receiver in the case,
b) the property to be seized is the instrument of the criminal offence,
c) the person entitled to refuse to testify as a witness voluntarily surrenders the property intended to be seized, after being advised of the provisions of subsections (3) and (4).

Sequestration
Section 159

(1) Sequestration means the suspension of the right of disposal over sequestered assets and property rights. Sequestration may be ordered by the court.
(2) If the proceedings are conducted on account of a criminal offence where forfeiture of property may be applied, or if a civil claim is enforced and there is reasonable ground to fear that its satisfaction will be frustrated, sequestration may be ordered on the entire property of the defendant, designated part thereof or certain assets in order to ensure coverage for the above. Sequestration may

be ordered in respect of the property, property part or individual asset which may be subject to forfeiture of property but which is not in the possession of the defendant. The registration of the sequestration in authentic records shall be arranged for without delay. In the absence of authentic records as specified in a separate legal regulation, the business organisation affected by the sequestration shall be notified.
(3) Sequestration to secure a civil claim enforced by a private party shall be subject to the motion of the private party. In the course of the investigation, sequestration may also be effected at the motion of the victim. If the court ordered forfeiture of property concerning a real property in its non-final conclusive decision, it may order the sequestration of the real property until the procedure is concluded finally, in order to ensure the above.
(4) The sequestration shall be released if
a) the cause for ordering it has ceased to exist, if the investigation has been terminated or its maximum period has expired, unless the claimant of the sequestered asset or the right of disposal over property rights initiated civil proceedings to uphold his claim within sixty days thereafter,
b) sequestration was ordered to secure coverage for a specific sum of money, and this amount has been deposited,
c) the proceedings have been concluded without applying forfeiture of property, or the civil claim has been dismissed,
d) upon winning a civil claim, the private party failed to request distraint within thirty days following the expiry of the agreed date of performance,
e) after the civil claim has been referred to other legal ways, the prosecutor or the private party fails to prove the enforcement of their claim within sixty days.
(5) The deadline specified in subsections (4) a), d) and e) shall be calculated from the communication of the decision on releasing the sequestration, terminating the investigation, awarding the civil claim or referring the claim to other legal way.
(6) The order for the seizure of a real property shall be executed in compliance with the rules of sequestration.
(7) Sequestration may also be terminated by the prosecutor until the indictment has been submitted.

Precautionary measure
Section 160

(1) Precautionary measure is taken to effect sequestration, with the aim to temporarily prevent the defendant or other interested party from exercising their right of disposal over their movable or real property, securities representing property rights, funds managed by a financial institution under a contract or due share or ownership interest in a business organisation.
(2) The prosecutor or the investigating authority may apply precautionary measure if probable cause exists to believe that the conditions for sequestration prevail and the defendant attempts or there is reasonable cause to believe that the defendant has attempted to conceal the property specified in subsection (1), to transfer, alienate or encumber the rights of disposal thereover.
(3) As a precautionary measure, the investigating authority or the prosecutor shall seize the properties specified in subsection (1), or request the authorities listed in Section 61 to take the actions falling under their scope of competence. The authorities shall take immediate action and notify the investigating authority or the prosecutor thereof without delay.
(4) The investigating authority or the prosecutor may also contact agencies and business organisations other than those listed in Section 61 in order to freeze the property of the defendant and to register the precautionary measure. The agencies contacted shall forthwith register the request to effect the precautionary measure, arrange the freezing of the property and notify the requesting investigating authority or the prosecutor thereof.
(5) Precautionary measure may primarily be implemented against a person whose right of disposal would be suspended by the sequestration. However, it may also be implemented against other persons who maintain contact with, or there is reasonable cause to believe that would contact the defendant in order to conceal the property or to transfer or alienate the rights of disposal thereover.

(6) After the registration of the precautionary measure, the subject of the measure shall tolerate the temporary suspension of his right of disposal.
(7) Following a precautionary measure, an order for sequestration shall be motioned for without delay with the notification of the person affected, unless this jeopardises the effectuation thereof. In the absence of a court order for sequestration, the precautionary measure shall be annulled without delay.

Procedure related to confiscation, forfeiture of property or disposal of items seized
Section 569

(1) Upon the motion of the prosecutor the court shall decide upon confiscation, forfeiture of property or the transfer of any seized items into the ownership of the state if no criminal proceedings have been instituted against anyone or the criminal proceedings have been terminated, or suspended due to the unknown location or mental disease of the defendant.
(2) The procedure shall be conducted by the court having competence and jurisdiction to adjudicate the criminal offence; or, if such a court cannot be designated, the court at which the prosecutor has filed the motion to this effect.
(3) The court decision shall not be subject to an appeal, however, within eight days of the service of the ruling, the prosecutor and those affected by the dispositions in the decision may request that a trial be held.
(4) The prosecutor and those interested owing to the motion shall be notified of the trial. Should the interested person be unknown or absconding or fail to command the Hungarian language, the court shall appoint a representative to act on his behalf.
(5) In respect of the trial, the provisions set forth in Chapter XXVII shall be applied as appropriate. As regards bearing the costs of criminal proceedings, the relevant general provisions (Sections 338 to 340) shall be applied as appropriate. The interested person may also appeal the ruling delivered at the trial; such appeal shall have a delaying effect.
(6) The tasks of the court specified in subsections (1) and (2) may also be performed by the court secretary, without, however, being entitled to hold a trial.

ANNEX VI: ACT CLXXX OF 2007 ON THE IMPLEMENTATION OF FINANCIAL AND ASSET-RELATED RESTRICTIVE MEASURES ORDERED BY THE EUROPEAN UNION, AND ON RESPECTIVE AMENDMENTS OF OTHER LAWS

Interpretative provisions

1. § For the purpose of this Act the following definitions shall apply:
a) Community legal act shall mean regulations adopted under Article 60 of the Treaty establishing the European Community, or on the basis of regulations or decisions adopted under authorization by these regulations;
b) dispensation (exemptions) shall mean the purpose-limited permission of exercising the right to dispose of funds or economic resources covered by the financial and asset-related restrictive measures on a case-by-case basis;
c) financial and asset-related restrictive measures shall mean freezing of funds and economic resources ordered by Community legal act, and preventing the execution of a transaction from which the subject of the financial and asset-related restrictive measures would obtain any asset-related benefit;
d) subject of the financial and asset-related restrictive measures shall mean any natural or legal person, group or entity designated by the Community legal act or the members thereof;
e) Asset registration shall mean the real estate register, register of companies, vehicle register, ship register, aircraft register and the cultural heritage register as defined by specific legal acts.

Scope of application

2. § When a community legal act orders a financial and asset-related restrictive measure, it shall be executed in accordance with this Act and the Act LIII of 1994 on Judicial Enforcement.

Execution of financial and asset-related restrictive measures

3. § (1) Within 30 days after entering into force of the Community legal act on ordering financial and asset-related restrictive measures the authority being responsible for the execution of financial and asset-related restrictive measures (hereinafter: Authority) examines whether the subject of the financial and asset-related restrictive measures has funds or economic resources covered by the financial and asset-related restrictive measures within the territory of the Republic of Hungary.
(2) After the examination laid down in Subsection (1) within the period of financial and asset-related restrictive measures in force the Authority monitors constantly whether the individual or organisation subject to financial and asset-related restrictive measures has funds or economic resources covered by the financial and asset-related restrictive measures within the territory of the Republic of Hungary.
(3) If the individual or organisation subject to financial and asset-related restrictive measures has funds or economic resources covered by the financial restrictive measures within the territory of the Republic of Hungary, or the individual or organisation subject to financial restrictive measures gains advantage from a transaction, the Authority referring to the applicable Community legal act, after the examination has to inform – with sending the results of the examination laid down in Subsection (1)-(2) and Subsection (3)-(4) Section 10, and data laid down in Subsection (4) – without delay

a) the County (Capital) Court being competent according to the location of asset or economic resources (hereinafter: Court);
b) the competent Company Registration Court;
c) the minister being responsible for tax policy;

d) if the individual or organisation subject to financial and asset-related restrictive measures has economic resources registered in an asset registration, the authority operating the asset registration.

(4) The notice of the Authority according to the Subsection (3) contains the personal data laid down in Subsection (1) Section 7 and

a) according to the form of the organization determined by special Acts, the appropriate identification data of the legal person or organization without legal entity which has entitlement to obstruct the execution of the financial and asset-related restrictive measure;

b) all necessary identification data of funds and economic recourses covered by the financial and asset-related restrictive measures

4. § (1) The Court orders freezing in non-trial legal procedure on the basis of the notice of the Authority according to the Subsection (3) Section 3 in order to execute the financial and asset-related restrictive measures. The Court has to inform – by means of electronic message having enhanced secured electronic signature or fax – the Authority without delay about ordering freezing.

(2)When the court on the basis of the notice of the Authority according to the Subsection (3) Section 3 concludes that the conditions of the freezing do not exist, it has to inform the authority by the way determined in the Subsection (1).

(3)The execution shall be ordered on funds and economic resources which are covered by financial and asset-related restrictive measures.

5. § (1) The court bailiff has to inform within three working days the Authority and the minister being responsible for tax policy about the execution of the financial and asset-related restrictive measure, and about the end of the execution.

The Company Registration Court has to inform within three working days the Authority and the minister being responsible for tax policy about the suspension of the company according to the article 85 section 1 point b of Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings and about the termination of operation of the company according to the Article 85 Section 2 of Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings.

(2) The minister responsible for tax policy informs the other Member States and Institutions of the European Union on the executed measures and other circumstances determined by the community legal act ordering the financial and asset-related restrictive measures.

Dispensation process

6. § (1) If the Community legal act on ordering financial and asset-related restrictive measures allows an exemption from the restrictive measure, the discharge is set in place according to this Section.

(2) The application for discharge shall be shall be submitted to the Authority but it shall be addressed to the Court. The Authority:

a) informs the minister responsible for tax policy about the application for discharge

b) shall commence and carry out the necessary consultation procedures with the competent Sanctions Committee of the United Nations Security Council according to the concerned decision without delay if the financial and asset-related restrictive measure ordered by the European Union is based on a Resolution of the United Nations Security Council

c) informs the Court without delay - following completion of the consultation process - about the outcome and simultaneously sends the application as well.

(3) the Court shall take its decision on the dispensation in extrajudicial procedure within 60 days from the filing of the application also taking into consideration its freezing order issued earlier.

(4) the Court shall disclose its order to the Authority and the minister responsible for tax policy.

(5) the minister responsible for tax policy – according to the Community legal act – informs the Member States and the Institutions of the European Union.

Data processing and request

7. § (1) The Authority in order to determine whether the individual or organisation subject to financial and asset-related restrictive measures has funds or economic resources covered by the financial and asset-related restrictive measures in the territory of the Republic of Hungary, is entitled to handle personal data on

a) the birth name and married name, date of birth, the place of birth, place of living or residence, of the subject of financial and asset-related restrictive measures; furthermore any other identification data published in the Community legal act ordering financial and asset-related restrictive measures

b) the birth name and the married name, date of birth, place of birth, place of living or residence data of the natural person entitled to obstruct the execution of the financial and asset-related restrictive measure

(2) The Authority shall delete without delay the data collected during its process if the conditions of the freezing do not exist any more.

8. § (1) The Authority may request information from any administrative authority in order to fulfill its task laid down in Section 3 if

a) such data or factual knowledge is necessary and can be obtained from the register or file of the requested administrative authority

b) a document or other evidence which exist or can be obtained from the requested administrative authority (public or local administrative authority) is requested.

(2) In the request - according to the subsection 1 - the purpose of the use of data, file or other evidence shall be marked and it shall contain that the personal data will be obtained under this Act.

(3) The requested authority may refuse the request only in case if it violates the law. If other authority is entitled to fulfill the request, the requested authority shall forward the request - without delay and not later than within five days from the date of reception of the request - to the competent authority, and he shall inform the requesting authority at the same time.

(4) If legislation does not impose a shorter deadline, the request shall be fulfilled within eight days.

(5) In case a Hungarian foreign representation authority is requested, the deadline to fulfill the request commences on the date of the reception of the request by the Hungarian foreign representative authority.

9. § The Authority - in order to examine the data laid down in Section 3 subsection 4 and section 7 subsection 1; and in order to fulfil its task – is entitled to request data laid down Section 3 subsection 4 and section 7 subsection 1 from the:

a) personal data and address register
b) register of persons disposing of work permit
c) register of companies
d) register of persons disposing of private entrepreneur's licence
e) real estate register
f) ship register
g) aircraft register
h) central alien policing register
i) public road transport register (vehicle and driving licence register)
j) cultural heritage register.

(2) the authority responsible for the handling of the personal data and address register shall inform the Authority about the

a) death occurred in Hungary or name change

b) the termination or change of the announced residence
of the subject of the financial and asset-related restrictive measures.

(3) If the subject of the financial and asset-related restrictive measure does not fall under of the scope of the act on registration of personal data and residence of citizens, the central alien policing authority shall inform the Authority about the change of the announced residence of the subject of financial and asset-related restrictive measures.

The obligations of service providers and authorities operating asset registrations and the applicable measures

10. § (1) The persons and organisations being subject to Act on Prevention and Combating Money Laundering and Terrorist Financing (hereinafter: service providers) and authorities operating asset registrations are obliged to report –by sending the personal data laid down in Subsection (1) Section 7 – to the Authority without delay any data, fact, circumstance indicating that the individual or organisation subject to financial and asset-related restrictive measures has funds or economic resources covered by the financial and asset-related restrictive measures in the territory of the Republic of Hungary.
(2) The service providers and authorities operating asset registrations are obliged to report –by sending the personal data laid down in Subsection (1) Section 7 – to the Authority without delay any data, fact, circumstance indicating that the individual or organisation subject to financial and asset-related restrictive measures gains advantage from a transaction.
(3) The Authority examines the report sent by the service providers in line with Subsection (1)-(2)
a) in the case of a domestic transaction within one working day
b) in the case of a non-domestic transaction within two working days.

(4) The Authority examines the report sent by the authorities operating asset registrations in line with Subsection (1)-(2) within three working days.
(5) The Authority on the basis of the examination laid down in Subsection (3)-(4)
a) acts in accordance with Subsection (3)-(4) Section 3, and informs – besides the authorities determined by Subsection (3) Section 3 – the service providers or the authorities operating asset registrations, or
b) informs the service providers or the authorities operating asset registrations that the requirements laid down in Subsection (3)-(4) Section 3 are not met.

(6) The service provider after sending a report in accordance with Subsection (1)-(2)
a) in the case of domestic transaction within one working day
b) in the case of non-domestic transaction within two working days
is obliged to refrain from carrying out the transaction that – on the basis of the report – is involved into the funds or economic resources covered by the financial and asset-related restrictive measures unless it was informed by the Authority according to the Point b) Subsection (5).

(7) The transaction shall be carried out – if other conditions exist-
a) in the case of domestic transaction on the second working day
b) in the case of non-domestic transaction on the third working days
from the reception of the report except for the service provider received notification laid down in subsection 5 point a.

(8) The authority operating an asset registration must not carry out the request for registration or request for registration of changes within three working days from the time when the report was sent if data, fact, circumstance indicating that the request is connected to fund or economic resources

covered by financial and asset-related restrictive measures except for the authority operating an asset registration received notification as laid down in subsection 5 point a).
The request for registration or request for registration of changes shall be carried out – if other conditions exist - on the fourth working day from the reception of the report except for the authority operating an asset registration received notification laid down in subsection 5 point a).
11-19.§

Compliance/harmonisation with the law of the European Union

20. §. This act lays down provisions for the implementation of the following, partially several times amended Community legal acts:
a) COUNCIL REGULATION (EC) No 2580/2001 of 27 December 2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism
b) COUNCIL REGULATION (EC) No 881/2002 of 27 May 2002 imposing certain specific restrictive measures directed against certain persons and entities associated with Usama bin Laden, the Al-Qaida network and the Taliban, and repealing Council Regulation (EC) No 467/2001 prohibiting the export of certain goods and services to Afghanistan, strengthening the flight ban and extending the freeze of funds and other financial resources in respect of the Taliban of Afghanistan
c) COUNCIL REGULATION (EC) No 1210/2003 of 7 July 2003 concerning certain specific restrictions on economic and financial relations with Iraq and repealing Regulation (EC) No 2465/96
d) COUNCIL REGULATION (EC) No 314/2004 of 19 February 2004 concerning certain restrictive measures in respect of Zimbabwe
e) COUNCIL REGULATION (EC) No 872/2004 of 29 April 2004 concerning further restrictive measures in relation to Liberia
f) COUNCIL REGULATION (EC) No 1763/2004 of 11 October 2004 imposing certain restrictive measures in support of effective implementation of the mandate of the International Criminal Tribunal for the former Yugoslavia (ICTY)
g) COUNCIL REGULATION (EC) No 560/2005 of 12 April 2005 imposing certain specific restrictive measures directed against certain persons and entities in view of the situation in Côte d'Ivoire
h) COUNCIL REGULATION (EC) No 1183/2005 of 18 July 2005 imposing certain specific restrictive measures directed against persons acting in violation of the arms embargo with regard to the Democratic Republic of the Congo
i) COUNCIL REGULATION (EC) No 1184/2005 of 18 July 2005 imposing certain specific restrictive measures directed against certain persons impeding the peace process and breaking international law in the conflict in the Darfur region in Sudan
j) COUNCIL REGULATION (EC) No 305/2006 of 21 February 2006 imposing specific restrictive measures against certain persons suspected of involvement in the assassination of former Lebanese Prime Minister Rafiq Hariri
k) COUNCIL REGULATION (EC) No 765/2006 of 18 May 2006 concerning restrictive measures against President Lukashenko and certain officials of Belarus
l) COUNCIL REGULATION (EC) No 817/2006 of 29 May 2006 renewing the restrictive measures in respect of Burma/Myanmar and repealing Regulation (EC) No 798/2004
m) COUNCIL REGULATION (EC) No 329/2007 of 27 March 2007 concerning restrictive measures against the Democratic People's Republic of Korea
n) COUNCIL REGULATION (EC) No 423/2007 of 19 April 2007 concerning restrictive measures against Iran

Transitional and Final Provisions

21. § (1) This act shall enter into force on the first day of the second month following the proclamation. (date of proclamation: 29.12.2007. entry into force: 01.02.2008.)
(2)
(3)
(4)
(5) The government is herewith empowered to designate the Authority in a decree.

ANNEX VII: ACT CLVI OF 1997 ON NON-PROFIT ORGANIZATIONS

In the interest of preserving the local traditions of non-governmental and non-profit oriented organizations, to simplify control regarding their public welfare activities and financial management, to promote their public welfare activities and to govern better their relations with the state budget, Parliament hereby passes the following Act:

Chapter I
GENERAL PROVISIONS
Purpose of this Act
Section 1

The purpose of this Act is to define the forms of non-profit organizations, the conditions for the acquisition and termination of non-profit status, the order of operation and financial management of non-profit organizations, the regulations on records and reports, and the provisions on the legal supervision of operations and asset management.

Forms of Non-Profit Organizations
Section 2

(1) The following Hungarian-registered entities may qualify as non-profit organizations:
a) non-governmental organizations, not including insurance associations, political parties and employers' and employees' advocate associations,
b) foundations,
c) public foundations,
d)
e) public corporations, if so permitted by the law on the establishment of such.
f) national associations of specific sports.
g) nonprofit business association.
h) the Hungarian Board of Accreditation for Higher Education, the Higher Education and Research Council and the Hungarian Rectors' Conference.
i) European groupings of territorial cooperation.
j) institutions of higher learning not financed from the central budget,
k) social cooperatives engaged in activities for the benefit of the public.
(2) The organizations described in Paragraphs a)-e) of Subsection (1) may also qualify as non-profit organizations if simultaneously filing for non-profit status in the application for registration as required by the applicable legal regulations.

Chapter II
CONDITIONS FOR RECEIVING NON-PROFIT STATUS AND THE BENEFITS GRANTED TO NON-PROFIT ORGANIZATIONS
Conditions for Receiving Non-Profit Status
Section 3

An organization eligible to be qualified as a non-profit organization (hereinafter referred to as "organization") shall be granted non-profit status upon being registered as a non-profit or priority non-profit organization (hereinafter referred to as "registration under non-profit status").

Section 4

(1) For registration under non-profit status the organization's instrument of constitution shall include:
a) the list of public welfare activities, as specified in this Act, conducted by the organization and, if the organization has members, that it does not preclude parties other than its members from benefiting from its public welfare services;
b) a clause stating that the organization conducts entrepreneurial activities solely in the interest of and without jeopardizing its public welfare objectives;
c) a clause stating that the organization does not distribute its business profits, but rather utilizes such profits for the activities defined in its instrument of constitution;
d) a clause stating that the organization is not involved in direct political activities, furthermore, that it is independent from and does not provide financial aid to political parties.
(2) The instrument of constitution of a non-profit organization must also satisfy other requirements set forth in this Act (Section 7) in addition to those prescribed in Subsection (1).

Section 5

For registration under priority non-profit status, an organization's instrument of constitution shall include the following, in addition to the provisions of Section 4:
a) a clause stating that the organization performs public duties which, by virtue of law or in accordance with the provisions of other legal regulations based on the authorization granted by law, are to be provided by a state agency or by a local government, and furthermore
b) a statement that the organization publishes the principle data and information on its activities set forth in its instrument of constitution in a media publication with local or national circulation.

Benefits Granted to Non-Profit Organizations, Supporters of Non-Profit Organizations and to Users of the Services of Non-Profit Organizations
Section 6

(1) Pursuant to Act LXXXI of 1996 on Corporate Tax and Dividend Tax, Act CXVII of 1995 on Personal Income Tax, Act XCIII of 1990 of Duties, Act C of 1990 on Local Taxes and Act C of 1995 on Customs Law, Customs Proceedings and Customs Administration, as well as other applicable legal regulations, the following entitlements, in the extent and under the conditions prescribed therein, shall be granted
a) to a non-profit organization:
1. corporate tax exemption on the activities set forth in its instrument of constitution,
2. corporate tax relief on its entrepreneurial activities,
3. allowances on local taxes,
4. discount rates on duties,
5. customs allowances,
6. other benefits described in legal regulations,
b) personal tax exemption for the users of services provided by a non-profit organization as a designated provision, in respect of the service received,
c) corporate tax relief or personal tax relief to the supporters of non-profit organizations in respect of contributions provided for the objective(s), as set forth in its instrument of constitution, of a non-profit organization (hereinafter referred to as "donation"),
d) special benefits, in respect of recurrent donations, to the supporters described in Paragraph c), as of the second year of providing such donations.
(2)

(3) A non-profit organization which has public debts as described in the Act on the Rules of Taxation shall not be eligible for the aforementioned entitlements.

Chapter III
OPERATIONAL AND MANAGEMENT SYSTEM OF NON-PROFIT ORGANIZATIONS
Regulations Pertaining to Public Welfare Oriented Functions
Section 7

(1) The meetings of the supreme body, or if not the same, the meetings of the administrative and representative organ (hereinafter jointly referred to as "executive body") shall be open to the public.
(2) If the supreme body of the non-profit organization is made up of several members (persons), the instrument of constitution shall lay down the rules
a) on the intervals of meetings of the executive body, to be held at least once a year, on the procedure of calling such meetings and notification of the agenda, on public access and quorum of the meetings and the procedure of adopting resolutions,
b) on cases of conflict of interest of the non-profit organization's executive officers,
c) on the establishment, jurisdiction and operation of a separate body, other than the executive body, if such is required to be established or appointed to supervise the operations and financial affairs of the non-profit organization (hereinafter referred to as "supervisory body"), furthermore
d) on the manner of approval of the non-profit organization's annual report.
(3) The instrument of constitution or, by virtue of authorization granted therein, the internal regulations of a non-profit organization shall prescribe
a) to have records maintained to identify the contents, date and scope of decisions passed by the executive body, and the numerical ratio of those (including names where possible) in support of or against such decisions,
b) the manner of announcing or publishing the decisions of the executive body to those concerned,
c) the order of review of documents related to the operation of the non-profit organization, and
d) the operation of the non-profit organization, the method of using the services and the publication of its annual report.
(4) Where the supreme body consists of a single member (person), Subsection (1) of Section 168 of the Companies Act shall apply with the exception that such member (person) shall call a meeting prior to adopting a decision so as to hear the opinion of the supervisory body and that of the administrative and representative body, if other than the supreme body, or shall obtain their opinion in writing. Said written opinions and the records of the aforementioned meetings shall be open to the public.
(5) Where the supreme body consists of a single member (person), the instrument of constitution shall govern
a) the manner of exercising the right of opinion specified in Subsection (4),
b) the issues referred to in Paragraph a) of Subsection (2), apart from the question of quorum, if the aforementioned opinion is conveyed in a meeting, and
c) the issues referred to in Paragraphs b)-d) of Subsection (2) and in Subsection (3).

Section 8

(1) A person may not take part in an executive body resolution, if, by virtue of such resolution, he or a close relative [Paragraph b) of Section 685 of the Civil Code] or spouse (hereinafter jointly referred to as "relative") of his
a) is released from obligations or liabilities, or
b) receives any other benefit, or is otherwise interested in the legal transaction. A non-pecuniary service provided by a non-profit organization as a designated provision which may be used by anyone without restriction, or a designated provision provided, by virtue of membership, by a non-governmental organization to its member in accordance with its instrument of constitution shall not be construed as a benefit.

(2) A person
a) who is the chairperson or member of the executive body,
b) who is in the employment of the non-profit organization to perform work other than his official duties or is in any other work-related legal relationship, unless otherwise provided for by law,
c) who benefits from a designated provision of the non-profit organization, not including a non-pecuniary service provided to and used by anyone without restriction and a designated provision provided, by virtue of membership, by a non-governmental organization to its member in accordance with its instrument of constitution, furthermore
d) who is a relative of any of the persons described in Paragraphs a)-c)
may not be the chairperson or member, or auditor of the supervisory body.

Section 9

(1) A person who has been in a management position, for at least one year within two years prior to the dissolution of a non-profit organization which has any public debt according to the Act on the Rules of Taxation, shall not be allowed to take office in a management position of another non-profit organization for two years following the aforementioned dissolution.
(2) A senior officer, or person nominated as such, shall be required to notify all non-profit organizations in advance if he is employed in the same position at another non-profit organization at the same time.

Section 9/A

Section 10

(1) If the annual revenues of a non-profit organization exceed five million HUF, a supervisory body shall be created, separately from the executive body, even if such obligation does not exist by virtue of some other legal regulation.
(2) The supervisory body shall establish its own procedural order.

Section 11

(1) The supervisory body shall oversee the operations and financial management of the non-profit organization. In this function, it may request reports from the senior officers and information from the employees of the organization, furthermore it may review and audit the non-profit organization's books and records.
(2) Members of the supervisory body may participate with the right of consultation in the meetings of the non-profit organization's executive body, or shall do so if expressly stipulated by legal regulation or in the instrument of constitution.
(3) The supervisory body shall notify, and request a meeting of the executive body with the power to act in the event of finding
a) any legal violation in the course of operation of the organization or any other event (omission) otherwise causing severe injury to the interests of the organization, the termination or abatement of which requires the decision of the executive body with the power to act;
b) any fact substantiating some degree of liability of a senior officer.
(4) The executive body with the power to act shall be convened at the initiative of the supervisory body, within thirty days of the filing of such. In the event of failure to convene such meeting within the aforementioned deadline, convening such meeting shall fall within the jurisdiction of the supervisory body.
(5) If the body with the power to act fails to implement the measures necessary to restore legal operation, the supervisory body shall be required to notify the agency exercising legal supervision without delay.

Rules for Soliciting Charitable Donations
Section 12

(1) Solicitation of charitable donations in the name of or on behalf of a non-profit organization may not lead to any harassment of or nuisance to sponsors or other persons, nor any violation of personal rights and human dignity.
(2) Solicitation of charitable donations in the name of or on behalf of a non-profit organization may only be carried out in possession of a written authorization by the non-profit organization.

Section 13

Donations to a non-profit organization shall be registered at book value or, in the absence of such, at customary market value.

General Provisions on Financial Management
Section 14

(1) Non-profit organizations shall not distribute business profits, as such shall be applied for the activities defined in the instrument of constitution.
(2) With the exception of normative subsidies, a non-profit organization may receive subsidies from the subsystems of the state budget only on the basis of a written agreement. Such agreement shall stipulate the conditions and methods of accounting for such subsidies.
(3) The availability of the subsidies described in Subsection (2), and the extent and conditions of such, shall be made public through the media. The designated provisions provided by a non-profit organization shall be public information and accessible by all parties.
(4) Non-profit organizations may not extend any designated provisions to management personnel and to sponsors, or to the relatives of such persons, with the exception of services which may be used by anyone without restriction and designated provisions provided, by virtue of membership, by non-governmental organizations.

Section 15

(1) A non-profit organization shall be entitled to award any of its designated provisions by way of tender as per the rules set forth in its instrument of constitution. In this case the tender may not prescribe any conditions from which it is apparent, considering all applicable circumstances of the case, that the tender has already been decided (fictitious tender).
(2) No designated provision may be awarded on the basis of fictitious tender.

Section 16

(1) Non-profit organizations may not issue bills of exchange or other debt securities.
(2) A non-profit organization, not including non-profit corporations,
a) may not borrow business loans, for improvement purposes, in an extent that may jeopardize its public welfare activities;
b) may not pledge any subsidy received from the subsystems of the state budget as collateral for a loan, and may not apply such as a loan payment.

Section 17

Non-profit organizations engaged in investment activities shall draw up their investment regulations, which shall be approved by their supreme body.

Books and Records

Section 18

(1) Non-profit organizations shall register their revenues and expenses derived from non-profit and business activities separately.
(2) The following shall be deemed revenues of a non-profit organization:
a) contributions and donations received from its founder, from the subsystems of the state budget or from any other sponsor for its public welfare objectives or to cover operating expenses;
b) revenues generated by its non-profit activities or revenues directly associated with such;
c) revenues generated by other designated activities or revenues directly associated with such;
d) revenues from investment of the organization's assets;
e) membership fees;
f) other revenues defined by law;
g) revenues from entrepreneurial activities.
(3) The following shall be deemed expenditures of a non-profit organization:
a) direct costs incurred in connection with public welfare activities (expenses, expenditures);
b) direct costs incurred in connection with other designated activities (expenses, expenditures);
c) direct costs incurred in connection with business activities (expenses, expenditures);
d) indirect costs incurred in connection with public welfare activities and other business activities (expenses, expenditures), which shall be divided in proportion to the respective revenues.
(4) As for other aspects, the relevant provisions on accounting shall be observed regarding the books and records of non-profit organizations.

Reporting Regulations
Section 19

(1) Non-profit organizations shall prepare a report on public welfare activities simultaneously upon approval of the annual report.
(2) Approval of the report on public welfare activities shall fall within the exclusive jurisdiction of the supreme body.
(3) Reports on public welfare activities shall contain the following:
a) the accounting report;
b) the utilization of budgetary subsidies;
c) a statement on the utilization of property assets;
d) a statement on designated provisions;
e) the amounts of subsidies received from budgetary organs, off-budget state funds, local governments or associations of community local governments, or from agencies of such;
f) the value or amount of any remuneration extended to the senior officers of the non-profit organization;
g) a brief description of the public welfare activities.
(4) Reports on public welfare activities by non-profit organizations shall be available for review by the public, and anyone may make copies of such at his own expense.
(5) Nonprofit organizations shall publish their report on public welfare activities as referred to in Subsection (2) on their official website by 30 June following the year to which it pertains, or in some other forum that is accessible by the general public.
(6) The provision set forth in Paragraph a) of Subsection (3) shall not apply to the application of accounting regulations pertaining to the obligation of filing, depositing and publication of annual reports.

Section 20

Upon termination of its non-profit status, a non-profit organization shall be liable to settle all its outstanding public debts and to perform its other contractual obligations for public services for the applicable period of time.

Chapter IV

SUPERVISION AND REGISTRATION OF NON-PROFIT ORGANIZATIONS AND COURT PROCEEDINGS PERTAINING TO NON-PROFIT ORGANIZATIONS

Supervision of Non-Profit Organizations
Section 21

Public benefit organizations shall be supervised by the state tax authority for tax purposes, by the State Audit Office for auditing the appropriation of budgetary subsidies, by the internal control body described in specific other legislation for monitoring the appropriation of financial aid received from the central government or from local authorities, or from international sources, and, in accordance with the applicable provisions, by the public prosecutor's office - with regard to public benefit operations - for judicial purposes.

Regulations Pertaining to Proceedings for the Registration, Re-categorization and Cancellation from the Register of Non-Profit Organizations
Section 22

(1) Applications for registration under nonprofit status, for reassignment between nonprofit categories or for cancellation from the register shall be submitted to the court competent for registration, or if the organization in question is to be registered by a body other than the court, submitted to this body (hereinafter referred to collectively as "court").
(2) Applicants shall indicate the requested non-profit category in the application for registration in the register of non-profit organizations. Only one non-profit category may be indicated in the application.
(3) The court shall decide on the registration, re-categorization and cancellation of a non-profit organization in non-contentious proceedings, with priority, and shall send its resolution to the public prosecutor's office as well.
(4) A non-profit organization shall file a petition for cancellation of its non-profit status, or reassignment to a lower non-profit category, within 60 days if it fails to satisfy the conditions set forth in Sections 4-5 of this Act.

Section 23

The public prosecutor's office may file to have the non-profit status of a non-profit organization canceled, or for reassignment to a lower non-profit category, with the court competent for registration if the operation and asset management of such non-profit organization violates the provisions set forth in this Act, in its instrument of constitution or in the internal regulations drawn up on the basis of such, and if the organization in question fails to remedy the situation in spite of notification by public prosecutor's office.

Court Registration of Non-Profit Organizations
Section 24

(1) Upon registration in the register of non-profit organizations, the dates of acquisition, alteration or cancellation of non-profit status shall be added to the data and information of the organization on record.
(2) The information in the court register on non-profit organizations, as described in Subsection (1), shall be available to the public.

Section 25

Data managed on the basis of this Act may be used for statistical purposes and may be disclosed for statistical use in such a manner which precludes identification of the person concerned.

Chapter V

CLOSING PROVISIONS

Interpretative provisions
Section 26

For the purposes of this Act
a) "designated provision" means any pecuniary and non-pecuniary service provided within the framework of the non-profit organization's designated activity;
b) "designated activity" means all activities directly associated with the achievement of the objective set forth in the instrument of constitution;
c) "public welfare activities" means the following designated activities as set forth in the organization's instrument of constitution for the benefit of society and for the common interests of individuals:
1. health preservation, disease prevention, therapeutic and medical rehabilitation activities,
2. social activities, family counseling, care for the elderly,
3. scientific activities, research,
4. school instruction and education, personal ability development, dissemination of knowledge,
5. cultural activities,
6. preservation of cultural heritage,
7. preservation of historical monuments,
8. nature preservation, animal protection,
9. environmental protection,
10. children and juvenile protection, children and juvenile advocate services,
11. promotion of equal opportunity within society for underprivileged groups,
12. protection of human and civil rights,
13. activities in connection with ethnic minorities living in Hungary and with Hungarian nationals living outside of Hungary,
14. sports, not including sports activities involving professionals and those performed under contract within the framework of a civil law relationship,
15. protection of public order and traffic safety, voluntary fire fighting, rescue, and disaster preparedness and response activities,
16. consumer protection,
17. rehabilitative employment,
18. promotion of employment and training for underprivileged groups in the labor market, including placement by the hiring-out of workers, and associated services,
19. promotion of the country's Euro-Atlantic integration,
20. services provided to and available solely for non-profit organizations;
21. activities associated with flood and water damage control;
22. activities associated with the construction, maintenance and operation of roads, bridges and tunnels;
d) "direct political activities" means political party functions, and delegation of nominees in parliamentary, county and Budapest municipal government elections;
e) "management personnel" means the persons described in the organization's instrument of constitution as officers in management position or otherwise vested with decision-making powers, and persons authorized to represent the organization and to dispose over its bank account by virtue of the instrument of constitution or on the basis of a contract or a resolution by the supreme body of the organization;
f) "supreme body" means the executive body (organization) of a foundation or public foundation, the supreme body of a non-governmental organization, the meeting of members for nonprofit unlimited partnership and nonprofit limited partnerships, the members' meeting for public companies, the

general meeting of a nonprofit public limited liability company, and the sole member (shareholder) for single-member nonprofit business associations;
g) "instrument of constitution" means the statutes of a non-governmental organization, the deed of foundation of a foundation or public foundation, articles of association (statutes, deed of foundation) of a nonprofit business association;
h) "non-pecuniary contribution" means the permanent or temporary gratuitous conveyance or endorsement, in full or in part, of a marketable thing or an intellectual product having pecuniary value, or a right of pecuniary value in part or in full, or the provision of a service;
i) "tender" means an open or invitational announcement to describe the conditions for the comparison of bidders, the designated provision to be awarded, all major requirements for evaluation and assessment (including dates of submission and evaluation, and those having powers to evaluate the bids);
j) "contribution" means monetary and non-monetary donations and grants;
k) "investment activity" means the activities involving the investment of the non-profit organization's own assets aimed for the acquisition of securities, right of pecuniary value derived from membership in a company, real property or some other property item requiring long-term investment;
l) "entrepreneurial activity" means the business activities aimed for or resulting in the earning of income and/or the acquisition of assets, not including designated activities which generate revenues and contributions provided for public welfare activities;
m) "executive officer" means the trustee of a foundation or public foundation, and the chairperson or member of the supervisory body (organization) of the managing body of such, furthermore, if the managing body (organization) of a foundation is a separate legal entity, unincorporated organization or a state agency, the single leader of such managing body (organization) or the member of its body acting under such authority; the chairperson and member of the administrative and representative body or supervisory body of a non-governmental organization; the managing partner of a nonprofit unlimited partnership or a nonprofit limited partnership; the managing director of a nonprofit private limited liability company; the chairperson and member of supervisory board of a nonprofit public limited liability company; and the person in the employ of an organization registered under nonprofit status or in any other work-related legal relationship defined in the instrument of constitution as having exclusive powers;
n) "recurrent donation" means a monetary contribution provided on the basis of an agreement between a non-profit organization and its sponsor (includes the conveyance of securities in respect of sponsors who are not private individuals), if such sponsor agrees to provide the donation in the year when the agreement is concluded (amended) and in at least three years following thereafter at least once each year, in the same or larger amount, without any consideration, whereby it shall not construed consideration if the non-profit organization cites the name and/or activity of the sponsor in the course of providing public welfare services.
23. crime prevention and protection of victims;

Section 27

(1) This Act shall enter into force on 1 January 1998. An organization established for conducting either of the public welfare activities listed in Paragraph c) of Section 26 which is already registered at the time of this Act entering into force and has submitted its application for registration in the register of non-profit organizations by 1 June 1998, shall be authorized, as of 1 January 1998, to act under the non-profit category indicated in the application until the resolution described in Subsection (3) of Section 22 becomes definitive, or until such resolution is rejected.
(2) Organizations founded after 1 January 1998 shall be entitled to take advantage of the tax benefits and exemptions granted to non-profit organizations as of the day of registration, if also registered under non-profit status by the last day of the year when registered.
(3) An organization established using the assets received from the subsystems of the state budget, or receiving budgetary subsidies on a regular basis according to its instrument of constitution, shall apply

for registration under non-profit status by the deadline described in Subsection (1). In the event of failure to comply, the budgetary subsidies shall be suspended, and the dissolution of the organization may also requested in accordance with the applicable regulations.
(4) The Government is hereby authorized to establish special provisions on the conclusion of contracts with non-profit organizations for the performance of services falling under the scope of the Act on Public Procurements.

ANNEX VIII: EXTRACTS FROM LAW-DECREE NO. 2 OF 1989 ON SAVINGS DEPOSITS

Section 1

(1) 'Savings deposit' means a sum of money placed in a credit institution under a saving deposit contract (Section 533 of the Civil Code) and recorded in a savings account passbook or some other document (hereinafter referred to as 'document').
(2) All savings deposit accounts must be registered under the holder's name. Savings deposits can be placed by any natural person. The saving deposit contract may stipulate a beneficiary other than the depositor (hereinafter referred to as 'deposit holder'), if such person is otherwise entitled to place a savings deposit.
(3) Where the beneficiary is known, credit institutions are required to apply the relevant provisions of Act CXXXVI of 2007 on the Prevention and Combating of Money Laundering and Terrorist Financing (hereinafter referred to as MLT) relating to the implementation of customer due diligence measures in connection with the beneficiaries as well.
(4) The credit institution must indicate on the document [savings passbook] the deposit holder's and the beneficiary's surname and forename, and place and date of birth.

Section 18

Funds from an unrestricted bearer savings deposit shall be released to a person who first presents the document to the issuing credit institution and if the credit institution has completed the customer due diligence procedures specified in the MLT in respect of the customer. The credit institution must register such savings deposit under the name of the deposit holder at the time of completion of the said customer due diligence measures.

Section 19

(1) Funds from a restricted bearer savings deposit shall be released to a person who first presents the document to the issuing credit institution and satisfies the condition stipulated by the deposit holder in the savings deposit contract, and if the credit institution has completed the customer due diligence procedures specified in the MLT in respect of the customer. The credit institution must register such savings deposit under the name of the deposit holder at the time of completion of the said customer due diligence measures.
(2) A password-operated savings deposit can be registered also if the deposit holder is unable to satisfy the prescribed condition, however, he is able to verify his right of ownership beyond doubt.
(3) Compliance with the specified condition is not required for registration of an account made on the basis of inheritance or final court ruling, or for any payment made from the account that is subject to judicial execution.

Section 20

All credit institutions shall be required to carry out the customer due diligence measures specified in the MLT in respect of the account-holder and the beneficiary of any saving deposit contract concluded before 19 December 2001, at the time the document is first presented, and they shall indicate the data specified in Subsection (4) of Section 1 on the document.

ANNEX IX: ACT NO. 38 OF 1996 ON INTERNATIONAL MUTUAL ASSISTANCE IN CRIMINAL MATTERS

Chapter I

GENERAL RULES

Section 1

The purpose of this Act is to regulate cooperation with other states in criminal matters.

Section 2

(1) Requests for mutual assistance shall not be executed nor made if they impair the sovereignty, endanger the security, or violate the public order of the Republic of Hungary.
(2) Examination of the conditions set out in subsection (1) shall fall within the competence of the minister responsible for justice (henceforth: the Minister) or the Chief Public Prosecutor.

Section 3

This Act shall be applicable unless otherwise provided for under an international treaty or agreement.

Section 4

(1) Forms of mutual assistance in criminal matters shall be the following: extradition, surrender and acceptance of criminal proceedings, acceptance and surrender of the enforcement of sentences of imprisonment and measures involving deprivation of liberty, acceptance and surrender of the enforcement of confiscation or forfeiture, or of a penalty or measure having equivalent effect (henceforth: confiscation or forfeiture), procedural legal assistance and laying of information before a foreign state.
(2) Mutual assistance in criminal matters shall be executed and requested by the Minister or the Chief Public Prosecutor.

Section 5

(1) Unless otherwise provided for under this Act, requests for mutual assistance shall be executed or made where
a) the act is punishable under both the law of Hungary and the law of the foreign state;
b) mutual assistance is requested not in respect of a political offence or an offence connected with a political offence or a military offence.
(2) For the purposes of subsection (1) an offence shall not be considered a political offence if in the course of its perpetration – taking into account all the circumstances, including the purpose, motive, modus operandi and the instrumentalities used or intended to be used – the ordinary criminal law related aspects of the offence outweigh the political ones.
(3) The ordinary criminal law related aspects of homicide or of an offence involving homicide shall always outweigh the political ones.

Section 6

(1) The Minister may request a statement of reciprocity from the foreign state and may, upon the initiative of the foreign state, make such a statement of reciprocity.
(2) In lack of reciprocity decision on the execution of requests for mutual assistance shall be made by the Minister or the Chief Public Prosecutor, in agreement with the minister responsible for foreign affairs.
(3) Surrender and acceptance of the enforcement of confiscation or forfeiture shall be effected on the basis of an obligation undertaken in an international treaty or agreement.
(4) If a request for mutual assistance in criminal matters is made by a foreign authority in respect of an act which constitutes a criminal offence under the law of its own state but only a regulatory offence under Hungarian law, the central authority shall notify the requesting foreign authority thereof. If in

the statement given in reply to the notification the foreign authority upholds the request for the execution of the mutual assistance the execution of the request shall be governed by the Act on regulatory offences.

Section 7

The Minister or the Chief Public Prosecutor may make the execution of requests for mutual assistance subject to the provision of appropriate assurances; if the required assurances are not furnished, the Minister or the Chief Public Prosecutor may refuse the execution of the request where there is reason to believe that the proceedings to be conducted in the foreign state, the penalty likely to be imposed, or the enforcement thereof are not consistent with the human rights protection provisions and principles of the Constitution or of international law.

Section 8

The Minister or the Chief Public Prosecutor may undertake in the name of the Republic of Hungary to fulfil such conditions set by a foreign state for the execution of a Hungarian request for mutual assistance which conditions may, under this Act, be set for the execution of a foreign request for mutual assistance. In the interest of proper administration of justice the fulfilment of other reasonable conditions not violating the provisions of Section 2 may also be undertaken. Conditions set by the foreign state for the execution of a request for mutual assistance and undertaken by the Republic of Hungary shall be fulfilled.

Section 9

Where the request for mutual assistance is granted no passport, visa, foreign exchange, or customs regulations shall hamper the entry or departure of persons or the surrender and acceptance of articles.

Section 10

Unless otherwise provided for under this Act, the provisions of the Criminal Code and of the Code of Criminal Procedure shall be applied *mutatis mutandis* to international mutual assistance in criminal matters as well.

Chapter II

EXTRADITION

Title 1

Extradition from Hungary

Section 11

(1) A person staying in Hungary may, upon request of a foreign state, be extradited for the purposes of conducting criminal proceedings against him or for enforcing against him a sentence of imprisonment or a measure involving deprivation of liberty.
(2) Extradition for the purpose of conducting criminal proceedings shall be granted where the act for which extradition is requested is punishable under both the law of Hungary and the law of the Requesting State by imprisonment of at least one year; extradition for the purposes of enforcing a sentence of imprisonment or a measure involving deprivation of liberty shall be granted where at least six months from the sentence or measure imposed are still to be served.

Section 12

Extradition shall be refused, where
a) the offence or penalty for which extradition is requested has become barred by lapse of time under the law of either the Requesting State or Hungary,
b) the person claimed has been granted a pardon or amnesty in respect of the offence or punishment,
c) in the Requesting State the private bill of indictment or other motion having equivalent effect, or the consent required for the institution of criminal proceedings has not been submitted or granted,

d) a Hungarian court has already finally adjudicated the offence for which extradition is requested.

Section 13

(1) Extradition of a Hungarian national shall not be granted unless the person claimed is simultaneously a national of another state and is not resident in the Republic of Hungary.

(2) Irrespective of the provisions of subsection (1), a Hungarian national whose extradition to Hungary has been granted on the condition that following the completion of the criminal proceedings against him or the enforcement of the penalty imposed on him he will be re-extradited to a third state with a view to executing the extradition request of that state, may be re-extradited without conducting the extradition proceedings.

Section 14

(1) The extradition of a refugee shall be refused unless it is requested by a third country considered as safe country under the Act on Asylum.

(2) Beneficiaries of temporary protection, persons authorized to stay and foreigners seeking recognition as refugee or beneficiary of temporary protection shall not be extradited to the state from which they have fled.

(3) If the person claimed applies for recognition as refugee or beneficiary of temporary protection, or asylum proceedings are under way the time limit for the extradition arrest under Section 22 subsection (1) and for the provisional extradition arrest under Section 23 subsection (3) shall – by taking into account the final completion of the asylum proceedings – be extended in such manner that after the refusal of the recognition as refugee or beneficiary of temporary protection the authorities have at least forty days for taking decision on the matter of extradition and for surrendering the extradited person. The duration of the extradition arrest or the provisional extradition arrest shall not, however, even in this case exceed twenty-four months from the starting date of the arrest.

Section 15

Where the offence for which extradition is requested is punishable by death under the law of the Requesting State, extradition shall not be granted by the Minister unless the Requesting State furnishes sufficient assurances that the death penalty, if imposed, shall not be executed.

Section 16

(1) Even where any other conditions are fulfilled extradition shall not be granted unless it is ensured that

a) in the Requesting State the person claimed shall not be criminally proceeded against or detained with a view to carrying out against him a measure involving deprivation of liberty, or extradited, or re-extradited to a third state for an offence committed prior to his extradition other than that for which his extradition has been authorised,

b) after the completion of the criminal proceedings against him or of the enforcement of the penalty, the extradited person may leave the territory of the Requesting State.

(2) Following the decision granting extradition the Minister may, upon the request of the Requesting State, approve the removal of the restrictions set out in subsection (1) a), provided that the conditions of extradition are fulfilled in that respect too.

Section 17

Where extradition is requested concurrently by more than one state, the decision on the extradition shall be made by taking into account, in particular, the place of commission, the nationality of the person claimed, the respective dates of the requests and, if the requests pertain to different offences, the relative seriousness of the offences.

Section 18

(1) Requests for extradition shall be received by the Minister and shall immediately be forwarded by him to the Budapest Regional Court, unless their execution is excluded under Section 2.
(2) Matters falling within court competence under this Title shall be adjudicated solely by the Budapest Regional Court, sitting as a single judge. Unless appeal is excluded under this Act, its decisions shall be subject to appeal which shall be adjudicated by the Budapest Court of Appeal at a session in camera. Appeals shall not have suspensive effect.

Section 19

(1) Where the person claimed is staying at an unknown place the Budapest Regional Court shall order to search for the person claimed. If this measure is successful the police shall take into custody the person claimed and shall bring him before the Budapest Regional Court. Extradition custody shall not last longer than seventy-two hours.
(2) Where so requested by the Requesting State, the Budapest Regional Court shall order the police to search for and seize the articles specified under subsection (1) of Section 30.

Section 20

(1) The Budapest Regional Court shall:
a) transmit to the public prosecutor the documents related to the person claimed, with a view to making motions,;
b) appoint a defence counsel for the person claimed where defence is mandatory in the proceedings and the person claimed has no defence counsel of his own choice,;
c) hold a hearing on the matter of extradition; where defence is mandatory no hearing shall be held without the participation of the defence counsel;
d) notify the prosecutor and – where defence is mandatory – summon the defence counsel; otherwise the defence counsel shall only be notified;
e) hear the person claimed, in particular on his identity and nationality and on any other circumstances affecting his extradition under this Act, if he desires to make any statement thereon;
f) - g)
h) where the conditions of the extradition are fulfilled it shall order the extradition arrest of the person claimed.
(2) If the person claimed is not staying in Hungary or the measures taken in order to find him have not been successful, this fact shall be communicated to the Minister who shall notify the Requesting State thereof.

Section 21

Section 22

(1) Extradition arrest shall not exceed a period of six months which can be extended by the Budapest Regional Court on one occasion for up to an additional six months. If extradition is requested for the purposes of enforcing a sentence of imprisonment or a measure involving deprivation of liberty the duration of the extradition arrest may not exceed the duration of the executable sentence of imprisonment or measure involving deprivation of liberty.
(2) Extradition arrest shall immediately be terminated by the Budapest Regional Court, where
a) extradition has been refused by the Minister,
b) the request for extradition has been revoked,
c) the extradited person has not been taken over by the Requesting State within fifteen days from the appointed date.
(3) In respect of persons in provisional extradition arrest the starting date of the extradition arrest shall be the date on which the request for extradition is received by the Minister. In such cases provisional extradition arrest shall last until extradition arrest is ordered.
(4) If at the moment of ordering the extradition arrest or provisional extradition arrest the person claimed is in detention on remand or serving a sentence of imprisonment, or a measure involving deprivation of liberty is being enforced against him, extradition arrest or provisional extradition arrest

shall be carried out from the moment when the detention on remand is terminated or the enforcement of the sentence of imprisonment or measure involving deprivation of liberty is completed.

Section 23

(1) If on the basis of the available data it can be established that the conditions of extradition are fulfilled the Budapest Regional Court shall, when issuing the order for the provisional extradition arrest, inform the person claimed that in case he gives consent to his extradition the provisions of Section 16 and the relevant provisions of the international treaties and agreements shall not be applicable and that the Minister may authorise his extradition prior to the arrival of the request for extradition; this warning and the statement given by the person claimed shall be recorded in minutes (simplified extradition).
(2) The consent given under subsection (1) shall not be revocable.
(3) If the person claimed has consented to his extradition the final order on the provisional extradition arrest, together with the case file, shall be forwarded by the court to the Minister.

Section 24

(1) In case of urgency, especially if there is a danger of escape, the Requesting State may, prior to filing the request for extradition, request the provisional extradition arrest of the person in respect of whom it intends to file a request for extradition.
(2) Requests for provisional extradition arrest may also be filed through the International Criminal Cooperation Centre (henceforth: NEBEK). NEBEK shall take measures to ensure that the person claimed is taken into custody and brought before the Budapest Regional Court with a view to being extradited. Custody shall not last longer than seventy-two hours.

Section 25

(1) Provisional extradition arrest shall be discontinued if within a period of 40 days from the date of its order the request for extradition is not received. If the request for extradition is subsequently submitted the termination of the provisional extradition arrest shall not prejudice the ordering of the extradition arrest under Section 20 subsection (1) h).
(2) The Minister shall immediately notify the state having requested for the measure of the provisional extradition arrest. The notification shall also indicate the date on which the provisional extradition arrest shall terminate pursuant to subsection (1).

Section 25/A

No forced measure restricting personal liberty other than provisional extradition arrest or extradition arrest shall be applied. No payment of bail shall prevent or terminate the provisional extradition arrest or the extradition arrest of the person claimed.

Section 26

(1) Decision on the matter of extradition shall be made by the Minister. Where according to the decision of the court the statutory conditions of extradition are not fulfilled, the Minister shall refuse the extradition by making reference to the court's decision.
(2) The Minister shall notify the Requesting Foreign State of his decision.

Section 27

(1) Surrender of the extradited person shall be arranged for by NEBEK, in cooperation with the police.
(2) If the extradited person could not be surrendered due to an unavoidable obstacle beyond the control of the authorities acting in the case, the time limit of the extradition arrest under Section 22 subsection (1) and of the provisional extradition arrest under Section 23 subsection (3) shall be extended in such manner that at least twenty days are left, from the date on which the unavoidable obstacle ceases to exist, for the surrender of the extradited person. After the expiry of this time limit the extradited person shall immediately be set at liberty.

Section 28

Where extradition is refused by the Minister or the extradited person has not been taken over by the Requesting State, the Minister shall forward the case file to the Chief Public Prosecutor for considering the institution of criminal proceedings or the taking of other measures.

Section 29

(1) If in Hungary the extradited person is being proceeded against or is serving a sentence of imprisonment for a different offence, the Minister may defer the surrender of the person until the completion of the proceedings or the full execution of the penalty.
(2) Where the surrender of the extradited person has been deferred by the Minister pursuant to the provisions of subsection (1) the Minister may, upon request of the Requesting State, authorize the provisional surrender of the person to the Requesting State with a view to carrying out an urgent procedural act. The person claimed shall not be temporarily surrendered unless it is safeguarded that he will be held in custody in the Requesting State and will be returned within the stipulated period of time.

Section 30

(1) In the extradition proceedings the Budapest Regional Court may authorize the surrender to the Requesting State of articles used as instrumentalities in the crime for which extradition is requested, or acquired as a result of this offence, or obtained as consideration for articles acquired as a result of this offence, or which may serve as physical evidence.
(2) The surrender of such articles may be authorised even if extradition has been granted but the person claimed has not been surrendered.
(3) Where surrender of such articles is authorized, surrender
a) may be postponed as long as the articles are required for official proceedings pending in Hungary, or
b) may be made subject to the condition that they shall be returned within the stipulated period of time.
(4) Where the State requesting extradition substantiate that the articles under subsection (1) are at risk of being hidden, destroyed or otherwise withheld from the proceedings by the person claimed or by any other person, measures to prevent such conducts may be taken under Sections 149 - 160 of the Code of Criminal Procedure.
(5) The provisions of this Section shall not affect ownership rights or any other rights acquired in such articles.

Title 2

Request to a Foreign State for Extradition

Section 31

Requests for extradition may be made to foreign states for the purpose of conducting criminal proceedings or enforcing sentences of imprisonment or measures involving deprivation of liberty.

Section 32

(1) Where criminal proceedings are to be conducted against a defendant staying abroad and subject to extradition, the court shall issue an international arrest warrant and shall forward the documents to the Minister.
(2) Where a sentence of imprisonment imposed under a final decision is to be enforced against a defendant staying abroad, the penitentiary judge shall issue an international arrest warrant against him.
(3) The international arrest warrant and the final judgment shall be forwarded to the Minister.
(4) The international arrest warrant shall also be transmitted to the police station having jurisdiction over the area in which the defendant has registered place of residence or, in lack of it, registered place of stay or, if he has none of the above, in which the seat of the court having issued the warrant is.

(5) The scope of the international arrest warrant shall cover the territory of the Republic of Hungary as well.
(6) The international arrest warrant shall be revoked as soon as the reason for its issue has ceased to exist. The revocation order shall immediately be forwarded by the issuer to the Minister. The revocation order shall also be transmitted to the police station having jurisdiction over the area in which the defendant has registered place of residence or, in lack of it, registered place of stay or, if he has none of the above, in which the seat of the court having issued the warrant is.

Section 33

Decision on the submission of the request for extradition shall be taken by the Minister; the Minister shall notify the court having issued the international arrest warrant of his decision.

Section 34

(1) Where extradition is requested for the enforcement of a sentence of imprisonment, if cumulative sentence has been imposed and the Minister requests or the foreign state grants extradition for the enforcement of not the entire sentence period imposed for all the offences, the first instance court shall determine the portion of sentence corresponding to the offence for which extradition is requested by the Minister or granted by the foreign state. To these proceedings the special procedure rules of the Code of Criminal Procedure shall be applicable mutatis mutandis.
(2) The portion of sentence under subsection (1) shall be calculated on the basis of the proportion of the maximum penalties imposable for the offences for which the cumulative sentence has been imposed.
(3) Where the sentence of imprisonment for which the Minister requests or the foreign state grants extradition has been consolidated into a single consolidated sentence, the term of imprisonment imposed in the original sentence for which extradition is requested or granted shall be enforced. Where in the original sentence cumulative sentence has been imposed subsections (1) and (2) shall be applicable mutatis mutandis.
(4) If extradition is requested or granted for the enforcement of all the sentences of imprisonment consolidated into a single consolidated sentence, the term of imprisonment imposed in the single consolidated sentence shall be enforced.

Section 35

The provisions of Section 24 (1), Section 27, Section 29 (2), Section 30 (1) and (4) may also be applied, *mutatis mutandis*, to requests for extradition submitted by foreign states.

Section 36

Where a request for extradition is granted, the period of detention served abroad shall be deducted from the period of the penalty imposed by the court.

Chapter III

SURRENDER AND ACCEPTANCE OF CRIMINAL PROCEEDINGS; LAYING OF INFORMATION BEFORE A FOREIGN STATE

Title 1

Surrender of Criminal Proceedings

Section 37

(1) Criminal proceedings may be surrendered if it is expedient that they be conducted by the authority of another state.
(2) Surrender of the criminal proceedings shall – by taking into consideration the rightful interests of the injured party as well – especially expedient where

a) the defendant staying in Hungary is a national of the state to which the proceedings are being surrendered, or has permanent or usual residence in that State,
b) the defendant is staying in a foreign state during the proceedings and extradition is not possible, or has been refused, or has not been requested.

Section 37/A

Surrender of the criminal proceedings shall be mandatory if the Republic of Hungary has – under an international treaty or agreement promulgated by an Act of Parliament – waived her right to prosecute a crime committed by a foreigner within the territory of the Republic of Hungary, or on board of a Hungarian ship or aircraft outside the borders of the Republic of Hungary in cases falling within Hungarian criminal jurisdiction (Criminal Code, Sections 3-4).

Section 38

Surrender of the criminal proceedings shall be initiated prior to the preferment of the bill of indictment by the public prosecutor before the Chief Public Prosecutor, thereafter by the court before the Minister. Decision on the surrender of the criminal proceedings shall be made by the Chief Public Prosecutor or the Minister. The decision shall be communicated to the public prosecutor or the court at the time when the request for the surrender of the criminal proceedings is being made to the foreign authority.

Section 39

If the proceedings are accepted by the foreign authority the prosecutor or the court shall, upon notification of the acceptance from the Chief Public Prosecutor or the Minister, discontinue the proceedings.

Section 40

(1) Simultaneously with the measure set forth under Section 39 the court may – prior to the preferment of the bill of indictment upon the public prosecutor's motion, thereafter ex officio – order the defendant's arrest for the purpose of surrendering the criminal proceedings. Where the defendant is in detention on remand the court shall order the arrest for the purpose of surrendering the proceedings by discontinuing the detention on remand.
(2) The arrest for the purpose of surrendering the criminal proceedings shall last until the Requested State takes delivery of the defendant, but shall not exceed a period of three months. The foreign authority shall be informed thereof.

Section 41

Surrender of the defendant shall be arranged for by the Interpol, in cooperation with the police.

Section 42

Where the Requested State fails to take delivery of the defendant within the time specified in Section 40 subsection (2), or the defendant escapes foreign prosecution, the proceedings discontinued under Section 39 may be continued.

Title 2

Acceptance of Criminal Proceedings

Section 43

Criminal proceedings conducted before the judicial authority of a foreign state may be accepted upon the request of this authority, where the defendant is a Hungarian national or a non-Hungarian national having immigrated to Hungary.

Section 44

(1) Decision on the acceptance of the criminal proceedings shall be made by the Chief Public Prosecutor.
(2) The decision terminating the proceedings taken over by Hungary shall be communicated to the requesting foreign authority by the Chief Public Prosecutor.
(3) If in the proceedings taken over by Hungary the court imposes a penalty or a measure involving deprivation of liberty, the period of detention on remand served abroad shall be deducted from the period of the penalty or measure imposed.
(4) Where under the Hungarian law the offence is prosecuted only upon a private bill of indictment and such a private bill of indictment has been submitted in the foreign proceedings in compliance with the relevant laws, it shall be regarded as having been duly submitted in the proceedings taken over by Hungary as well. If the absence of such a private bill of indictment in the foreign proceedings is due to the fact that under the laws of the state of the requesting authority no private bill of indictment is required, the person entitled to prefer such a private bill of indictment shall be invited to prefer it. The time limit for the preferment of the private bill of indictment shall run from the service date of the invitation for the preferment [Section 173 (3) of the Code of Criminal Procedure].

Title 3

Laying of Information before a Foreign State

Section 45

(1) Where proceedings are conducted against a defendant staying abroad and extradition is not possible or has been refused, and criminal proceedings have not been surrendered and motion for trial in absentia has not been filed by the public prosecutor [Section 532 of the Code of Criminal Procedure], the public prosecutor – prior to the preferment of the bill of indictment, before the Chief Public Prosecutor – or the court – subsequent to the preferment of the bill of indictment, before the Minister – may initiate the laying of information before the foreign state having jurisdiction for the adjudication of the case.
(2) Decision on the laying of information shall be made by the Chief Public Prosecutor or the Minister. The public prosecutor or the court shall be notified of the decision on the laying of information. Upon such notification proceedings shall be discontinued by the prosecutor or the court.
(3) The discontinuation of the proceedings under subsection (2) shall not prejudice their subsequent continuation.

Chapter IV

VALIDITY OF FOREIGN JUDGMENTS; ACCEPTANCE AND SURRENDER OF THE ENFORCEMENT OF SENTENCES OF IMPRISONMENT AND MEASURES INVOLVING DEPRIVATION OF LIBERTY AND OF CONFISCATION OR FORFEITURE

General Rules

Section 46

(1) Notifications serving as a basis for the recognition of the validity of foreign judgments and foreign requests for the surrender of the enforcement of sentences of imprisonment and measures involving deprivation of liberty or of confiscations or forfeitures shall be received and – unless execution is excluded under Section 2 – forwarded to the court by the minister responsible for justice. Recognition of the validity of foreign judgments and examination of the fulfilment of the conditions set out in this Act for the enforcement of sentences of imprisonment and measures involving deprivation of liberty or of confiscations or forfeitures shall fall into the competence and jurisdiction of the Budapest Regional Court.
(2) Unless otherwise provided for in this Act the general rules of Chapter XXIX of the Code of Criminal Procedure, governing Special Procedures, shall be applicable to the court's proceedings mutatis mutandis.

Title 1

Recognition of the Validity of Foreign Judgments

Section 47

(1) The final judgment of a foreign court shall be regarded as having equal validity with the judgment of a Hungarian court if the proceedings conducted against the offender in the foreign state and the penalty imposed or measure applied are not contrary to the Hungarian legal order.
(2) If the act of a person subject to Hungarian jurisdiction was adjudicated by a foreign court which proceeded not upon information laid by a Hungarian authority or due to surrender of the criminal proceedings, decision on the institution of criminal proceedings shall be made by the Chief Public Prosecutor. In such cases the term of penalty, detention on remand or house arrest enforced abroad shall be deducted from the term of penalty imposed by the Hungarian court.
(3) If the validity of the foreign judgment has been recognized by the Hungarian court the offence shall be regarded as having been finally adjudicated by a Hungarian court.
(4) By "judgment of a foreign court" the final judgment of an international criminal court set up under an international treaty or agreement promulgated by an Act of Parliament or under a mandatory resolution of the United Nations' Security Council shall also be meant.

Section 48

(1) In adopting its decision the court shall be bound by the foreign court's fact-findings.
(2) In the course of its proceedings the court shall identify the legal consequences attached to the conviction under Hungarian law. If the penalty or measure imposed by the foreign court's judgment is not fully reconcilable with the penalty or measure imposable under Hungarian law the court shall, in its decision, determine the penalty or measure to be imposed under Hungarian law in such a manner that it correspond to the greatest possible extent to the penalty or measure imposed by the foreign court and – where the request is made for enforcement – the court shall order the enforcement of this penalty or measure.
(3) The penalty or measure to be imposed shall be determined on the basis of the law as in force at the time of the commission of the offence; if under Hungarian law, as in force at the time of the imposition of the penalty or measure, the act no longer constitutes an offence or is subject to less severe punishment, the new law shall be applicable.
(4) If in its judgment the foreign court imposed cumulative sentence for several offences and one of the acts adjudicated in the judgment does not constitute an offence or, for other reasons, cannot be recognized under Hungarian law, the court shall, in its decision, determine the imposable penalty according to the Criminal Code rules governing the imposition of penalties, by disregarding that act and taking into consideration only those facts which serve as a basis for its judgment.
(5) If the prison regime or the duration of the sentence of imprisonment imposed by the foreign court is incompatible with the Hungarian laws the court shall determine the type and duration of the penalty to be imposed on the basis of the rules governing the imposition of penalties – including the rules pertaining to the imposition of prison regimes and conditional release – within the limits of the penalty allowed by the Hungarian Criminal Code for the offence constituted by the facts which serve as a basis for the conviction under Hungarian law. Where the term of imprisonment imposed by the foreign court is shorter than the term of imprisonment imposable – even in view of the Criminal Code rules on the mitigation of sentences – under Hungarian law, the court shall impose a term of imprisonment equal in length to the term of imprisonment imposed by the foreign court. The term of the penalty imposed by the court cannot exceed the term of the penalty imposed by the foreign court.
(6) If the foreign court imposed a sentence of imprisonment by ordering the enforcement of a part of the sentence and suspending the enforcement of the remaining part, the court shall recognize such a sentence of imprisonment as if the sentenced person had been conditionally released from enforceable imprisonment. In such cases the provisions of Section 47 subsection (2) and – if the duration of the conditional release specified under Section 48 subsection (1) of the Criminal Code exceeds the duration of the suspension ordered in the foreign court's judgment – Section 48 subsection (1) of the

Criminal Code may be set aside in determining the starting date of the conditional release. In such cases the duration of the conditional release shall be equal to the duration of the suspension specified in the foreign court's judgment, and the sentence shall be regarded as having been served after the expiry of the last day of the conditional release thus calculated.
(7) The court shall notify the criminal records office of the recognition of the validity of the foreign judgment.

Title 2
Acceptance of the Enforcement of a Sentence of Imprisonment Imposed by a Foreign Court

Section 49

(1) The enforcement of a sentence of enforceable imprisonment imposed by a foreign court may be accepted if the sentenced person has consented to it and at the reception date of the request for the acceptance by the minister responsible for justice the sentenced person has still to serve at least one-year imprisonment, or the penalty has been imposed for an indefinite period, provided that the sentenced person is a Hungarian national permanently resident in Hungary, or a non-Hungarian national immigrated to or settled in Hungary, or recognized as a refugee by the Republic of Hungary.
(2) The Hungarian national – or non-Hungarian national immigrated to or settled in Hungary or recognized as a refugee by the Republic of Hungary – sentenced to enforceable imprisonment by a foreign court and having returned to Hungary prior to the enforcement of the penalty in the foreign state, shall be regarded as having consented to the acceptance of the enforcement.
(3) Subsection (2) shall not be applicable to the Hungarian national – or non-Hungarian national immigrated to or settled in Hungary or recognized as a refugee by the Republic of Hungary – who was convicted and sentenced by a foreign court to enforceable imprisonment in absentia, or in respect of whom the enforcement of an imprisonment suspended for a probationary period was ordered by the foreign court on account of the fact that he had returned to Hungary prior to the enforcement of the penalty in the foreign state.
(4) After the decision refusing the acceptance of the enforcement becomes final the court shall proceed according to the provisions specified in Section 28.

Section 50

Enforcement shall not be accepted if the act on which the foreign conviction is based was already finally adjudicated by a Hungarian court.

Section 51

(1) The court shall – together with the request for the enforcement of the sentence of imprisonment, if it is already known in the proceedings for the recognition of the foreign judgment – examine the foreign judgment and determine whether the conditions set out in this Act for the enforcement of penalties have been fulfilled. If the validity of the foreign judgment was formerly recognised under a final decision, the court shall be bound by that decision in the proceedings instituted for the acceptance of the enforcement of the sentence of imprisonment. The decision accompanied by the relevant documents shall be forwarded by the court to the minister responsible for justice.
(2) Decision on the acceptance of the enforcement of the penalty shall be taken by the minister responsible for justice. If, according to the court's decision, the conditions set out in this Act for the acceptance of the enforcement of penalties are not fulfilled the minister responsible for justice shall refuse the request by referring to the court's decision.

Section 52

(1) Where at the time of the receipt of the request for acceptance of the enforcement of a foreign judgment the sentenced person is being proceeded against for the offence which serves as a basis for the request, proceedings shall be suspended until decision is made on the acceptance of the enforcement.

(2) If the minister responsible for justice accepts the enforcement of the penalty, the criminal proceedings shall be discontinued.
(3) Decision on the suspension or discontinuation of the proceedings shall be made by the public prosecutor or the court before which the criminal proceedings are pending.

Section 53

(1) The minister responsible for justice shall notify the Budapest Regional Court of the agreement on the acceptance of the enforcement of the penalty. Arrangements for the taking over of the sentenced person shall be made by the Interpol, in cooperation with the police.
(2) The sentenced person taken over for the purpose of enforcing against him the sentence of imprisonment imposed by the foreign court shall, until the completion of the proceedings governed under Section 51, be detained in a penitentiary institution designated by the minister responsible for the administration of the penitentiary system. The detention of the sentenced person shall be governed by the rules applicable to the enforcement of detention on remand.
(3) After the acceptance of the enforcement of the penalty the court shall – upon the motion of the public prosecutor, at a hearing, on the basis of the foreign judgment – determine the penalty to be enforced in Hungary. The participation of the sentenced person, the public prosecutor, and the defence counsel in the hearing shall be mandatory. Where in the same case the court formerly already recognized the validity of the foreign judgment but in lack of a request to that effect did not rule on the acceptance of the enforcement of the judgment, the recognition of the validity of the foreign judgment shall not be challenged in the appeal filed against the decision determining the penalty to be enforced in Hungary.

Section 54

The period of detention served abroad in connection with the case and the period of detention effected under Section 53 subsection (2) shall be deducted from the period of penalty imposed by the court.

Section 55

The enforcement of the foreign judgment ordered by the decision of the Budapest Regional Court shall immediately be discontinued if the foreign judgment ceases to be enforceable or enforcement is suspended or interrupted.

Title 3
Surrender of the Enforcement of a Sentence of Imprisonment Imposed by a Hungarian Court
Section 56

The enforcement of a sentence of imprisonment imposed by a Hungarian court under a final decision may be surrendered to another state.

Section 57

(1) The enforcement of a sentence of imprisonment may be surrendered where
a) the foreign state undertakes to enforce that part of the sentence which has not been enforced yet,
b) the sentenced person has consented to the surrender of the enforcement, if surrender of the enforcement is accompanied by surrender of the sentenced person.
(2) The enforcement of a sentence of imprisonment imposed on a Hungarian national shall not be surrendered unless the sentenced person is permanently or ordinarily resident abroad.
(3) The consent given under subsection (1) b) shall not be revocable.

Section 58

(1) Requests for the surrender of the enforcement shall be submitted to the foreign state by the minister responsible for justice.
(2) If the enforcement of a sentence of imprisonment is surrendered, arrangements for the surrender of the sentenced person shall be made by the Interpol, in cooperation with the police.

Section 59

Where enforcement was taken over the enforcement of the penalty against the sentenced person shall not be continued in Hungary unless he has escaped enforcement in the state which took over the enforcement.

Section 60

Where after the surrender of the enforcement the judgment is reversed as a result of reopening or review of the case, or enforcement cannot be continued due to amnesty, or the period of the penalty has been reduced, the state having taken over the enforcement shall be notified thereof.

Title 4
Acceptance of the Enforcement of a Measure Involving Deprivation of Liberty Imposed by a Foreign Court and Surrender of the Enforcement of a Measure Involving Deprivation of Liberty Imposed by a Hungarian Court
Section 60/A

(1) Where the conditions set out under this Act are fulfilled, the enforcement of a measure involving deprivation of liberty imposed by a foreign court may be accepted, or the enforcement of such a measure imposed by a Hungarian court may be surrendered.
(2) The measure imposed by the foreign court shall not be accepted unless identical or similar measure or penalty exists under Hungarian law.
(3) The provisions of Titles 1 and 2 shall be applicable mutatis mutandis to the acceptance and the surrender of a measure.

Title 5
Acceptance of the Enforcement of Confiscation or Forfeiture
Section 60/B

The enforcement of enforceable confiscation or forfeiture imposed by a foreign court shall be accepted on the basis of an international treaty or agreement, upon a request to that effect.

Section 60/C

(1) The court shall examine on the basis of the relevant provisions of this Act and the international treaties or agreements whether the conditions set out for the execution of a request for the acceptance of the enforcement of confiscation or forfeiture are fulfilled, and shall decide on the basis of its findings on the recognition of the foreign judgment imposing confiscation or forfeiture and on the acceptance of the enforcement thereof.
(2) The final decision shall be forwarded by the court to the minister responsible for justice with a view to being communicated to the foreign court. The decision shall be communicated to the Requesting Foreign State by the minister responsible for justice.
(3) Enforcement ordered upon a foreign judgment shall immediately be discontinued if the foreign judgment has ceased to be enforceable.

Title 6
Surrender of the Enforcement of Confiscation or Forfeiture
Section 60/D

(1) The enforcement of confiscation or forfeiture ordered by a Hungarian court under a final decision may – where it is allowed under an international treaty or agreement – be surrendered to the foreign state in whose territory the assets to be confiscated or the article to be forfeited are located.
(2) The request – meeting the conditions set out in the relevant international treaty or agreement – for the enforcement in a foreign state of a final decision imposing confiscation or forfeiture shall be transmitted by the court to the minister responsible for justice with a view to being forwarded to the foreign state. The request for the surrender of the enforcement shall be submitted to the foreign state by the minister responsible for justice.

Section 60/E

Where after the surrender of the enforcement the defendant has been acquitted as a result of extraordinary legal remedy, or the proceedings against him have been discontinued, or the decision taken in pursuance thereof imposed no confiscation or forfeiture – or imposed confiscation or forfeiture to a lesser extent –, the state having accepted the enforcement shall be notified thereof.

Chapter V
PROCEDURAL ASSISTANCE
Title 1
Provision of Procedural Assistance to a Foreign Authority
Section 61

(1) Upon a foreign authority's request the Hungarian authorities shall provide procedural assistance.
(2) Procedural assistance may, in particular, include the execution of acts of investigation, searches for means of evidence, hearing of defendants and witnesses, hearing of experts, on-site inspections, searches, frisk searches, seizures, transit through Hungary, transmission of documents and articles related to criminal proceedings, service of documents, provision of information from criminal records and records of criminal and biometric data on personal and other data related to Hungarian nationals criminally proceeded against in a foreign state and temporary surrender.

Section 62

Requests for procedural assistance may also be executed where the condition set out in Section 5 (1) a) is not fulfilled, provided that the Requesting State guarantees reciprocity in this respect as well.

Section 63

Requests for the service of documents shall not be executed unless the document to be served is written in the Hungarian language or is accompanied by a translation into the Hungarian language.

Section 64

(1) In executing the procedural assistance the Hungarian rules of criminal procedure shall be applicable. Upon the Requesting State's request other procedural rules may also be applied provided that they are not incompatible with the principles of the Hungarian legal system.
(2) If so requested in the request for mutual assistance, the Hungarian judicial authority executing the request shall, in due time, inform the foreign authority proceeding in the case of the time and place of the execution of the request. If the representative of the proceeding foreign authority desires to be present at the execution of the request his attendance and the attendance of any other person participating in the criminal proceedings pending before the foreign authority and designated by that authority may be permitted by the court or the public prosecutor executing the request. If in the course of the proceedings the representative of the foreign authority being present at the execution of the request asks for the taking of additional evidence by supplementing the original request, his request shall, so far as possible, be complied with.

Section 65

Where the requesting authority desires the participation in the execution of the request of a person who is held in detention on remand or is serving a sentence of imprisonment in the state of the requesting authority, such a person may temporarily be taken over in order to execute the request; in Hungary he shall be held in custody and following the execution of the request he shall immediately be returned to the state of the requesting authority.

Section 66

Where the person summoned by a foreign authority as a witness is held in detention on remand or is serving a sentence of imprisonment in Hungary, he may temporarily be surrendered to the requesting authority if he gives consent to it, and if assurances are furnished that he will be held in custody in the state of the requesting authority and that he will be returned after being heard.

Section 67

Transmission of articles, original records, and other original documents to the requesting authority upon request for mutual assistance may be made subject to the condition that such items shall be returned in their original condition. Transmission of such articles shall not affect ownership rights or any other rights acquired in the articles.

Section 68

With a view to executing mutual assistance in criminal matters between foreign states the Minister may authorize the transit, under police custody, through the territory of the Republic of Hungary of non-Hungarian nationals or Hungarian nationals being simultaneously nationals of other states as well and being permanently or ordinarily resident abroad.

Section 69

(1) Where air transit with no intermediate stop is foreseen and an unscheduled landing takes place on the territory of the Republic of Hungary, the person being transited shall be held in custody by the Hungarian police.
(2) Where transit is to take place with a landing or by means other than air travel, in authorizing the transit all conditions pertaining to it shall be stipulated, especially the border crossing points to be used.

Section 70

(1) Requests for procedural assistance shall be received by the Chief Public Prosecutor who shall – if the conditions set out for the execution of the request under this Act are fulfilled – make arrangements for forwarding the request to the public prosecutor assigned by him for executing the mutual assistance.
(2) Where the foreign judicial authority expressly requests that the procedural assistance be executed by a court, or where under Hungarian law procedural assistance is to be executed by a court, the Chief Public Prosecutor shall forward the request for mutual assistance to the Minister who shall send it for execution to the competent court.
(3) Following the execution of the request, or if execution is prevented by insurmountable obstacles, or if in the course of the execution circumstances arise as a result of which execution of the request for procedural assistance becomes impossible under the provisions of this Act the documents, indicating the obstacles, shall be transmitted by the public prosecutor to the Chief Public Prosecutor or by the court to the Minister.

Section 71

The judicial authority having submitted the request for procedural assistance shall be notified of the execution of the request by the Chief Public Prosecutor or the Minister. The Chief Public Prosecutor or the Minister shall, by giving reasons, also notify the above authority if execution has not been possible or has been possible only partially.

Title 2

Request to a Foreign Authority for Procedural Assistance

Section 72

The provisions of Title 1 of this Chapter shall be applicable *mutatis mutandis* to requests for procedural assistance submitted to a foreign authority by a Hungarian court or public prosecutor.

Section 73

Requests addressed to foreign judicial authorities shall, with a view to being communicated, be forwarded by the court to the Minister, or by the public prosecutor to the Chief Public Prosecutor.

Section 74

(1) Except for the case specified under subsection (2), witnesses or experts appearing from abroad due to procedural assistance, upon the summons of a Hungarian authority proceeding in criminal matters, shall not be criminally proceeded against for an act committed prior to their entry into the country.
(2) The immunity provided for under subsection (1) shall cease when the witness or expert, having had for a period of 8 consecutive days from the date when his presence is no longer required by the proceeding authorities an opportunity of leaving, has nevertheless remained in the territory, or having left it, has returned voluntarily.

Section 75

Where the person staying abroad fails to appear upon the summons of the Hungarian court or public prosecutor, the Criminal Procedure Code provisions governing failure to appear upon summons shall not be applicable.

Chapter VI
RULES ON FORMALITIES AND EXPENSES

Section 76

(1) Requests for mutual assistance in criminal matters shall be made in writing and transmitted through the diplomatic channel. The Minister or the Chief Public Prosecutor may also accept requests transmitted through non-diplomatic channels; they themselves may also transmit requests in the same way.
(2) Unless otherwise provided for under this Act, the request shall contain:
a) the name of the requesting judicial authority,
b) the subject matter of the request,
c) a description of the offence forming the subject matter of the proceedings and the legal characterisation of the offence,
d) the personal particulars of the defendant or the sentenced person, including nationality.
(3) Where the request originates from a foreign state, the request and its annexes shall only be required to be accompanied with a translation into the Hungarian language if requests of identical nature submitted in the Hungarian language are not accepted by the Requested State.
(4) Where the request is deficient to such an extent that no opinion can be formed as to its executability, or it cannot be executed properly, the Chief Public Prosecutor or the Minister shall invite the Requesting State to supplement the request and to communicate the required additional data. Such invitation shall not prejudice the taking of an urgent measure requested by the foreign state if the measure can be taken on the basis of the request and is allowed under Hungarian law. Failure to supplement or properly supplement the request may serve as a ground for refusing its execution.

Section 77

Requests for extradition shall, in addition to the data specified under Section 76 subsection (2), contain:
a) the text of the statutory provisions applicable to the offence for which extradition is requested and the statute of limitations applicable to the case,
b) for extradition requests received from abroad the assurances required under Sections 15, 16 (1) and 30 (3) b).

Section 78

(1) Requests for the surrender and acceptance of proceedings and for the laying of information before a foreign authority shall, in addition to the data specified under Section 76 Subsection (2), contain or be accompanied by:
a) the original records or their certified copies and, in the event of an offer, the text of the relevant Hungarian law governing the offence;

b) specification of the evidence;
c) information on the defendant's place of residence or probable place of residence and – if he is in detention on remand – the starting date of the detention and the closing date of the custody or the detention on remand;
d) the private bill of indictment, in case of offences prosecuted upon a private bill of indictment;
e) the civil claims, if such claims have been submitted.
(2) Any information deemed by the authority to be necessary to the proper adjudication of the case may be annexed.

Section 79

(1) Requests for the surrender and acceptance of the enforcement of penalties shall, in addition to the data specified under Section 76 subsection (2), contain:
a) ,where the penalty has already been partially enforced, data pertaining thereto, especially precise data on the time spent in detention;
b) the sentenced person's statement of consent.
(2) The document containing the court's final decision or a certified copy thereof shall be annexed.

Section 80

(1) Requests for procedural assistance shall, in addition to the data specified under Section 76 subsection (2), contain the data that may be necessary to the proper execution of the request.
(2) The request shall be signed and sealed by the representative of the requesting judicial authority.
(3) For requests for the service of documents it shall be sufficient to state the subject matter of the request, the name and address of the addressee, his status in the proceedings and the type of the document.
(4) Requests for search, frisk search and seizure shall be accompanied by the document containing the authority's order or a certified copy thereof. In urgent cases such requests may be submitted through the Interpol as well.

Section 81

(1) Where under this Act the execution of a request for mutual assistance in criminal matters is made dependent on the provision of a statement of consent, such a statement shall be recorded in minutes signed by the president of the court's panel and the person giving the statement or his representative, if the person giving the statement is unable to give legally binding consent. The minutes shall be sealed with the court's seal.
(2) Where the person giving the statement is in detention, the penitentiary judge with jurisdiction over the penitentiary institution in which the person is detained shall, in the manner specified in subsection (1), record the statement in minutes and shall forward them to the court having proceeded at first instance.

Section 82

Where the foreign state demands that the request and its annexes be accompanied by a translation, or it is likely that in the absence of a translation of the documents the request for mutual assistance will not be executed, the public prosecutor or the court shall make arrangements for having the request and its annexes translated from the Hungarian language into the official language, or into one of the official languages of the Requested State. Where translation into this language would pose disproportionate difficulty or would incur disproportionate expenses the documents shall be translated into a lingua franca used in the Requested State.

Section 83

(1) Expenses arising from extradition or temporary surrender of persons [Section 29(2)], surrender of criminal proceedings, surrender of the enforcement of sentences of imprisonment or measures involving deprivation of liberty, temporary surrender and non-air transportation [Section 69 (2)] of persons under arrest or serving a sentence of imprisonment with a view to being heard as witnesses

(Section 66) shall be borne by the Requesting Foreign State. Expenses arising from the transportation to Hungary for the same purposes of persons staying abroad, expenses arising from the application of Section 82 and – in case of acceptance of the enforcement of a sentence of imprisonment or a measure involving deprivation of liberty imposed by a foreign court (Chapter IV, Titles 1 and 3) – the costs of translation into Hungarian of the foreign documents transmitted by the foreign authority as well as the fee of the appointed defence counsel shall be considered as expenses in criminal matters.
(2) Further expenses arising from the provision of procedural assistance shall be borne by the Republic of Hungary, provided that reciprocity is guaranteed in this respect as well. However, where the procedural assistance requested by the foreign authority incurs significant expenses, the execution of the request may be made subject to the condition that the expenses shall be reimbursed fully or in part.
(3) If the public prosecutor or the court summons a witness or an expert from abroad within the framework of procedural assistance, advance money can be paid to cover their travel and accommodation costs in Hungary.

Chapter VII

ENTRY INTO FORCE

Section 84

This Act shall enter into force on the 15th day of the second month following the month in which it has been promulgated.

ANNEX X: EXTRACTS FROM THE ACT CXXX OF 2003 ON THE CO-OPERATION WITH THE MEMBER STATES OF THE EUROPEAN UNION IN CRIMINAL MATTERS

Chapter I
GENERAL PROVISIONS

Section 1

This Act shall be applied in the co-operation with the Member States of the European Union in the field of criminal matters, and in the surrender proceedings conducted under the European arrest warrant.

Section 2

Unless otherwise provided by this Act, the Act on International Legal Assistance in Criminal Matters and the Code of Criminal Procedure shall be applied accordingly with the Member States of the European Union (hereinafter: Member States) in the surrender proceedings conducted under the European arrest warrant and in legal assistance in criminal matters.

Chapter II
The European Arrest Warrant and the Surrender
Title 1
SURRENDER FROM HUNGARY

Section 3

(1) Under the European arrest warrant issued by the judicial authority of another Member State (hereinafter: issuing judicial authority) a person staying in the territory of the Republic of Hungary may be arrested and surrendered for the purposes of conducting a criminal prosecution or executing a custodial sentence or detention order for acts punishable by the law of the issuing Member State by a custodial sentence or a detention order for a maximum period of at least 12 months or, where a sentence has been passed or a detention order has been made, for sentences of at least four months.

(2) The requested person shall be surrendered under the European arrest warrant without verification of the double criminality of the act in respect of the categories of offences defined in Annex I of this Act.

(3) In respect of the categories of offences defined in Annex I of this Act, if they are punishable in the issuing Member State by a custodial sentence or a detention order for a maximum period of at least three years, and as for the offences other than those covered by Annex I surrender may be subject to the condition that the acts for which the European arrest warrant has been issued constitute an offence under the law of the Republic of Hungary.

(4) Where the offences relate to taxes or duties, customs and exchange, execution of the European arrest warrant shall not be refused on the grounds that the Hungarian law does not impose the same kind of tax of duty or does not contain the same type of rules as regards taxes, duties and customs and exchange regulations as the law of the issuing Member State.

Chapter III
PROCEDURAL LEGAL ASSISTANCE WITH THE MEMBER STATES OF THE EUROPEAN UNION IN CRIMINAL CASES
Title 1
GENERAL RULES OF PROCEDURAL LEGAL ASSISTANCE

Section 36

(1) Unless this Act or an international treaty provides otherwise, in co-operation with the Member States of the European Union in criminal cases the Hungarian judicial authorities can directly provide procedural legal assistance upon an application following the start of the criminal proceeding.
(2) The provisions of the act on international co-operation of the criminal investigation agencies must be applied to the receipt and performance as well as proposal of procedural legal assistance sent by a criminal investigation agency of a Member State or requested by a Hungarian criminal investigation agency prior to the start of the criminal proceeding. If the criminal proceeding is launched in the execution of a request submitted prior to the start of the criminal proceeding, co-operation thereon may be conducted only as the performance of the request for procedural legal assistance specified in this law.
(3) The provisions of this chapter must be applied unless an international treaty provides otherwise.

Section 37

The forms of procedural legal assistance include especially:
a) direct information supply,
b) return of objects,
c) temporary transit of detained individuals,
d) interrogation via a private telecommunications network,
e) interrogation by phone,
f) establishment of a joint investigation team,
g) employment of an undercover detective,
h) controlled delivery and secret information collection not requiring a permission from the judge,
i) secret data collection subject to the permission of a judge.

Section 38

(1) Unless this Act provides otherwise, a request for procedural legal assistance forms presented by a judicial authority of a Member State may be received and performed by that Hungarian judicial authority in the territory of which the object requested to be returned is situated, the person requested to be temporarily transited is detained, the person to be interrogated resides or stays or the person to be interrogated is detained.
(2) Pursuant to an in international treaty, the Hungarian judicial authorities may also accept a request for procedural legal assistance from, or may send one directly to, such agencies, if the internal law of the Member State permits the investigation agencies to participate in legal assistance in criminal matters.
(3) No request for procedural legal assistance may be performed or presented if it infringes the sovereign rights, or imposes a risk on the safety of the Republic of Hungary or violates the public order.
(4) The review of the conditions stated in Paragraphs (2) and (3) falls within the competence of the general prosecutor until the indictment is presented, and into the competence of the Minister subsequently.

Section 39

(1) The request may be submitted in writing, or in justified cases with some other suitable method permitting the identification of the counterparty, primarily by was of telefax or an information system, and any request presented this way must be considered regular.
(2) If the performance of the request does not fall within the competence or jurisdiction of the Hungarian judicial authority, it shall immediately transfer the request to the Hungarian judicial authority that is competent or has jurisdiction. The Hungarian judicial authority ordering the transfer notifies the judicial authority of the Member State sending the request on its transfer, specifying exactly the applicable Hungarian judicial authority.

Title 2

FORMS OF PROCEDURAL LEGAL ASSISTANCE
Direct Information Supply

Section 50

(1) A Hungarian judicial authority may supply information directly to, or may request information directly from, a judicial authority of the Member State in relation to a criminal case, which is in progress or has been completed.
(2) The Hungarian investigation authority or prosecutor may request information from or provide information to, a judicial authority or criminal investigation agency of a Member State directly in relation to a criminal procedure in order to establish the identity or place of residence of the individual suspected of the commitment of the crime or to prevent the hiding of such individuals, or the completion of the crime or the commitment of a new crime, or due to any imminent reason. The Hungarian investigation authority notifies the prosecutor immediately of the information supply and is contents.

Chapter IV
PROCEDURAL LEGAL ASSISTANCE IN THE EXECUTION OF ANY RESOLUTION FOR THE PRESERVATION OF MEANS OF EVIDENCE, AND OBJECTS AND ASSETS SUBJECT TO CONFISCATION
Title 1
EXECUTION OF RESOLUTIONS OF A JUDICIAL AUTHORITY OF A MEMBER STATE FOR THE PRESERVATION OF MEANS OF EVIDENCE, OBJECTS AND ASSETS SUBJECT TO CONFISCATION

Section 67/A

(1) Within the framework of co-operation on criminal matters with the Member States of the European Union, the judicial authority of the Republic of Hungary shall directly execute any decision issued by a judicial authority of the Member State
a) for the detection, collection provision or use of means of evidence, or
b) for ensuring confiscation,
if it was sent to the Hungarian judicial authority in the Hungarian language, with a certificate issued on a form specified in Annex 3 of this Act (hereinafter: for the purpose of chapter certificate) and the means of evidence and objects and assets subject to confiscation are situated within the territory of the Republic of Hungary.
(2) The decision issued by a judicial authority of the Member State is executed by the Hungarian judicial by the Hungarian judicial authority authorised to issue such decisions (ordering measures of coercion) and making arrangements for their execution pursuant to the Hungarian legislation.
(3) If the judicial authorities of two or more Member States issued decisions, for securing the same means of evidence or objects and assets subject to confiscation, then a choice must be made on the execution of the decision issued by the judicial authority of which Member State should be executed, taking into account all conditions. The choice must be made taking into account especially the importance and place of commitment of the crime and the date of issue of the decision.
(4) The Hungarian judicial authority may execute the decision sent by a judicial authority of a Member State within the territory of which the means of evidence, the object or assets subject to confiscation is situated. If there are criminal proceedings in progress in Hungary due to the crime based on which the decision was issued, then that Hungarian judicial authority may execute the decision, which conducts the Hungarian criminal proceeding.
(5) If the Hungarian judicial authority is not competent or has not jurisdiction for the execution of the decision issued by a judicial authority of the Member State, then it shall immediately transfer it to the Hungarian judicial authority that has competence and jurisdiction and notifies the issuer about the transfer.

Section 67/B

(1) Any resolution issued by a judicial authority of the Member State must be executed without any consideration to the potential dual punishment of the action in the case of types of crimes specified in Annex 1.
(2) If pursuant to the national legislation of the judicial authority of the Member State issuing the decision the top limit of the punishment for the crime with the regard to which the execution of the decision is requested is lower than three years of imprisonment or a measure of incarceration, the decision issued by a judicial authority of the Member State may only be executed if the crime is one of the types of crimes specified in Annex 1 of this Act.
(3) In the case of types of crimes, not listed in Annex 1 a decision issued by a judicial authority of the Member State may be executed if the action, based on which the execution of the decision is requested is classified a crime pursuant to the Hungarian legislation.

Section 67/C

(1) The execution of a decision issued by a judicial authority of a Member State must be rejected if
a) in the case specified in Section 67/B (2)-(3) the action underlying the decision is not a crime pursuant to the Hungarian law;
b) the statutory limitation period of the potential punishment or imposed punishment for the crime underlying the decision is over according to the Hungarian legislation;
c) a decision has already been adopted against the accused for the action underlying the decision in the Republic of Hungary or in a Member State, and it hinders the launch of criminal proceedings or based on it the seizure confiscation or the equivalent punishment or measure has already been executed, or the execution is in progress or it cannot be executed pursuant to the legislation of the Member State adopting the effective judgement;
d) the accused has already been effectively sentenced in a third state for the same action, providing that the seizure or confiscation or the equivalent punishment or measure has already been executed, or the execution is in progress, or it cannot be executed according to the legislation of the state adopting the effective judgement, or the accused has already been effectively acquitted in a third state based on the same action;
e) the certificate sent by the judicial authority of the Member State clearly does not relate to the attached decision ordering the measure;
f) the deadline for correction and supplementation has passed without any result or the execution of the decision supplemented pursuant to the provisions of Section 67/D (2) is still not feasible;
g) the decision relates a means of evidence, an object or asset subject to confiscation, possessed by a person enjoying immunity in relation to a public law office (Section 551 of the Criminal Proceedings Act), or enjoying immunity based on international law (Section 553 of the Criminal Proceedings Act) and the immunity or immunity based on international law has not been suspended;
h) the execution is excluded under the Hungarian law.
(2) The execution of a decision issued by a judicial authority of a Member State cannot be refused in the case of crimes involving taxes, duties, customs and foreign currency due to the fact that the same taxes or duties do not exist under the Hungarian law, or it does not contain the same types of tax, duty, customs and foreign currency provisions as the law of the Member State issuing the decision.

ANNEX XI: EXTRACTS FROM ACT CXII OF 1996 ON CREDIT INSTITUTIONS AND FINANCIAL ENTERPRISES

Financial Services and Activities Auxiliary to Financial Services

Section 3

(1) Financial services shall mean the pursuit of the following services of a financial nature on a commercial scale, in Hungarian Forints and other currencies:
a) receiving deposits and other repayable funds from the public in excess of the equity capital;
b) credit and loan operations;
c) financial leasing;
d) payment services;
e) issuing electronic money, and issuing paper-based cash-substitute payment instruments (for example travelers' checks and bills printed on paper) and the provision of the services related thereto, which are not recognized as payment services;
f) providing surety facilities and bank guarantees, as well as other banker's obligations;
g) commercial activities in foreign currency, foreign exchange - other than currency exchange services -, bills and checks on own account or as commission agents;
h) intermediation of financial services;
i)
j) safe custody services, safety deposit box services;
k) credit reference services;
l)
m)

Section 5

(1) "Credit institution" means any financial institution that is engaged in all or part of the financial activities specified in Section 3, which must include the acceptance of deposits and other repayable funds from the general public (not including public bond issues specified in specific other legislation), in credit and loan operations and in the issue of electronic money.
(2) Only credit institutions shall be entitled to
d) provide currency exchange services.
(3) Credit institutions may be banks, specialized credit institutions or cooperative credit institutions (savings or credit unions).

Payment Institutions

Section 6/A

(1) 'Payment institution' means a legal person that has been granted authorization in accordance with this Act to provide and execute payment services [Paragraph d) of Subsection (1) of Section 3].
(2) Payment institutions shall be authorized to engage in credit and loan operations under Paragraph b) of Subsection (1) of Section 3 subject to the restrictions set out in Section 6/B.
(3) Payment institutions may be authorized, in connection with their payment services activities, for providing safe custody services under Paragraph j) of Subsection (1) of Section 3 and for the operation of payment systems according to Paragraph b) of Subsection (2) of Section 3.
(4) In addition to what is contained in Subsection (2) above, payment institutions shall be entitled to provide ancillary services where they are connected to their payment services activities, and other operational and closely related ancillary services such as ensuring the execution of payment transactions, foreign exchange services in connection with payment transactions and the storage and processing of data.

(5) Unless otherwise prescribed by law, payment institutions shall be entitled to engage in other business activities as well, with the exception that these activities may not be other than the provision of payment services and ancillary services described in Subsections (1)-(3).

Section 6/B

(1) Payment institutions may grant credit and loan related to the payment services referred to in Paragraphs d), e) and g) of Point 9 of Chapter I of Schedule No. 2 to their clients subject to the following conditions:
a) the credit shall be provided from the payment institution's own funds and granted exclusively in connection with the execution of a payment transaction;
b) such credit shall not be granted from the funds received or held by the payment institution for the purpose of executing a payment transaction;
c) the credit shall be repaid within a maximum period of twelve months; and
d) the own funds of the payment institution shall at all times be appropriate in view of the requirements set out in this Act.
(2) The provisions contained in Sections 201-214/C shall also apply to the granting of credit by payment institutions.

Personnel and Material Requirements

Section 13

(1) Financial service activities may only be commenced or performed if the requirements pertaining to
a) The accounting and records system, as prescribed by law,
b) The internal rules and regulations in accordance with prudent operation,
c) Personnel as defined in separate legal regulations for providing financial services,
d) The technological, informatics, technical, and security background and the premises suitable for carrying out the activities,
e) Controlling procedures and systems, as well as the property insurance
f) Information and control system for reducing operating risks, and a plan for handling extraordinary situations
g) clear organizational structure
(hereinafter referred to collectively as "personnel and material requirements") are satisfied.
(2) Financial institutions - with the exception of financial holding companies - may only operate in places that meet the security requirements specified in specific other legislation.
(3) The requirements specified in Subsections (1) and (2) shall also be satisfied in the case of any changes in the registered address or business location and when modifying the sphere of financial service activities.
(4) For the duration specified in Section 16 of Act LXXXV of 1999 on Criminal Records and Police Penal Certificates or until the conclusion of criminal proceedings, any person who has been convicted for the crimes defined in Title III of Chapter XV of Act IV of 1978 on the Criminal Code (hereinafter referred to as "Criminal Code"), false accusation (Criminal Code, Section 233), misleading authorities (Criminal Code, Section 237), perjury (Criminal Code, Section 238), subornation to perjury (Criminal Code, Section 242), obstruction of justice (Criminal Code, Section 243), harboring a criminal (Criminal Code, Section 244), the crimes defined in Title VII of Chapter XV and any act of terrorism (Criminal Code, Section 261), violation of international economic restrictions (Criminal Code, Section 261/A), seizure of aircraft, any means of railway, water or road transport or any means of freight transport (Criminal Code, Section 262), illegal possession of explosives or explosive devices (Criminal Code, Section 263), illegal possession of firearms or ammunition (Criminal Code, Section 263/A), criminal misuse of military items and services, and dual-use items and technology (Criminal Code, Section 263/B), crimes in connection with nuclear energy (Criminal Code, Section 264/B), crimes committed with weapons prohibited by international convention (Criminal Code, Section 264/C), the crimes defined in Title III of Chapter XVI, the crimes defined in Chapters XVII and XVIII, or a felony offense committed in a criminal organization; or any person who has been indicted

on any of these offenses cannot be appointed or elected to an executive office with a currency exchange service provider, cannot directly engage in the management of currency exchange services and cannot directly engage in the provision of currency exchange services.
(5) The HFSA shall be entitled to check in the register of convicted criminals and the register of individuals indicted under criminal charges in order to enforce the employment criteria defined in Subsection (4) before the employment contract is concluded, or before the activity permit is issued or extended, and also during the life of the employment contract.

Section 13/B

(1) Financial institutions are required to set up a regulatory regime concerning the security of their information systems used for providing financial services and financial mediation, and to provide adequate protection for the information system consistent with existing security risks. The regulatory regime shall contain provisions concerning requirements of information technology, the assessment and handling of security risks in the fields of planning, purchasing, operations and control.
(2) Financial institutions shall review and update the security risk assessment profile of the information system whenever necessary, or at least every other year.
(3) The organizational and operating rules shall be drawn up in light of the security risks inherent in the use of information technology, as well as the rules governing responsibilities, records and the disclosure of information, and the control procedures and regulations integrated into the system.
(4) Financial institutions shall install an information technology control system to monitor the information system for security considerations, and shall keep this system operational at all times.
(5) Based on the findings of the security risk analysis, the following utilities shall be installed as consistent with the existing security risks:
a) clear identification of major system constituents (tools, processes, persons) and keeping logs and records accordingly;
b) self-protect function of the information technology security system, checks and procedures to ensure the closure and complexity of the protection of critical components;
c) frequently monitored user administration system operating in a regulated, managed environment (access levels, special entitlements and authorizations, powers and responsibilities, entry log, extraordinary events);
d) a security platform designed to keep logs of processes which are deemed critical for the operation of the information system and that is capable to process and evaluate these log entries regularly (and automatically if possible), or is capable of managing irregular events;
e) modules to ensure the confidentiality, integrity and authenticity of data transfer;
f) modules for handling data carriers in a regulated and safe environment;
g) virus protection consistent with the security risks inherent in the system.
(6) Based on their security risk assessment profile financial institutions shall implement protection measures to best accommodate their activities and to keep their records safe and current, and shall have adopted the following:
a) instructions and specifications for using their information system, and plans for future improvements;
b) all such documents which enable the users to operate the information system designed to support business operations, whether directly or indirectly, independent of the status of the supplier or developer of the system (whether existing or defunct);
c) an information system that is necessary to provide services and equipment kept in reserve to ensure that services can be provided without any interruption, or in the absence of such equipment, solutions used in their stead to ensure the continuity of activities and/or services;
d) an information system that allows running applications to be safely separated from the environment used for development and testing, as well as proper management and monitoring of upgrades and changes;
e) the software modules of the information system (applications, data, operating system and their environment) with backup and save features (type of backups, saving mode, reload and restore tests,

procedure), to allow the system to be restored within the restoration time limit deemed critical in terms of the services provided. These backup files must be stored in a fireproof location separately according to risk factors, and the protection of access in the same levels as the source files must be provided for;
f) a data storage system capable of frequent retrieval of records specified by law to provide sufficient facilities to ensure that archived materials are stored for the period defined by legal regulation, or for at least five years, and that they can be retrieved and restored any time;
g) an emergency response plan for extraordinary events which are capable of causing any interruption in services.
(7) Financial institutions shall have available at all times:
a) operating instructions and models for the inspection of the structure and operation of the information system they have developed themselves or that was developed by others on a contract basis;
b) the syntactical rules and storage structure of data in the information system they have developed themselves or that was developed by others on a contract basis;
c) the scheme of classification of information system components into categories defined by the financial institution;
d) a description of the order of access to data;
e) the documents for the appointment of the data manager and the system host;
f) proof of purchase of the software used;
g) complex and updated records of administration and business software tools comprising the information system.
(8) All software shall comprise an integrated system:
a) that is capable of keeping records of the data and information required for regular operations and as prescribed by law;
b) that is capable of keeping reliable records of moneys and securities;
c) that has facilities to connect, directly or indirectly, to national information systems appropriate for the activities of the financial institution;
d) that is designed for the use of checking stored data and information;
e) that has facilities for logic protection consistent with security risks and for preventing tampering.
(9) The internal regulations of the financial institution shall contain provisions concerning the knowledge required in the field of information technology for filling certain positions.

Internal Control Mechanisms and Risk Management Processes

Section 13/C

(1) Credit institutions are required to have sound governance arrangements with respect to the principle of proportionality, having regard in particular to the diversity in size and scale of operations and to the range of activities, which shall include:
a) the structural organization clearly documented in the internal policies;
b) well defined, transparent and consistent lines of responsibility;
c) effective processes to identify, measure, manage, monitor and report the risks the credit institution is or might be exposed to, and
d) adequate internal control mechanisms, including sound administrative and accounting procedures in compliance with the relevant statutory provisions.
(2) In accordance with Subsection (1):
a) the credit institution’s board of directors shall approve and periodically review the strategies and policies for the segregation of duties in the organization and the prevention of conflicts of interest, for taking up, managing, monitoring and mitigating the risks the credit institution is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle;
b) credit-granting shall be based on sound and well-defined criteria fixed in the internal policies;
c) administration and monitoring of the credit institution’s various credit risk-bearing portfolios and exposures, including for identifying and managing problem credits for which adequate value

adjustments and provisions are necessary, and such value adjustments and provisions shall be operated through effective systems;
d) diversification of credit portfolios shall be adequate given the credit institution's target markets and overall credit strategy.
(3) Credit institutions shall have written policies and procedures for:
a) the management of the risk that the recognized credit risk mitigation techniques the credit institution uses prove less effective than expected;
b) the management of concentration risk arising from exposures to counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity, and from the application of credit risk mitigation techniques;
c) the measurement and management of all material sources and effects of market risks;
d) the evaluation, measurement and management of the risk arising from potential changes in interest rates as they affect a credit institution's non-trading activities;
e) the evaluation and management of the exposure to operational risk, including contingency and business continuity plans to ensure a credit institution's ability to operate on an ongoing basis and limit losses in the event of severe business disruption;
f) the measurement and management of their liquidity position.
(4) With a view to compliance with Paragraph f) of Subsection (3), credit institutions shall have alternative scenarios in place and the assumptions underpinning decisions concerning the net funding position (consistent with existing assets and liabilities, and maturity) shall be reviewed at least once a year.
(5) Credit institutions that are subject to supervision on a consolidated basis shall also satisfy the requirements relating to internal control mechanisms and risk management jointly with any credit institution or investment firm in which they have a dominant influence.

Section 17

(1) The application for foundation permit of a financial institution shall include:
a) the deed of foundation which clearly defines the type and sphere of activities of the financial institution to be established;
b) the document which defines the territory proposed to be served (nation-wide or limited to a specific region);
c) proof of deposit of fifty percent of the subscribed capital defined in Section 9 for credit institutions, or the full amount of the subscribed capital defined in Section 9 for financial enterprises as paid up by the founders;
d) a description of the drafts for the organizational structure, system of management, decision making and control mechanisms as well as the bylaws, if such are not contained in detail in the deed of foundation;
e) in the case of applicants domiciled abroad, a statement concerning the applicant's agent for service of process; such agent must be an attorney or a law firm registered in Hungary, or the applicant's bank representative office in Hungary;
f) in the case of a financial enterprise, proof of compliance with personnel and material requirements for providing financial services, as well as the documents listed in Paragraphs d)-f), h), k) and l) of Subsection (2) section 18.
g) in the case of credit institutions that are subject to supervision on a consolidated basis or supplementary supervision, a description of the apparatus for the conveyance of information related to supervision on a consolidated basis or supplementary supervision and a statement from the persons with close links to the credit institution guaranteeing to provide the Commission with the data, facts and information that are necessary for supervising the credit institution on a consolidated basis or for supplementary supervision;
h) in the case of credit institutions that are subject to supervision on a consolidated basis or supplementary supervision, a statement from each natural person closely affiliated with the credit institution containing his consent to have the personal data he has disclosed to the credit institution

processed and released for the purposes of supervision on a consolidated basis or supplementary supervision in accordance with this Act.
(2) If there is a person among the founders who wishes to acquire a qualifying interest in a financial institution in the process of foundation, in addition to the requirements set forth in Subsection (1) the following shall also be attached to the application for authorization:
a) the applicant's identification data listed in Chapter I of Schedule No. 3;
b) evidence concerning the legitimacy of the financial means for acquiring the qualifying interest;
c) documents issued within thirty days to date to verify of having no outstanding debts owed to the competent tax authority, customs authority or to the social security system of the applicant's country of origin;
d) proof that other holdings and business activities of the applicant are not harmful to the prudent management of the financial institution;
e) for natural persons, a certificate of no criminal record issued within thirty days to date, or a similar document that is deemed equivalent under the national law of the applicant's country of origin;
f) if other than a natural person, the complete text of the applicant's charter document as amended to date, a certificate issued within thirty days to date in proof that the applicant was established (registered) in compliance with the relevant national regulations and is not adjudicated in bankruptcy, liquidation or dissolution proceedings, and its executive employees are not subject to any disqualifying factors;
g) if other than a natural person, a detailed description of the applicant's ownership structure, and if the applicant is subject to supervision on a consolidated basis a detailed description of these circumstances, furthermore the consolidated annual report of the credit institution or investment firm for the previous year, if they are required to prepare a consolidated annual report;
h) a declaration on any pending and future liabilities defined as such by the Accounting Act;
i) a statement of full probative force from the applicant in which to grant consent to having the authenticity of the documents attached to the application for authorization checked by the Commission by way of the agencies it has contacted.
(3) If there is a foreign-registered financial institution, insurance company or investment firm among the founders who wishes to acquire a qualifying interest, in addition to the requirements set forth in Subsections (1) and (2), a statement from the competent supervisory authority of the country of origin stating that the enterprise conducts its activities in compliance with prudential regulations shall also be attached to the application for authorization.
(4) Before a foundation permit can be issued a statement must be made to the effect that the financial institution will be directed from the main office to be established in Hungary.
(5) The application for authorization of a financial holding company must include:
a) the material specified in Paragraphs a) and c)-e) of Subsection (1),
b) a business plan for the first three years,
c) the material specified in Paragraphs f) and h) of Subsection (2) of Section 18,
d) a statement to the effect that the financial institutions belonging to the holding company will provide the Commission with the necessary data, facts, information, and conclusions for supervising it.
(6) Upon receipt of the foundation permit credit institutions may engage in activities related to foundation of a bank.

Section 17/A

(1) In respect of the foundation of a financial institution operating as a branch office, the following shall be attached to the application for foundation permit in addition to the documents prescribed in Subsection (1) of Section 17:
a) the foreign financial institution's instrument of constitution,
b) the foreign financial institution's certificate of incorporation issued within three months to date in proof of the foreign financial institution being registered in the companies (business) register,
c) a copy of the authorization issued by the competent supervisory authority of the country where the foreign financial institution is registered,

d) a certificate issued within the thirty days to date proving that the foreign financial institution participating in the foundation has no debts to the tax or customs authorities or the social security administration in Hungary or the country in which its home office is located or registered,
e) a certificate from the competent supervisory authority of the country in which it is registered to the effect that the main office directing the financial institution is in the country in which it is registered,
f) in respect of a credit institution or a financial enterprise, the audited and approved balance sheet and the profit and loss statement of the founder for the previous three fiscal years or for the previous fiscal year, respectively,
g) a statement on the off-balance sheet liabilities of the foreign financial institution,
h) a detailed description of the founder's ownership structure and of the circumstances under which the founder is considered to be affiliated to a group of persons in partnership, furthermore the leading company's consolidated annual report for the previous year if the leading company is required to prepare a consolidated annual report,
i) a statement of full probative force from the persons indicated in the application in which to grant consent to having the authenticity of the documents attached to the application for authorization checked by the Commission by way of the agencies it has contacted,
j) a list of the activities, described in Section 3, performed by the applicant under authorization by the supervisory authority of the country where established, and the locations where such activities are performed,
k) the scope of authority of the executive officer of the financial institution operating as a branch office, and the applicant's bodies the approval of which is expressly required for passing certain resolutions,
l) a statement of the competent supervisory authority in evidence of having no grounds for exclusion regarding the executive officer - of citizenship other than Hungarian - filling and occupying such office.
(2) The Commission shall grant a foundation permit for a financial institution operating as a branch office, above and beyond of having the conditions described in Subsection (1) and in Subsection (1) of Section 17 satisfied, if
a) there is a valid and effective international cooperation agreement, based on mutual recognition of the supervisory authorities, which also covers the supervision of branch offices, between the Commission and the supervisory authority of the country where applying financial institution is established,
b) the country where the applicant's registered office is located has legal regulations on money laundering that conform to the requirements called for by Hungarian law,
c) the applying financial institution has data management regulations which satisfies the requirements of Hungarian legal regulations as well,
d) the applying financial institution has filed a statement offering full guarantees concerning the liabilities incurred by its branch office under its corporate name,
e) the applying financial institution has submitted the permit for the foundation of a branch office issued by the supervisory authority of the country where the applicant is established, and/or its declaration of approval or acknowledgment,
f) the legal regulations of the country in which the applicant's registered office is located guarantee the prudent and safe operation of financial institutions.

Business Secrets

Section 49

(1) For the purposes of this Act, ‘business secret’ shall have the meaning defined in the Civil Code.
(2) The owner of a financial institution, the person planning to acquire a qualifying interest in the financial institution as well as executive officers and employees of the financial institution shall keep any business secrets made known to them in connection with the operation of the financial institution confidential without any time limitation.
(3) The obligation of confidentiality described in Subsection (2) shall not apply in respect of

a) the Commission,
b) the National Deposit Insurance Fund, voluntary deposit and institutional protection funds,
c) the NBH,
d) the national security service,
e) the State Audit Office,
f) the Economic Competition Office,
g) the internal oversight agency appointed by the Government, which controls the legality and propriety of the use of central budget funds,
h) property supervisors
acting as within the scope of their official capacity.
(4) The obligation of confidentiality described in Subsection (2) shall not apply, concerning the grounds for procedure, in respect of
a) investigating authorities and the public prosecutor acting within the scope of criminal procedures in progress and investigating charges,
b) the courts acting in criminal cases and civil cases connected with estate, or in bankruptcy and liquidation procedures as well as of proceedings of local self-governments for settlement of debts
acting within the scope of their official capacity.
(5) Upon the investigating authority's "urgent matter" request, financial institutions shall disclose data, whether or not deemed a business secret, from their files which are incidental to the case in question even without the public prosecutor's approval prescribed in specific other legislation.
(6) The disclosure of information by the Commission or the MNB to the minister in charge of public finances and the minister in charge of the money, capital and insurance markets on credit institutions, in a manner suitable for the identification of such institution:
a) for the purpose of analyzing national economy procedures and for planning the central budget; or
b) where an emergency situation arises which potentially jeopardizes the stability of the financial intermediation system;
shall not be construed as a violation of business secrets.

Section 51 (1)

(1) Bank secrets may only be disclosed to third parties, if
a) so requested by the customer of the financial institution or his legitimate representative in a public document or in a private document with full probative force that expressly indicates the bank secrets relating to the customer that may be disclosed; it is not necessary to make the request in a public document or in a private document with full probative force if the customer provides a statement to that extent as an integral part of the contract with the financial institution,
b) this Act grants an exemption from the obligation of bank secrecy,
c) so facilitated by the financial institution's interests for selling its receivables due from the customer or for enforcement of its outstanding receivables.
(2) Based on the provisions of Paragraph b) of Subsection (1), the obligation to keep bank secrets shall not apply in respect of (…)
d) investigating authorities and the public prosecutor's office, acting in a pending criminal procedure and seeking additional evidence,
e) courts acting in criminal proceedings, civil proceedings, bankruptcy proceedings, liquidation proceedings, and local self-government debt settlement procedures, (…)
upon the written request of such agencies to the financial institution.
...
(7) Furthermore, the requirement of confidentiality concerning banking secrets shall not apply: (...)
b) when the Hungarian law enforcement agency or the authority that functions as a financial intelligence unit makes a written request for information - that is considered banking secret - from a financial institution, acting within its powers conferred under the MLT or in order to fulfill the written requests made by a foreign financial intelligence unit, or a foreign law enforcement agency pursuant to

an international agreement - if the request contains a confidentiality clause signed by the foreign financial intelligence unit."
Annex 2, Section 12
The CIFE Act determines the conditions of performing agency activities and the persons entitled to perform such activities depending on whether version a) or b) of agency activities is performed, and whether they are performed for credit institutions or financial enterprises.
Business associations and cooperatives vested with legal personality, other than financial institutions, may also engage in the mediation of financial services as defined in point a). [CIFE Act Section 8 (3)]
Business associations, cooperatives and private entrepreneurs, other than financial institutions, may also engage in the intermediation of financial services as defined in point b). [CIFE Act Section 8 (4)]
If an agent performs the agency activities defined in point a) for a credit institution, both the agent and the credit institution must obtain authorization from the HFSA: [CIFE Act Section 3 (1) a) and Section 14 (1) h)]
Annex 2 Definitions

9. 'Payment service' shall mean:
a) services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account,
b) services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account,
c) execution of payment transactions between payment accounts,
d) the payment transactions referred to in Paragraph c), where the funds are covered by a credit line for a payment service user,
e) issuing cash-substitute payment instruments, excluding checks and electronic money instruments,
f) money remittance,
g) execution of payment transactions where the consent of the payer to execute a payment transaction is given by means of any telecommunication, digital or IT device and the payment is made to the telecommunication, IT system or network operator, acting only as an intermediary between the payment service user and the supplier of the goods and services.
9.1. The following shall not be recognized as payment services:
a) payment transactions made exclusively in banknotes and coins (hereinafter referred to as "cash") directly from the payer to the payee, without any intermediary intervention;
b) payment transactions from the payer to the payee through a commercial agent under service contract, where the agent is authorized to negotiate and to conclude the contract on behalf of the payer or the payee;
c) professional physical transport of banknotes and coins;
d) non-professional cash collection and delivery within the framework of a non-profit or charitable activity;
e) services where cash is provided by the payee to the payer as part of a payment transaction following an explicit request by the payment service user just before the execution of the payment transaction through a payment for the purchase of goods or services (cash-back service);
f) money exchange business, that is to say, cash-to-cash operations, where the funds are not held on a payment account;
g) payment transactions based on checks, drafts, paper-based vouchers, paper-based traveler's checks and paper-based postal money orders as defined by the Universal Postal Union (UPU);
h) payment transactions carried out within a payment or securities settlement system between settlement agents, central counterparties, clearing houses and/or central banks and other participants of the system, and payment service providers;
i) payment transactions related to securities asset servicing under the IRA;
j) services provided by technical service providers, which support the provision of payment services, without them entering at any time into possession of the funds to be transferred, including processing

and storage of data, data and entity authentication, information technology (IT) and communication network provision, provision and maintenance of terminals and devices used for payment services;
k) services based on instruments that can be used to acquire goods or services only in the premises used by the issuer or under a commercial agreement with the issuer either within a limited network of service providers or for a limited range of goods or services;
l) payment transactions executed by means of any telecommunication, digital or IT device, where the goods or services purchased are delivered to and are to be used through a telecommunication, digital or IT device, provided that the telecommunication, digital or IT operator does not act only as an intermediary between the payment service user and the supplier of the goods and services;
m) payment transactions carried out between payment service providers, their intermediaries or branches for their own account;
n) payment transactions between a parent company and its subsidiary or between subsidiaries of the same parent company, without any intermediary intervention by a payment service provider other than a company belonging to the same group;
o) services by providers to withdraw cash by means of automated teller machines acting on behalf of one or more card issuers, which are not a party to the framework contract with the customer withdrawing money from a payment account, on condition that these providers do not conduct other payment services as provided for in this Act.

Section 52

Financial institutions shall satisfy the written requests of investigating authorities, the national security service and the public prosecutor's office without delay concerning any customer's bank account and the transactions on such account if it is alleged that the bank account or the transaction is associated with:
a) illegal possession of narcotic drugs;
b) an act of terrorism;
c) illegal possession of explosives and destructive devices;
d) illegal possession of firearms or ammunition;
e) money laundering;
f) any felony offense committed in criminal conspiracy or in a criminal organization;
g) insider dealing; or
h) market manipulation.

ANNEX XII: EXTRACTS FROM THE ACT LX OF 2003 ON INSURANCE INSTITUTIONS AND THE INSURANCE BUSINESS

Authorization of the Foundation of Insurance Companies
Section 58

The application for a foundation permit of an insurance company shall include:
a) the deed of foundation (charter), which clearly defines the type and sphere of activities of the insurance company to be established;
b) estimates of the costs of setting up the administrative services and the organization for securing business; proof of the financial resources intended to meet those costs deposited in a credit institution;
c) description of the drafts for the organizational structure, system of management, decision making and control mechanisms as well as the bylaws, if such are not contained in detail in the deed of foundation;
d) in the case of applicants domiciled abroad, a statement concerning the applicant's agent for service of process;
e) the applicant's statement in which it declares that it has provided the Commission with all of the data and information required for the authorization(s) of activities under this Act;
f) in the case of limited insurance companies, information concerning the shareholders, whether they are natural or legal persons, on persons holding a qualifying interest and the extent of the qualifying interest;
g) in the case of insurance cooperatives, information on the members, whether they are natural or legal persons, and on the face value of the members' share certificates.
h) in the case of insurance companies that are subject to supervision on a consolidated basis or supplementary supervision, a description of the apparatus for the conveyance of information related to supervision on a consolidated basis or supplementary supervision and a statement from the persons with a close link to the insurance company guaranteeing to provide the Commission with the data, facts and information that are necessary for supervising the insurance company on a consolidated basis or for supplementary supervision;
i) a statement from each natural person closely affiliated with the insurance company containing his consent to have the personal data he has disclosed to the insurance company processed and released for the purposes of supervision on a consolidated basis or supplementary supervision in accordance with this Act.

Section 59

With the exceptions laid down in Subsections (3) and (4) of Section 64, an insurance company - other than reinsurance companies - shall not be authorized to provide life assurance and non-life insurance concurrently.

Section 60

If there is a person among the founders of a limited insurance company who wishes to acquire a qualifying interest in the insurance company under foundation, the following must be attached to the application for authorization in addition to what is contained in Section 58:
a) proof of the requirements set out in Paragraphs b)-g) and i)-k) of Subsection (3) of Section 111;
b) proof of the requirements set out in Subsection (5) of Section 111; and
c) proof of appropriate professional qualifications and a good business reputation (Section 91).

Section 60/A

The Commission shall request the opinion of the competent supervisory authorities of other Member States of the European Union concerned prior to issuing a foundation permit to an insurance company, if the insurance company requesting the permit:
a) is a subsidiary of an investment firm, credit institution, insurance company or reinsurance company established in another Member State of the European Union;

b) is a subsidiary of the parent company of an investment firm, credit institution, insurance company or reinsurance company established in another Member State of the European Union;
c) has an owner, whether a natural or legal person, with a dominant influence in an investment firm, credit institution, insurance company or reinsurance company that is established in another Member State of the European Union.

Section 61

In possession of the foundation permit, the insurance company may begin to make preparations for its insurance activity and activities involved in or closely related to insurance.

Section 62

The Commission shall refuse to grant authorization for foundation if
a) any information provided by the applicant is false or misleading,
b) the application fails to satisfy the requirements laid down in Section 58,
c) the organizational structure of the proposed insurance company is not in compliance with the requirements set out in this Act.

Authorization for the Commencement of Insurance Operations
Section 63

(1) Upon receipt of the Commission's authorization for foundation, the insurance company shall submit an application within 90 days for authorization for the commencement of insurance operations. The Commission shall revoke the foundation permit from any insurance company that fails to submit the above-specified application in due time. The Commission shall have powers to conduct inspections to check compliance with the requirements for operations.
(2) The application for authorization for the commencement of insurance operations shall include:
a) proof of possession of the minimum security capital;
b) the scheme of operations;
c) proof of compliance with personnel and material requirements;
d) a statement to indicate the proposed date for the commencement of operations;
e) a statement declaring the presence of sufficient facilities to comply with the data disclosure obligations prescribed in or on the basis of legal regulations, as well as the results of tests of the computer programs used for such disclosure of data;
f) the scheme of accounting policy and a detailed accounting system;
g) the procedure to be applied in the event of an emergency situation seriously jeopardizing the liquidity or solvency of the insurance company;
h) the applicant's statement in which it declares that it has provided the Commission with all of the data and information required for the authorization(s) of activities under this Act;
i) if the application pertains to covering risks under motor vehicle liability, proof of appointment of claims representatives in all Member States where such risks are covered;
j) money laundering regulations as governed under Act XV of 2003 on the Prevention of Money Laundering.
(3) The Commission shall not authorize the commencement of operations if
a) the applicant does not have the minimum security capital contained in Section 126 or the minimum solvency margin to engage in the operations described in the scheme of operations;
b) the scheme of operations fails to satisfy the requirements set out in Section 67, if it appears to be unrealistic, or the guarantees in offers are insufficient from the standpoint of the policyholders as far as the fulfillment of commitments are concerned;
(...)
(4) The Commission shall also reject the application for authorization if it learns about any facts, information or circumstance based on which it is liable to be prevented from effectively exercising its supervisory functions, in particular if

a) the activities of any direct or indirect owner of the insurance company or his influence on the insurance company endangers its prudent management for effective, reliable and independent operations;
b) the character of business activities and relations of any direct or indirect owner of the insurance company or his direct or indirect ownership in other companies is structured in a manner that obstructs supervisory activities;
c) the regulations of a third country in which any direct or indirect owner of the insurance company is domiciled is likely to prevent the effective exercise of supervisory functions.

Section 65

The following requirements shall be satisfied for authorization for the commencement and pursuit of insurance operations:
a) ownership title or the right to use or lease of premises that are appropriate for providing the customer service and claim administration for the insurance operations defined in the scheme of operations and
b) sufficient facilities for keeping records, data processing and data disclosure, an information and control system for reducing operating risks, and a plan for handling extraordinary situations,
c) a filing system (manual or automated) with sufficient facilities for data protection.

Chapter III

PROVISIONS CONCERNING THE EXECUTIVE EMPLOYEES AND OTHER DIRECTORS OF INSURANCE COMPANIES

Executive Employees

Section 83

(1) Prior to the election or appointment of an executive employee of an insurance company, the candidate must be reported to the Commission twenty-two working days before the proposed date of election or appointment, and the person may be appointed in possession of the Commission's authorization. The Commission shall adopt a resolution for the authorization of the election or appointment of an executive employee, or for the refusal of such authorization.
(2) Authorization shall be construed granted if the Commission fails to adopt a decision within twenty-two working days of receipt of the application or request.
(3) The executive employee of an insurance company shall
a) have no prior criminal record;
b) have the appropriate professional qualifications and a good business reputation;
c) have at least five years of experience in the field of insurance, business management, or as an insurance executive in the government sector in the field of finance (the end of the prescribed period of professional experience shall be within ten years of the date of filing the application for registration);
d) have a degree in higher education;
e) not be in the employ of an insurance company in the capacity of auditor.
(4) As for the supervisory board members of an insurance company, the provisions of Paragraphs c) and d) of Subsection (3) shall only apply to the chairman of the supervisory board.
(5) No person who has been indicted by the public prosecutor for any of the criminal acts specified in Titles VII and VIII of Chapter XV and Chapters XVII and XVIII of Act IV of 1978 on the Criminal Code or who has been indicted abroad for a property or economic crime that is punishable under Hungarian law may be employed as an executive officer until the conclusion of the criminal procedure, and such persons shall be suspended from the performance of such duties and responsibilities.
(6) In justified cases, the Commission may move for the discharge of an executive employee in consideration of the gravity of the violation of duty.

(7) Any person elected an executive employee to effectively direct the business of an insurance holding company or a mixed financial holding company must satisfy the conditions set out in Subsections (1)-(6).

The Managing Director
Section 84

(1) Any person to be appointed or elected as the managing director of an insurance company shall meet the general requirements set out in Section 83 pertaining to persons in executive positions and shall be a paid employee of the insurance company except in the case contained in Subsection (2).
(2) Insurance associations with less than three hundred million forints in annual premium revenue may procure the services of the managing director by way of contract.
(3) Authorization to sign on behalf of the company, including disposal of bank accounts, and to undertake any commitment related to insurance on behalf of the insurance company shall be conferred jointly upon two members of the board of directors or two managing directors in the case of insurance companies operating as companies limited by shares or as cooperatives as well as in respect of the branch offices of third-country insurance companies and insurance associations with three hundred million forints or more in annual premium revenues.
(4) The authorization to sign on behalf of any insurance association to which Subsection (3) does not apply, including disposal of bank accounts, and to undertake any commitment related to insurance on behalf of the insurance company conferred upon members of the board of directors or the managing directors may be joint or single.
(5) The joint right to sign as specified in Subsections (3) and (4) may be transferred as a joint or independent authority to sign in accordance with Subsections (3) and (4) and with the order of procedure defined in the internal rules and regulations approved by the insurance company's board of directors. The internal rules and regulations that stipulate the authority to sign of the persons undertaking commitments on behalf of the insurance company must be presented when requested by any of the insurance company's customers.
(6) The chief executive officer of an insurance company must be designated from among the company's managing directors.

Other Executives
Section 85

(1) With the exception set out in Subsection (6), insurance companies shall employ the following executives in order to carry out insurance activities:
a) senior insurance mathematician (actuary),
b) senior legal counsel,
c) chief accounting officer,
d) director of internal control (internal auditor),
e) chief medical officer if the risks covered under non-life insurance classes 1 and 2 and 18 of Part A) of Schedule No. 1 include sickness and accident or if engaged in the business of life assurance under Schedule No. 2 (hereinafter referred to as "executive managers").
(2) Prior to the appointment of an executive manager the candidate must be reported to the Commission twenty-two working days before the proposed date of appointment, and the person may be appointed in possession of the Commission's authorization. The Commission shall adopt a resolution for the authorization of the election or appointment of an executive employee, or for the refusal of such authorization.
(3) Authorization shall be construed granted if the Commission fails to adopt a decision within twenty-two working days of receipt of the application or request.
(4) Executive managers shall be entitled to fill such positions in a maximum of two companies.
(5) The executive staff of insurance associations conforming to the conditions set forth in Paragraph b) of Subsection (4) of Section 126 shall include a managing director.
(6) Insurance associations with less than three hundred million forints in annual premium revenue may procure the services of the executive managers defined in Paragraphs a)-c) of Subsection (1) by way of contract or may hire an independent organization to render the same services, provided the

organization employs persons who satisfy the requirements specified in Paragraphs a)-d) of Subsection (1) of Section 86, Paragraphs a)-e) of Subsection (1) of Section 87, and Paragraphs a)-e) of Subsection (1) of Section 88; furthermore, such associations shall not be required to employ an internal auditor. In the case of such associations, the executive managers of an insurance company providing reinsurance to the association shall also be acceptable in the stead of the executive managers referred to in Paragraphs a)-c) of Subsection (1).
(7) The end of the period of professional experience specified under Paragraph b) of Subsection (1) of Section 86, Paragraph c) of Subsection (1) of Section 87, Paragraph c) of Subsection (1) of Section 88 and Paragraph b) of Subsection (2) of Section 89 shall be within ten years of the date of filing the application for registration.
(8) In justified cases, the Commission may move for the discharge of an executive manager in consideration of the gravity of the violation of duty.
(9) When terminating the employment of an executive manager referred to in Paragraphs a)-c) of Subsection (1), the supervisory board shall be notified in advance.
(10) The executive managers referred to in Paragraphs a)-d) of Subsection (1) must be invited to the insurance company's general meeting in an advisory capacity in matters that affect their respective areas of responsibility.
(11) In respect of the Claims Security capital, the organization where such claims are administered shall have the executive managers specified in Paragraphs a)-c) of Subsection (1) placed in charge of the fund.

Senior Insurance Mathematician (Actuary)
Section 86

(1) Senior mathematicians (actuaries) of insurance companies must satisfy the following conditions:
a) they shall have the appropriate university degree and training as an insurance mathematician (actuary) as defined in specific other legislation;
b) they shall have at least five years professional experience working as an mathematician at an insurance company, the Commission, the trade organization of insurance mathematicians (actuaries) or insurance intermediaries, a business association engaged in insurance mediation or at the auditor of an insurance company as an insurance consultant;
c) they shall have no prior criminal record;
d) they shall have the appropriate professional qualifications and a good business reputation;
e) they shall be paid employees of the insurance company.
(2) The signature of the insurance company's senior mathematician (actuary) shall be required to verify
a) accuracy of the reserves contained in the annual report in terms of creation and size,
b) accuracy of the calculation of the solvency margin requirement,
c) distribution of the return on investment in the life assurance branch,
d) correctness of premium calculations,
e) authenticity of the reserves and the data pertaining to Paragraphs a)-d).
(3) Above and beyond the provisions of Subsection (2), the senior mathematician of the insurance company shall verify that the data available are sufficient, complete and consistent and that the methods applied conform to the nature of the risks.
(4) The senior mathematician of the insurance company shall attach an actuary's report to the annual report filed with the Commission.
(5) The content requirements for the actuary's report shall be decreed by the minister.

Senior Legal Counsel
Section 87

(1) Senior legal counsels of insurance companies must satisfy the following conditions:
a) they shall have a university degree in political science and law;
b) they shall have passed the bar examination and the insurance law examination;

c) they shall have at least five years of experience in the field of insurance, or as an insurance executive in the government sector in the field of finance, the trade organization of insurance companies or insurance intermediaries, a business association engaged in insurance mediation or at the auditor of an insurance company as an insurance consultant;
d) they have no prior criminal record;
e) they have the appropriate professional qualifications and a good business reputation;
f) they shall be paid employees of the insurance company.
(2) The senior legal counsel of the insurance company shall check and verify (with his signature) that the documents submitted to the Commission for licensing or as a reporting requirement are in compliance with legal regulations.

Chief Accounting Officer
Section 88

(1) Chief accounting officers of insurance companies must satisfy the following conditions:
a) they shall have the appropriate university or college degree;
b) they shall have a degree as a certified public accountant;
c) they shall have at least five of years experience in the field of accountancy in the government sector in the field of finance, the trade organization of insurance companies or insurance intermediaries, a business association engaged in insurance mediation or at the auditor of an insurance company as an insurance consultant;
d) they shall have no prior criminal record;
e) they have the appropriate professional qualifications and a good business reputation;
f) they shall be paid employees of the insurance company.
(2) The chief accounting officer of the insurance company shall check and verify (with his signature) - in conjunction with the insurance company's chief executive officer - that the assets record referred to in Section 143, the annual account specified under Sections 146 and 172, the annual report and the quarterly flash report submitted to the Commission are true and correct.

Director of Internal Control (Internal Auditor)
Section 89

(1) Insurance companies limited by shares, insurance cooperatives and insurance associations whose annual premium revenue is three hundred million forints or more shall employ an internal auditor subordinated to the supervisory board. Such insurance companies, if they employ the same person as internal auditor, shall agree in writing that they will raise no objection against the mutual employment of the internal auditor. This agreement shall be conveyed to the Commission within thirty days.
(2) Directors of internal control (internal auditors) of insurance companies must satisfy the following conditions:
a) they shall have the appropriate university or college degree,
b) they shall have at least five of years professional experience in the government sector in the field of finance, the trade organization of insurance companies or insurance intermediaries, a business association engaged in insurance mediation or at the auditor of an insurance company as an insurance consultant,
c) they shall have no prior criminal record,
d) they have the appropriate professional qualifications and a good business reputation,
e) they shall be paid employees of the insurance company.
(3) The responsibilities of the director of internal control (internal auditor) of insurance companies shall be limited to monitoring
a) the insurance company's operation in accordance with internal regulations, and
b) insurance activities in respect of legality, security, transparency and expediency.

(4) The director of internal control shall, in addition to what is contained in Subsection (3), check, at least quarterly, the accuracy and completeness of the contents of the submitted reports as well as the data disclosed by the insurance company to the Commission.
(5) The director of internal control (internal auditor) shall send his reports to both the supervisory board and the board of directors. The director of internal control (internal auditor) shall prepare his reports in Hungarian and provide them to the officers of the Commission when carrying out regulatory inspections.
(6) The supervisory board shall, in particular, have the following responsibilities in connection with overseeing the operations of the insurance company:
a) ascertaining that the insurance company has a comprehensive control system affording suitable facilities for effective operation;
b) directing the internal control body, including
1. approving the internal control body's annual plan of inspections,
2. analyzing the reports prepared by internal control at least once every six months, and overseeing the implementation of the necessary measures,
3. appointing, if necessary, outside experts to assist in the work of the internal control unit,
4. making proposals regarding personnel changes in the internal control unit;
c) filing recommendations and proposals based on the findings of internal control procedures.
(7) The chief executive officer shall directly exercise employer's rights over internal controllers.

Chief Medical Officer
Section 90

(1) Chief medical officers of insurance companies must satisfy the following conditions:
a) they shall have a medical degree;
b) they shall have basic medical qualifications;
c) they shall have at least five of years of previous experience in the insurance industry;
d) they shall have no prior criminal record;
e) they shall be in the employ of the insurance company whether as a paid employee or in a self-employed capacity.
(2) It is the chief medical officer's responsibility to oversee
a) the medical aspects of insurance products and regulations,
b) the professional standards of the insurance company's risk and loss assessment experts.

Professional Qualifications and Good Business Reputation
Section 91

(1) The burden of proof for professional qualifications and good business reputation shall lie with the applicant.
(2) The applicant may provide proof of professional qualifications and good business reputation in any manner he desires, but the Commission may prescribe that other specific credentials (documents) be provided.
(3) If the Commission refuses to accept the proof provided to substantiate professional qualifications and good business reputation, it shall be stated in a written decision.
(4) Professional qualifications and good business reputation shall not apply to any person
a) who (that) is (has been) holding a qualifying interest or is (has been) an executive employee or executive manager of an insurance company, insurance intermediary or a financial institution,
aa) that was able to avoid insolvency solely as a result of intervention by its supervisory body and whose personal responsibility for this situation was established by court ruling or regulatory decision, or
ab) that had to be liquidated and whose responsibility for this situation was established by a final court ruling or regulatory decision; or

b) that has seriously or repeatedly violated the provisions of this Act or another legal regulation pertaining to insurance activities and has received the maximum fine for such offense by a final court or regulatory decision within five years to date or whose responsibility was established by final court ruling within five years to date.
(5) The Commission shall be entitled to contact the competent foreign authority as part of its procedure to resolve a person's professional qualifications and good business reputation.

Section 111

(1) The prior permission of the Commission must be obtained for the acquisition of an interest in a limited insurance company that will provide a qualifying interest or alter an existing qualifying interest whereby the ownership interest or voting right will reach or exceed the twenty, thirty-three or fifty per cent limit. An agreement relating to ownership rights, voting rights or to secure advantages in excess of such rights may only be concluded in possession of the Commission's permission.
(2) The application for the above-specified authorization shall contain the name of the insurance company, the percentage of the interest existing or to be acquired, taking also into account the provisions of Points 5 and 38 of Subsection (1) of Section 3 of this Act and Subsections (2)-(6) of Section 37/A of the IRA.
(3) In addition to what is contained in Subsection (2), an application for the authorization of acquisition shall also contain:
a) the identification data (Point 3 of Subsection (1) of Section 3) of the applicant or any person holding a qualifying interest in the applicant company;
b) if the applicant is a natural person, a certificate of no criminal record issued within thirty days to date, or a similar document that is deemed equivalent under the national law of the applicant's country of origin;
c) if the applicant is a natural person, and for natural persons holding a qualifying interest in the applicant company, a statement to declare that he is not subject to any other disqualifying factors;
d) if the applicant is other than a natural person, the complete text of the applicant's charter document as amended to date, a certificate issued within thirty days to date in proof that the applicant was established (registered) in compliance with the relevant national regulations and is not adjudicated in bankruptcy, liquidation or dissolution proceedings, and a statement declaring that its executive employees are not subject to any disqualifying factors;
e) documents issued within thirty days to date to verify of having no outstanding debts owed to the competent tax authority, customs authority or to the social security system of the applicant's country of origin;
f) evidence concerning the legitimacy of the financial means for acquiring the qualifying interest;
g) as statement in proof that other holdings and business activities of the applicant are not harmful to the prudent management of the financial institution, including a declaration on any pending and future liabilities defined as such by the Accounting Act;
h) the contract proposal made for the acquisition of ownership or for an agreement to secure substantial advantages attached to voting rights;
i) if the applicant is other than a natural person, a detailed description of the applicant's ownership structure;
j) the statements prescribed in Paragraphs h) and i) of Section 58;
k) a statement of full probative force from the applicant in which to grant consent to having the authenticity of the documents attached to the application for authorization checked by the Commission by way of the agencies it has contacted.
(4) Authorization for acquisition shall be granted on condition that the investor deposits the cash part of the capital necessary for the direct acquisition of the interest in a credit institution established in any Member State of the Community.

(5) If the applicant is a third-country insurance company, reinsurance company, credit institution or investment firm, the application shall have attached - in addition to what is contained in Subsections (3)-(4) - a statement from the supervisory authority of the country where the applicant is established verifying that the company operates in due observation of the relevant regulations.

Section 111/A

(1) If the applicant:
a) is an investment firm, credit institution, insurance company, reinsurance company or a management company engaged in the management of UCITS that has a registered office in another Member State of the European Union, or
b) is the parent of either of the companies mentioned in Paragraph a), or
c) is controlled by either of the companies mentioned in Paragraph a),
the Commission shall request the opinion of the competent supervisory authority of the other Member State where the investment firm, credit institution, insurance company, reinsurance company or the management company engaged in the management of UCITS is established.
(2) The Commission shall be entitled to contact the competent authority for the place where the applicant's registered address or private residence is located in order to verify or investigate the conditions prescribed for authorization.

Section 111/B

(1) The Commission shall have sixty working days from the date of receipt of the application to check and verify the documents and information available in connection with the application (hereinafter referred to as "administrative time limit"), and to grant the authorization prescribed in Subsection (1) of Section 111.
(2) The Commission shall verify receipt of the application and its enclosures - as well as the additional information supplied according to Subsection (3) - to the applicant in writing within not more than two working days. In the aforesaid certificate of receipt the Commission shall inform the applicant concerning the expiry of the administrative time limit.
(3) The Commission may request the applicant to supply additional information within fifty working days from the date of receipt of the application, indicating the information specifically required for completion of the evaluation process.
(4) The applicant shall have twenty working days to comply with the request for additional information.
(5) The time limit prescribed for the disclosure of any further information the Commission may request in addition to the above shall be included in the administrative time limit.
(6) The time limit for the disclosure of additional information shall be thirty days if:
a) the applicant is established in a third country, or
b) the applicant is not subject to supervision according to the national laws of Member States on the transposition of Council Directive 85/611/EEC, Directive 2002/83/EC of the European Parliament and of the Council, Directive 2005/68/EC of the European Parliament and of the Council and Directive 2006/48/EC of the European Parliament and of the Council.
(7)

Section 112

(1) The Commission shall refuse to grant the authorization specified in Subsection (1) of Section 111 if:
a) the applicant has been previously convicted (if a natural person);
b) the applicant's legal status and ownership status is uncertain or cannot be verified;
c) the applicant's financial and business status is not sufficiently stable;
d) the applicant has seriously or repeatedly violated the provisions of this Act or another legislation pertaining to insurance activities and has received the maximum fine for such offense by a final court

or regulatory decision within five years to date or whose responsibility was established by final court ruling within five years to date;
e) the applicant does not have the appropriate professional qualifications and a good business reputation (if a natural person);
f) the applicant's financial and economic position is deemed inadequate for the size of the ownership interest he intends to acquire, or the applicant has not been successful in business during the three-year period before the application is submitted;
g) there are reasonable grounds to suspect that, in connection with the proposed acquisition, money laundering or terrorist financing is being or has been committed or attempted, or that the proposed acquisition could increase the risk thereof;
h) the applicant does not have an agent for service of process, if established in another country.
(2) In the case of failure to apply for authorization, rejection of the application, failure to comply with the obligation of notification as prescribed, or refusal to provide information, the Commission may prohibit the exercising of voting rights deriving from an agreement for the acquisition of ownership share or from other legal arrangement for securing advantages until the requirements stipulated by law are fulfilled.
(3) If the Commission fails to deliver a decision on the merits in due time, the applicant shall be deemed to have completed the proposed acquisition, unless the Commission exercises the right referred to in Subsection (2).
(4) The applicant shall have six months for concluding the proposed acquisition as approved.
(5) Where two or more proposals to acquire or increase qualifying interests in the same insurance company have been notified to the Commission for the purpose of authorization, the Commission shall treat the proposed acquirers in a non-discriminatory manner.

Section 113

(1) The person holding a qualifying interest in a limited insurance company shall notify the Commission within fifteen working days in advance:
a) if he would like to terminate his qualifying interest completely, or
b) if he would like to alter or amend his ownership interest, voting rights or contract securing an advantage so that his ownership interest or voting right is reduced below the twenty, thirty-three or fifty per cent limit.
(2) The notification under Paragraph b) of Subsection (1) shall contain an indication of the ownership interest or voting right remaining or if the contract securing a substantial advantage is amended.

Section 114

(1) The following shall be notified to the Commission in writing within thirty days of the contract date:
a) acquisition of a qualifying interest in a limited insurance company;
b) termination of a qualifying interest in a limited insurance company
c) altering a qualifying interest in a limited insurance company whereby:
ca) the ownership interest or voting right reaches the twenty, thirty-three or fifty per cent limit, or
cb) the ownership interest or voting right drops below the twenty, thirty-three or fifty per cent limit; or
d) conclusion of a contract securing substantial advantages in connection with an ownership interest or voting right, or the amendment of such contract.
(2) A joint-stock insurance company shall notify the Commission, in writing, within fifteen working days if it receives any information concerning the acquisition, alienation or modification of an ownership interest or voting right of the percentage specified in Section 111.
(3) A joint-stock insurance company shall send to the Commission from its internal database the names of shareholders with ownership interests in the percentages defined in Section 111 and the size of the interest held by each such shareholder.

Section 114/A

The provisions of this Chapter shall also apply to insurance cooperatives.

Section 157

(1) The requirement of confidentiality concerning insurance secrets shall not apply to:
a) the Commission when acting in an official capacity;
b) investigating authorities and the public prosecutor's office, acting in a pending criminal procedure;
c) a court of law in connection with criminal or civil cases as well as bankruptcy and liquidation proceedings, and the independent court bailiff acting in a case of judicial enforcement;
d) notaries public in connection with probate cases;
e) the tax authority in the cases referred to in Subsection (2);
f) the national security service when acting in an official capacity;
g) the Office of Economic Competition when acting within its powers and authority to monitor competition in the insurance industry including insurance companies, insurance intermediaries and consultants, Hungarian representation offices of independent insurance intermediaries and consultants and the trade organizations of these;
h) guardian agencies acting in an official capacity;
i) the health care authority defined in Subsection (2) of Section 108 of Act CLIV of 1997 on Health Care;
j) the agencies authorized to use secret service means and to conduct covert investigations if the conditions prescribed in specific other legislation are provided for;
k) providers of reinsurance and co-insurance;
l) the bureau of insurance policy records maintaining the central policy records with respect to data transmitted as governed in this Act;
m) the receiving insurance company with respect to insurance contracts conveyed under a portfolio transfer;
n) with respect to the information required for settlement and for the enforcement of compensation claims, and also for the conveyance of these among one another, the body operating the Claims Security Account, the National Bureau, the correspondent, the Information Center, the Claims Organization, claims representatives and claims adjustment representatives, or the responsible party if wishing to access - in exercising the right of self-determination - the particulars of the other vehicle that was involved in the accident from the accident report for the purpose of settlement;
o) the outsourcing service provider with respect to data supplied under outsourcing contracts;
p) third-country insurance companies, insurance intermediaries and consultants in respect of their branch offices, if they are able to satisfy the requirements prescribed by Hungarian law in connection with the management of each datum and the country in which the third-country insurance company is established has legal regulations on data protection that conform to the requirements prescribed by Hungarian law;
q) the ombudsman when acting in an official capacity;
r) the insurance company as regards the claims record and the bonus-malus rating, in the cases specified in Subsection (2) of Section 109/A
upon receipt of a written request from an agency or person referred to in Paragraphs a)-j), n) and r) indicating the name of the client or the description of the insurance contract, the type of data requested and the purpose and grounds for requesting data, with the exception that the bodies or persons referred to in Paragraphs k), l), m), p) and q) are required to indicate only the type of data requested and the purpose and grounds for requesting it. An indication of the statutory provision granting authorization for requesting data shall be treated as verification of the purpose and legal grounds.
(2) Pursuant to Paragraph e) of Subsection (1), there shall be no confidentiality obligation in connection with tax matters where the insurance company is required by law to disclose specific information to the tax authority upon request and/or to disclose data concerning any payment made under an insurance contract that is subject to tax liability.

(3) Insurance companies, insurance intermediaries and insurance consultants shall be authorized to disclose the personal data of clients in the cases and to the agencies indicated in Subsections (1) and (5) of this Section and in Sections 156, 158 and 159.
(4) The confidentiality requirement shall apply to the employees of the agencies specified in Subsection (1) beyond the framework of their official capacity.
(5) Insurance companies, insurance intermediaries and insurance consultants shall be required to supply information forthwith where so requested in writing by the investigative authorities, the national security service or the public prosecutor if there is any suspicion that an insurance transaction is associated - pursuant to Act IV of 1978 on the Criminal Code - with:
a) illegal possession of narcotic drugs;
b) an act of terrorism;
c) illegal possession of explosives and destructive devices;
d) illegal possession of firearms or ammunition;
e) money laundering;
f) any felony offense committed in criminal conspiracy or in a criminal organization.
(6) Insurance companies, insurance intermediaries and insurance consultants shall supply information concerning insurance secrets on record to investigative authorities on the basis of an official request made in connection with a specific case and marked "urgent" even if there is no public prosecutor's endorsement attached.
(7) The obligation to keep insurance secrets shall not apply where an insurance company, insurance intermediary or an insurance consultant complies with the obligation of notification prescribed in the Act on the Implementation of Restrictive Measures Imposed by the European Union Relating to Liquid Assets and Other Financial Interests.

Section 157/A

The obligation to keep insurance secrets shall not apply when a Hungarian law enforcement agency or the National Police Headquarters makes a written request for information - that is considered insurance secret - from a financial institution acting within its powers conferred under Act XV of 2003 on the Prevention and Combating of Money Laundering or in order to fulfill the written requests made by a foreign law enforcement agency or a foreign financial intelligence unit pursuant to an international agreement if the request contains a confidentiality clause signed by the foreign law enforcement agency of financial intelligence unit.

Actions and Sanctions

Section 195

(1) In order to enforce the obligations of insurance companies, independent insurance intermediaries and insurance consultants and/or to safeguard the interests of clients and in order to enforce compliance with the provisions of this Act and other relevant legal regulation on insurance activities and the activities of independent insurance intermediaries, consultants and insurance representations, and with the conditions of its resolutions; the Commission shall have powers to
a) issue a warrant in which to demand proper actions to meet the requirements prescribed in this Act, in other legal regulation on insurance activities and the activities of independent insurance intermediaries, consultants and insurance representations, and in the Commission's resolutions within a specific timeframe;
b) convene the general meeting (members' meeting) to discuss the issues defined by the Commission;
c) impose a disciplinary fine (Sections 196-198);
d)
e) suspend payment of any dividend in respect of joint-stock companies and cooperatives;
f) request the dismissal of the executive officers, other members of the management body or the auditors of insurance companies, or disciplinary action against employees;
g) demand that a restoration plan, financial plan or a financial recovery plan be submitted;
h) suspend marketing of a certain insurance product;

i) ban marketing of a certain insurance product;
j) limit, in part or in full, the insurance company's right of disposition over its technical provisions and solvency margin;
k) prohibit any unauthorized insurance company, independent insurance intermediary, principal agent or unregistered insurance consultant to further engage in insurance related activities;
l) remove an insurance intermediary from the register;
m) compel an independent insurance intermediary business association to increase its capital to the required minimum prescribed in this Act;
n) delegate a supervisory commissioner in an emergency situation;
o) compel an insurance company to transfer its insurance portfolio if there is another insurance company willing to receive it;
p) prohibit the outsourcing of an activity;
q) interview the chief executive officer of an insurance company or the director of operations of an independent insurance intermediary or consultant;
r) partially or completely suspend its authorization for operations;
s) withdraw its authorization for operations;
t) withdraw its foundation permit.
(2)

ANNEX XIII: EXTRACTS FROM ACT IV OF 2006 ON BUSINESS ASSOCIATIONS

Section 4

(1) Business associations may be established to engage in joint business operations for objectives other than for making profit (nonprofit business association). Nonprofit business associations may be established and operated in any corporate form. The corporate name of such business association shall contain the designation "nonprofit" with the corporate form.
(2) A nonprofit business association may be established also by decision of the supreme body of an existing business association to continue operating in the form of a nonprofit business association.
(3) Nonprofit business associations may engage in business operations only in the form of ancillary activities; the profit from these operations may not be distributed among the members (shareholders) since it shall be retained by the company.
(4) A nonprofit business association may be transformed into another corporate form if it remains to operate as a nonprofit organization, or it may merge with a nonprofit business association, or it may split up to form several nonprofit business associations.
(5) The conditions for a nonprofit business association to gain the status of a public benefit organization are laid down in specific other legislation, along with the requirements to be satisfied. The activities for the benefit of the public shall be laid down in the memorandum of association (articles of association, charter document). The designation public benefit organization shall be granted upon request - upon foundation or subsequently - by the county (Budapest) court that maintains the register of companies (hereinafter referred to as "court of registry"). Nonprofit business associations shall indicate their public benefit status in their corporate name.
(6) Where a nonprofit business association of the status of a public benefit organization is terminated without succession, the assets remaining after settlement of all debts from the company's own funds available at the time of termination may be distributed among the members (shareholders), not to exceed the value of the share of members (shareholders) in the company's capital at the time they were provided. Assets in excess of this value shall be allocated by the court to objectives of public interest according to the provisions set out in the memorandum of association (articles of association, charter document). In the absence of such provisions, the court of registry shall allocate the remaining assets to objectives of public benefit within the same or similar framework for which the defunct nonprofit business association was originally established.

ANNEX XIV: ACT CIV OF 2001 ON MEASURES APPLICABLE TO LEGAL ENTITIES UNDER CRIMINAL LAW

Chapter I
Criminal Law Provisions
Interpretative Provisions

Section 1

(1) For the purposes of this Act

1. Legal entities shall be understood as any organization or organizational units thereof vested with rights of individual representation, which the governing rules of law recognize as legal entities, as well as organizations that can be subject to conditions of civil law in their own right and possess assets distinct from that of their members, including companies active prior to registration pursuant to the Act on Economic Associations,

2. Benefit shall be understood as: any object, right of pecuniary value, claim or preference irrespective of whether they have been registered pursuant to the Act on Accounting, as well as cases where the legal entity is exempt from an obligation arising from a law or contract or from expenditure required according to the rules of reasonable business management.

(2) This act shall not apply to the State of Hungary, foreign states, the institutions listed in the Constitution of the Republic of Hungary, the Office of the National Assembly, the Office of the President of the Republic, the Office of the Ombudsmen, and any bodies which are, according to the law, responsible for tasks of governance, public administration and local government administration, and international organizations established under international agreements

Conditions for Applying the Measures
Section 2

(1) The measures defined in the present act are applicable to legal entities in the event of committing any intentional criminal act defined in Act IV of 1978 on the Criminal Code (HCC) if the perpetration of such an act was aimed at or has resulted in the legal entity gaining benefit, and the criminal act was committed by

a) the legal entity's executive officer, its member, employee, officer, managing clerk entitled to represent it, its supervisory board member and/or their representatives, within the legal entity's scope of activity,
b) its member or employee within the legal entity's scope of activity, and it could have been prevented by the executive officer, the managing clerk or the supervisory board by fulfilling his/her/its supervisory or control obligations.

(2) Other than the cases defined in paragraph (1) the measures defined in this act shall be applicable even if committing the criminal act resulted in the legal entity gaining benefit, and the legal entity's executive officer, its member, employee, officer, managing clerk entitled to represent it, its supervisory board member, had a knowledge on the commission of the criminal act.

Measures to be Taken Against Legal Entities
Section 3

(1) If the court has imposed punishment on the person committing the criminal act defined in Section 2 or apply reprimand or probation against this person, it may take the following measures against the legal entity:
a) winding up the legal entity,
b) limiting the activity of the legal entity,
c) imposing a fine.
(2) The measures defined in paragraph (1) can be taken even if the criminal act has caused the legal entity to gain benefit, but the perpetrator is not punishable due to his mental illness or death or if the criminal proceedings has been suspended due to the perpetrator's mental illness occurred after the commission of the act.
(3) The measures defined in paragraph (1) point a) are only applicable individually, while those defined in points b) and c) are applicable both individually and jointly.

Winding up the Legal Entity
Section 4

(1) The court shall wind up the legal entity if, it is not running legal economic activity and
a) the legal entity was established for the purpose of covering up a criminal act, or
b) the actual activity of the legal entity serves the purpose of covering up a criminal act.
(2) The court may wind up the legal entity in the cases mentioned in paragraph (1) points a) and b) even if, it is running legal economic activity.
(3) The legal entity shall not be wound up in the case defined in paragraph (2), if this would jeopardize the completion of state or local government tasks, or the legal entity
a) is a national utility company,
b) is considered to be of strategic importance in terms of the national economy,
c) carries out national defense-related or other special tasks or serves such purposes.

Limiting the Activity of the Legal Entity
Section 5

(1) The court may limit the activities of the legal entity for one to three years, in respect of the range of sanctions defined in paragraph (2); the duration shall be defined in years. Limitation may extend to the pursuit of all or some of the activities listed.

(2) For the duration of the prohibition, the legal entity shall not

a) collect deposits based on a public invitation,
b) participate in public procurement procedures,
c) enter into concession contracts,
d) be classified as a public benefit organization,
e) receive funding from central or local government budgets, earmarked state funds or targeted support from foreign states, the European Community or other international organizations,
f) pursue lobbying activities,
g) pursue any other activities, which have been prohibited by the court.

(3) In case the activity is limited, the following shall prevail on the date the court judgment becomes final, subject to the provisions of the court:

a) the legal consequences of immediate rescission of contract concluded with legal entity under public procurement procedure,
b) the legal consequences of immediate rescission of concession contract concluded with legal entity,

c) the procedure involving classification as a public benefit organization is considered terminated, and the legal entity is considered deleted from the registry of public benefit organizations,
d) the procedure involving the granting of subsidies under paragraph (2) point e) is considered terminated, and any subsidy received in conjunction with the criminal act shall be repaid.

Fine
Section 6

(1) The highest fine that can be imposed on the legal entity shall be three times the financial advantage gained or intended to be gained through the criminal act, but at least HUF 500,000.
(2) The Court may estimate the rate of the financial advantage if the financial advantage gained or intended to be gained could only be established at unreasonably high cost or not at all.
(3) If the benefit gained or intended to be gained through the criminal act is not financial advantage, the court imposes the fine considering the financial situation of the legal entity, but at least HUF 500,000.
(4) Unless it is paid the fine shall be recovered in accordance with the rules of collection by court order.

ANNEX XV: EXTRACTS FROM THE ACT CXXXVIII OF 2007 ON INVESTMENT FIRMS AND COMMODITY DEALERS, AND ON THE REGULATIONS GOVERNING THEIR ACTIVITIES

Section 8

(1) Investment service activities may be carried out and ancillary services may be provided subject to authorization by the Hungarian Financial Supervisory Authority (hereinafter referred to as "Authority"), in due observation of what is contained in Subsections (2)-(4).
(2) A non-resident investment firm - other than the investment firm mentioned in Subsection (3) - may engage in investment service activities or provide ancillary services through a branch if authorized by the competent supervisory authority of the country where established for the activities in question.
(3) An investment firm established in another EEA Member State may engage in cross-border activities or establish a branch in the territory of the Republic of Hungary if authorized by the competent supervisory authority for the activity in question and if the conditions set out in Subsection (5) of Section 27 and in Subsection (8) of Section 27 are satisfied.
(4) An authorization for providing ancillary services may not be granted in itself, without an authorization to engage in investment service activities, with the exception of clearing houses governed by the CMA and central depositories.
(5) In addition to engaging in investment service activities and providing ancillary services, an investment firm may only perform the following:
a) the services listed under Subsection (1) of Section 9;
b) keeping registers of shareholders;
c) providing nominee shareholder services;
d) agency activities as defined in the CIFE by way of authorization granted under the CIFE for the intermediation of financial services;
e) insurance mediation under the Insurance Act, acting as an agent;
f) securities lending and/or borrowing; and
g) supply of data and information relating to financial instruments for consideration.

Section 11

(1) Commodity exchange services may be provided subject to authorization by the Authority, in due observation of what is contained in Subsection (2).
(2) A non-resident investment firm may provide commodity exchange services through a branch if authorized by the competent supervisory authority of the country where established for the activities in question.

IT Systems
Section 12

(1) Investment firms engaged in the investment service activities specified under Paragraphs a)-d), f) and g) of Subsection (1) of Section 5 and in providing the ancillary services specified under Paragraphs a)-b) of Subsection (2) of Section 5, and the commodity dealers engaged in the activities defined in Subsection (1) of Section 9 are required to set up a regulatory regime concerning the security of their information systems used for providing their respective services, and to provide adequate protection for the information system consistent with existing security risks.
(2) The regulatory regime referred to in Subsection (1) shall contain provisions concerning requirements of information technology, and the assessment and handling of security risks in the fields of planning, purchasing, operations and control.

(3) The investment firms and commodity dealers referred to in Subsection (1) shall review and update the security risk assessment profile of the information system whenever necessary, or at least every other year.
(4) The investment firms and commodity dealers referred to in Subsection (1) shall draw up organization and operation protocol in light of the security risks inherent in the use of information technology, as well as the rules governing responsibilities, records and the disclosure of information, and the control procedures and regulations integrated into the system.
(5) The investment firms and commodity dealers referred to in Subsection (1) shall install an information technology control system to monitor the information system for security considerations, and shall keep this system operational at all times.
(6) Based on the findings of the security risk analysis, the following utilities shall be installed as consistent with the existing security risks:
a) clear identification of major system constituents (tools, processes, persons) and keeping logs and records accordingly;
b) self-protect function of the information technology security system, checks and procedures to ensure the closure and complexity of the protection of critical components;
c) frequently monitored user administration system operating in a regulated, managed environment (access levels, special entitlements and authorizations, powers and responsibilities, entry log, extraordinary events);
d) a security platform designed to keep logs of processes which are deemed critical for the operation of the information system and that is capable of processing and evaluating these log entries regularly (and automatically if possible), or is capable of managing irregular events;
e) modules to ensure the confidentiality, integrity and authenticity of data transfer;
f) modules for handling data carriers in a regulated and safe environment;
g) virus protection consistent with the security risks inherent in the system.
(7) Based on their security risk assessment profile the investment firms and commodity dealers referred to in Subsection (1) shall implement protection measures to best accommodate their activities and to keep their records safe and current, and shall have adopted the following:
a) instructions and specifications for using their information system, and plans for future improvements;
b) all such documents which ensure the secure and ongoing operation of the information system designed to support business operations, whether directly or indirectly, independent of the status of the supplier or developer of the system (whether existing or defunct);
c) an information system that is necessary to provide services and equipment kept in reserve to ensure that services can be provided without any interruption, or in the absence of such equipment, solutions used in their stead to ensure the continuity of activities and/or services;
d) an information system that allows running applications to be safely separated from the environment used for development and testing, as well as proper management and monitoring of upgrades and changes;
e) the software modules of the information system (applications, data, operating system and their environment) with backup, save and archiving features (type of backups, saving mode, reload and restore tests, procedure), to allow the system to be restored within the restoration time limit deemed critical in terms of the services provided;
f) a data storage system capable of frequent retrieval of records specified by law to provide sufficient facilities to ensure that archived materials are stored for the period defined by legal regulation, or for at least five years, and that they can be retrieved and restored at any time; and
g) an emergency response plan for extraordinary events which are capable of causing any interruption in services.
(8) The investment firms and commodity dealers referred to in Subsection (1) shall maintain a safe and fireproof place to store the back-up copies referred to in Paragraph e) of Subsection (7) separately according to risk factors, and the protection of access at the same levels as the source files must be provided for.

(9) The investment firms and commodity dealers referred to in Subsection (1) shall have available at all times:
a) operating instructions and models for the inspection of the structure and operation of the information system they have developed themselves or that was developed by others on a contract basis;
b) the syntactical rules and storage structure of data in the information system they have developed themselves or that was developed by others on a contract basis;
c) the scheme of classification of information system components into categories defined by the service provider or the bodies providing clearing and settlement services;
d) a description of the order of access to data;
e) the documents for the appointment of the data manager and the system administrator;
f) proof of purchase of the software used; and
g) comprehensive and updated records of administration and business software tools comprising the information system.
(10) All software referred to in Subsection (7) shall collectively comprise an integrated system:
a) that is capable of keeping records of the data and information required for regular operations and as prescribed by law;
b) that is capable of keeping reliable records of funds and financial instruments;
c) that has facilities - in the case of investment firms - to keep consolidated and up-to-date records on financial instruments and commodities dealt on the exchange market separately for each client;
d) that has facilities to connect directly or indirectly to national information systems appropriate for the activities of investment firms;
e) that is designed for the use of checking stored data and information; and
f) that has facilities for logic protection consistent with security risks and for preventing tampering.
(11) The internal policies of investment firms and commodity dealers referred to in Subsection (1) shall contain provisions concerning the knowledge required in the field of information technology for filling certain positions.

Section 22

(1) The investment firms incorporated as public limited companies shall be managed under contract of employment by at least two officers with no prior criminal record, having three years of professional experience in the field.
(2) The staff of executive employees of the Hungarian branches of non-resident investment firms - exclusive of the branches of investment firms established in other EEA Member States - shall include at least one Hungarian citizen who is considered a resident according to foreign exchange laws and who has had a permanent residence in Hungary for at least one year.
(3) Investment firms shall appoint one of the executive employees to the post of senior executive officer to oversee operations.
(4) Any credit institution that is engaged in investment service activities shall appoint a person with no prior criminal record, having three years of professional experience in the field, to manage investment service activities.

Acquisition of a Qualifying Interest in an Investment Firm
Section 37

(1) The Authority's prior consent is required for the acquisition of a qualifying interest in an investment firm.
(2) The application for the authorization referred to in Subsection (1) shall have the following enclosed:
a) the applicant's natural identification data;
b) evidence concerning the legitimacy of the financial means for acquiring the qualifying interest;

c) documents issued within thirty days to date to verify of having no outstanding debts owed to the competent tax authority, customs authority or to the social security system of the applicant's country of origin;
d) proof that other holdings and business activities of the applicant are not harmful to the prudent management of the financial institution;
e) for natural persons, a certificate of no criminal record issued within thirty days to date, or a similar document that is deemed equivalent under the national law of the applicant's country of origin;
f) the applicant's statement in which he declares that he meets the conditions set out in Subsections (3) and (4);
g) if the applicant is other than a natural person, the complete text of the applicant's charter document as amended to date, a certificate issued within thirty days to date in proof that the applicant was established (registered) in compliance with the relevant national regulations and is not adjudicated in bankruptcy, liquidation or dissolution proceedings, and its executive employees are not subject to any disqualifying factors;
h) the applicant's statement in which he declares that following the acquisition of a qualifying interest the head office of the investment firm located in the territory of the Republic of Hungary shall not loose its function to direct operations;
i) if the applicant is other than a natural person, a detailed description of the applicant's ownership structure;
j) the statements prescribed in Paragraphs t) and u) of Subsection (1) of Section 28;
k) the consent of a natural person with close links to the investment firm as a result of the acquisition of a qualifying interest to have his personal data processed for the purposes of supervision on a consolidated basis or for supplementary supervision; and

(3) A qualifying interest may be held in an investment firm subject to the following conditions:
a) the activities of the holder or his influence on the investment firm shall not endanger the independent, sound and prudent management of the investment firm;
b) the character of business activities and relations of the holder, or his direct or indirect ownership in other companies shall be structured in a manner so as not to obstruct supervisory activities;
c) the holder must have good business reputation.
(4) The conduct of the applicant or his influence in the investment firm shall be considered to endanger the independent, sound and prudent management of the investment firm, if:
a) the competent supervisory authority has suspended the applicant's voting rights within a period of five years preceding the time of submission of the application;
b) the applicant is (has been) holding a qualifying interest or is (has been) an executive employee or executive manager of an investment firm, financial institution or insurance company,
ba) that was able to avoid insolvency solely as a result of intervention by its supervisory authority and whose personal responsibility for this situation was established by court ruling or regulatory decision, or
bb) that had to be liquidated and whose responsibility for this situation was established by a final court ruling or regulatory decision;
c) the applicant has seriously or systematically violated the provisions of this Act or another legislation pertaining to the management of investment firms, and it has been so established by the competent supervisory authority, another authority or a court in a final resolution dated within the previous five years.
(5) The Authority shall refuse to authorize the acquisition of or increasing the extent of qualifying interest if the applicant or the holder fails to meet the conditions set out in Subsections (1)-(4) above.

Section 37/A

(1) For the purposes of determining the extent of qualifying interest, the voting rights shall be calculated - irrespective of any provisions for restrictions on voting rights - on the basis of all the shares to which voting rights are attached, as provided for the investment firm's charter document.
(2) For the purposes of determining the extent of qualifying interest, apart from the applicant's shares, the voting rights referred to in Subsections (3) and (4) shall also be taken into consideration.
(3) For the purposes of determining the extent of qualifying interest, the voting rights of:
a) any investment fund management company or management company engaged in the management of UCITS, if the investment fund management company or the management company engaged in the management of UCITS is controlled by the applicant and if able to exercise the voting rights attached to the securities it manages,
b) any investment firm or credit institution, if the credit institution or investment firm is controlled by the applicant and if able to exercise the voting rights attached to the portfolio it manages
under direct or indirect instructions from the applicant or another controlled company of the applicant, or in any other way.
(4) For the purposes of determining the extent of qualifying interest, voting rights attached to shares shall be recognized as the voting right of the applicant in any of the following cases, where the voting right:
a) is exercised by the applicant and a third party under an agreement, which permits the concerted exercise of the voting rights for the parties to the agreement;
b) is exercised by the applicant under an agreement providing for the temporary transfer of the voting rights in question;
c) is exercised by the applicant, in the case of voting rights attaching to shares which are lodged as collateral, under an agreement which provides for the exercise of such voting rights;
d) is exercised by the applicant under the right of beneficial interest;
e) is exercised by the applicant's controlled company within the meaning of Paragraphs a)-d);
f) is exercised by the applicant, if functioning as a custodian, at its discretion in the absence of specific instructions from the depositor;
g) is exercised by a third party in its own name on behalf of the applicant, under an agreement with the applicant; or
h) is exercised by the applicant, if functioning as a proxy, at its discretion in the absence of specific instructions from the principal.
(5) For the purposes of determining the extent of qualifying interest, voting rights held by the applicant's controlled company shall not be taken into account, if the applicant and the aforesaid controlled company provides a statement at the time of acquiring the share in question to the effect that:
a) those rights are not exercised, or exercised by a third party independently from the applicant and its controlled company, and that the shares will be disposed of within one year of acquisition;
b) those rights are exercised by a third party - independently from the applicant and its controlled company - according to specific instructions received from the holders on paper or by way of electronic means;
c) they are not involved in the decisions relating to the appointment and removal of members for the investment firm's decision-making, management or supervisory bodies.
(6) In determining the extent of qualifying interest, voting rights held by any investment firm or credit institution that is controlled by the applicant shall not be taken into account, if the investment firm or credit institution is authorized to provide portfolio management services, and it is permitted to exercise the voting rights attached to the portfolio it manages:
a) under instructions received on paper or by way of electronic means,
b) independently from the applicant.

Section 37/B

(1) Where an applicant wishes to increase his holding of qualifying interest so as to exceed the twenty, thirty-three or fifty per cent limit, an application shall be submitted to the Authority containing the information specified in Subsection (2).
(2) The application referred to in Subsection (1) shall indicate:
a) the percentage of qualifying interest at the time of notification;
b) the extent of qualifying interest proposed to be acquired; and
c) the information referred to in Subsection (2) of Section 37.
(3) The holder of qualifying interest shall lodge a notice to the Authority, containing the same information as referred to in Subsection (2), if wishing to reduce his existing qualifying interest below either of the limits specified in Subsection (1), with the percentage of reduction indicated instead of the one mentioned in Paragraph b) of Subsection (2).
(4) The Authority shall verify receipt of the application specified in Subsections (1) and (3) in writing, within two working days (hereinafter referred to as "certificate of receipt"), sent to the applicant or the holder of qualifying interest, and shall specify in the certificate the administrative time limit described in Subsection (1) of Section 38. This provision shall also apply to insufficient information procedures as described in Subsection (2) of Section 38.

Section 38

(1) The Authority shall conduct an investigation within sixty working days of the date of issue of the certificate of receipt (hereinafter referred to as "administrative time limit") as regards the proposed acquisition of an interest, to examine as to whether compliance with the relevant provisions of this Act can be ascertained after the fact.
(2) If the information supplied according to Subsection (2) of Section 37/B is found deficient, the Authority may request - in writing - additional information or to have the deficiencies remedied within fifty working days from the date of the certificate of receipt, indicating the information specifically required for completion of the evaluation process (hereinafter referred to as "insufficient information procedure").
(3) The time limit for compliance with the request for additional information is twenty working days.
(4) The time limit for compliance with the request for additional information shall be thirty working days, if:

a) the applicant is established in a third country, or
b) the applicant is not subject to supervision according to the national laws of Member States on the transposition of Council Directives 85/611/EEC and 92/49/EEC, and Directives 2002/83/EC, 2005/68/EC and 2006/48/EC of the European Parliament.
(6) Following compliance with the insufficient information procedure the Authority shall be entitled to request further information from the applicant. However, the time limit prescribed for the disclosure of such information shall be included in the administrative time limit.

Section 38/A

If the applicant:
a) is an authorized investment firm established in any EEA Member State;
b) is an authorized credit institution established in any EEA Member State;
c) is an authorized insurance company established in any EEA Member State;
d) is an authorized reinsurance company established in any EEA Member State;
e) is an authorized management company engaged in the management of UCITS established in any EEA Member State;
f) is the parent of either of the companies mentioned in Paragraphs a)-e);
g) is controlled by either of the companies mentioned in Paragraphs a)-e);

the Authority shall consult in accordance with Section 171 the competent supervisory authorities of jurisdiction by reference to place where the investment firm, credit institution, insurance company, reinsurance company and the management company engaged in the management of UCITS is located.

Section 39

(1) If the Authority fails to refuse to grant its consent within the administrative time limit specified in Subsection (1) of Section 38 for the acquisition of or for increasing the extent of qualifying interest, its consent shall be considered as granted.
(2) If the acquisition of or increasing the extent of qualifying interest is authorized, the applicant shall conclude the transaction within a period of six months.
(3) If the requirements for authorization for the acquisition of a qualifying interest are no longer satisfied, the Authority shall suspend the holder's voting rights until the unlawful situation is terminated or until new evidence is furnished concerning such requirements.
(4) The investment firm shall notify the Authority within two working days upon receipt of notice concerning the identification data of the person acquiring a qualifying interest in the investment firm, including the percentage of his share and any changes therein.
(5) Any person who has acquired a qualifying interest in an investment firm, or altered his existing share according to Subsections (1) and (3) of Section 37/B, shall notify the Authority within two working days following the time of acquiring the qualifying interest.

Confidentiality Requirements
Section 117

(2) The obligation of confidentiality described in Subsection (1) shall not apply in respect of:
a) the Authority and supervisory authorities;
b) the Investor Protection Fund;
c) the MNB,
d) the State Audit Office;
e) the state tax authority;
f) the Economic Competition Office;
g) the internal oversight agency appointed by the Government, which controls the legality and propriety of the use of central budget funds;
h) the national security service;
i) the consumer protection authority;
acting within the scope of their official capacity conferred by law.
(3) The obligation of confidentiality described in Subsection (1) shall not apply concerning the grounds for procedure, in respect of:
a) investigating authorities acting within the scope of criminal procedures in progress and when investigating charges, and the public prosecutor acting in an official capacity;
b) the courts acting in criminal cases and civil cases connected with estate, or in bankruptcy and liquidation procedures as well as in proceedings of local governments of communities for settlement of debts;
c) the European Anti-Fraud Office (OLAF) monitoring the protection of the Community's financial interests;
d) the consumer protection authority.
(4) The disclosure of information provided in compliance with the obligation of notification under Section 205 of the CMA shall not be construed as violation of business secrets.
(5) Any information that is declared by specific other legislation to be information of public interest or public information and as such is rendered subject to disclosure may not be withheld on the grounds of being treated as a business secret.

(6) Any document retrieved from the files of an investment firm or a commodity dealer that has been terminated without a successor, which document contains any business secrets, may be used for archive research projects after sixty years from the date when they were created.

Section 119

(1) Investment firms and commodity dealers shall satisfy the written requests of investigating authorities, the national security service and the public prosecutor's office without delay concerning any client account and the transactions on such account if it is alleged that the account or the transaction is associated with:
a) illegal possession of narcotic drugs;
b) an act of terrorism;
c) illegal possession of explosives and destructive devices;
d) illegal possession of firearms or ammunition;
e) money laundering;
f) any felony offense committed in criminal conspiracy or in a criminal organization;
g) insider dealing;
h) market manipulation.
(2) When data is disclosed under Paragraphs e), g) and h) of Subsection (3) of Section 118 and under Subsection (1) of this Section, the client affected may not be notified.

Section 164

(1) The Authority shall have powers to take the following measures in the event of any breach of the obligations laid down in this Act:
a) issue an official warning to investment firms, commodity dealers, operators of multilateral trading facilities, to executive employees and owners of investment firms, commodity dealers or operators of multilateral trading facilities in the event of any infringement of or non-compliance with the relevant statutory provisions, internal policies prescribed in this Act and the Authority's resolution for compliance with the said provisions, or - if necessary - shall order compliance within the prescribed deadline;
b) prohibit the conducting of the unauthorized provision of investment service activities and the provision of ancillary services, and the unauthorized provision of commodity exchange services;
c) demand reimbursement of the costs and expenses incurred in connection with the activities of an expert or a regulatory commissioner delegated by the Authority;
d) initiate the dismissal of an executive employee or the auditor of an investment firm or commodity dealer, or initiate disciplinary action against an employee of such bodies;
e) order the management body of an investment firm or commodity dealer to call an extraordinary general meeting, and may specify the mandatory agenda for such sessions;
f) instruct an investment firm or commodity dealer to draw up a reorganization plan within the prescribed deadline, and submit it to the Authority;
g) order an investment firm, commodity dealer or a market operator to disclose specific data or information;
h) order the suspension of all or part of investment service activities, the provision of ancillary services or the provision of commodity exchange services for a fixed period of time;
i) withdraw the authorization of an investment firm, commodity dealer or the operator of multilateral trading facilities for investment service activities, the provision of ancillary services and the provision of commodity exchange services, respectively;
j) order an investment firm or commodity dealer to transfer its pending contractual commitments to another service provider;
k) appoint a regulatory commissioner to an investment firm or commodity dealer;
l) impose fines, subject to the provisions contained in Section 167;

m) initiate procedures with other competent authorities;
n) suspend access to client accounts and securities accounts maintained by an investment firm or a commodity dealer for a fixed period of time;
o) ban, restrict or impose conditions on investment firms and commodity dealers, in terms of:
oa) their payment of dividends;
ob) any payment made to an executive officer;
oc) the obtaining of loans by their owners from the said organizations or the provision of any services to them by these organizations that involve any degree of exposure;
od) their provision of any loan or credit to, or any similar transaction with, companies in which their owners or executive officers have any interest;
of) the extension (prolongation) of deadlines specified in loan or credit agreements;
og) their opening of any new branches, introducing new services and new operations;
p) order investment firms and commodity dealers:
pa) to draw up new internal policies, or to revise or apply the existing policies along specific guidelines;
pb) to provide further training to employees (executives), or to hire employees (executives) with adequate professional experience and expertise;
pc) to reduce operating expenses;
pd) to set aside adequate reserves;
q) prohibit the outsourcing of investment service activities, ancillary services and commodity exchange services;
r) order the suspension of operations of multilateral trading facilities;
s) require the investment firm to take measures for the reinforcement of the arrangements, processes, mechanisms and strategies relating to its internal control mechanism, risk management procedures and internal models for the assessment of capital adequacy according to Section 106;
t) order the investment firm to comply with the additional capital requirement prescribed under Subsection (5) of Section 105; however, the additional capital requirement of the credit institution may not be higher than double that of the capital requirement specified in Subsection (2) of Section 105; and
u) order the suspension of trading in certain financial instruments on a multilateral trading facility.
(2) The Authority may impose the measure contained in Subparagraph oa) of Subsection (1) if payment of any dividend is likely to jeopardize the compliance of the investment firm or commodity dealer in question with the capital requirements contained in this Act.
(3) Upon taking the measures specified in Paragraph n) of Subsection (1), the Authority shall forthwith notify the supervisory authorities of the Member States in which the investment firm affected by the measure operates a branch or provides cross-border services.

Section 165

If there is a lawsuit filed for the review of the Authority's decision contained in Paragraphs h), n), o), and p) of Subsection (1) of Section 164, the court shall rule on such cases in expedited proceedings. The hearing shall be scheduled on or before the eighth day following the date on which charges are filed at the court, if no other action is required.

Section 166

(1) The Authority shall have powers to impose a fine upon any investment firm or commodity dealer, and upon their executive officers and other employees:
a) for any violation, circumvention, evasion, non-fulfillment or late fulfillment of the obligations set out in this Act or in specific other legislation adopted by authorization of this Act, in the MLT, in the resolution of the Authority and in its own internal regulations;
b) if the fine is proposed by the MNB according to Subsection (2) of this Section; or
c) if the fine is proposed by a foreign supervisory authority under Section 177.

Section 167

(1) The amount of the fine shall be determined according to the gravity of non-compliance with the requirements laid down in this Act, in specific other legislation and/or in Authority resolutions, or in accordance with the weight of negligence and the financial advantage received.
(2) The amount of the fine shall be:
a) between two million forints and twenty million forints for the performance of investment service activities or the provision of ancillary services and commodity exchange services without authorization, also subject to what is contained in Subsection (5);
b) between two hundred thousand forints and four million forints for any deviation from or non-compliance with the requirements stipulated in the authorization for investment service activities, ancillary services, and commodity exchange services;
c) between two hundred thousand forints and ten million forints for any infringement of regulations governing the operation of investment firms and commodity dealers, the performance of investment service activities or the provision of ancillary services and commodity exchange services;
d) between one hundred thousand forints and five hundred thousand forints for any violation of the obligations set out in the MLT;
e) between five thousand forints and one million forints for the obstruction of the Authority's inspection, and for non-compliance with any of the Authority's warning on the part of the investment firm, commodity dealer or operator of multilateral trading facility.
(3) The fine for any violation of, negligence or late compliance with, regulations not mentioned in Subsection (2) shall be between fifty thousand forints and five million forints.
(4) The amount of fine to be levied upon an executive officer or employee of an investment firm or commodity dealer under Subsections (2)-(3) shall be between five hundred thousand forints and twenty million forints.
(5) The ceiling of the fine, if the income can be specifically established, shall be two hundred per cent of the income obtained, by way of derogation from Paragraph a) of Subsection (2).

ANNEX XVI: EXTRACTS FROM THE ACT CXXXV OF 2007 ON THE HUNGARIAN FINANCIAL SUPERVISORY AUTHORITY

Section 4

Unless otherwise prescribed by law, the Authority shall exercise supervision of the bodies, persons and activities governed under:
a) Act XCVI of 1993 on Voluntary Mutual Insurance Funds;
b) Act XLII of 1994 on the Hungarian Export-Import Bank Corporation and the Hungarian Export Credit Insurance Corporation;
c) Act CXII of 1996 on Credit Institutions and Financial Enterprises (hereinafter referred to as "CIFE");
d) Act CXIII of 1996 on Home Savings and Loan Associations;
e) Act XXX of 1997 on Mortgage Loan Companies and Mortgage Bonds;
f) Act LXXXII of 1997 on Private Pensions and Private Pension Funds;
g) Act XX of 2001 on the Hungarian Development Bank Limited Company;
h) Act CXX of 2001 on the Capital Market (hereinafter referred to as "CMA");
i) Act LX of 2003 on Insurance Institutions and the Insurance Business (hereinafter referred to as "Insurance Act");
j) Act XXXV of 2004 on Specialized Credit Institutions Issuing Electronic Money Instruments;
k) Act XXV of 2005 on the Distance Marketing of Consumer Financial Services (hereinafter referred to as "DMFC");
l) Act CXVII of 2007 on Occupational Retirement Pension and Institutions for Occupational Retirement Provision (hereinafter referred to as "OPA");
m) Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (hereinafter referred to as "IRA"); and
n) Act CXXXVI of 2007 on the Prevention and Combating of Money Laundering and Terrorist Financing (hereinafter referred to as "MLT");
o) Act CLIX of 2007 on Reinsurance.
p) Act LXXXV of 2009 on the Pursuit of the Business of Payment Services.

Supervisory Control
Section 41

(1) The Authority shall conduct inspections to monitor compliance with the statutory provisions pertaining to the operation and activities of the bodies and persons referred to in Section 4, and for the purposes of enforcement of the resolutions it has adopted (hereinafter referred to as "supervisory control")." Supervisory control shall not apply to monitoring compliance with the provisions under Paragraphs a) and b) of Section 48/A nor the execution of the resolutions adopted in proceedings for the protection of consumers' interests.
(2) Supervisory control shall comprise the verification of data supplied within the framework of regular disclosures specified by law, as well as inspections conducted by the Authority.
(3) The Authority may impose the obligation for the ad hoc supply of specific data on the bodies and persons described under Section 4, where an emergency situation arises which potentially jeopardizes the stability of the financial intermediation system.
(4) The supervisory control proceedings of the Authority are comprised of comprehensive inspections and direct inquiries at the bodies and persons referred to in Section 4 in connection with a specific problem or, if the same problem arises at several bodies or persons, a general inquiry.
(5) The Authority may conduct post inspections or may request information concerning compliance with its resolutions.

(6) The Authority shall conduct comprehensive inspection procedures at banks, specialized credit institutions, insurance companies and reinsurance companies at least every three years.

(7) The Authority shall conduct comprehensive inspection procedures at cooperative credit institutions, financial enterprises, payment service providers, investment firms, commodity dealers, venture capital fund management companies, investment fund management companies, private pension funds, voluntary mutual insurance funds and institutions for occupational retirement provision at least every five years.

(8) The comprehensive inspection procedures conducted by the Authority shall also comprise on-site inspections.

(9) The Authority shall be assisted by the MNB in the comprehensive inspection of bodies providing clearing or settlement services and the central depository regarding operation reliability and system risks.

(10) The Authority 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 National Security Service.

Section 47

(1) Unless otherwise prescribed by law, the Authority shall have powers to take the action and exceptional measures specified in the acts listed under Section 4, and impose supervisory fines, (hereinafter referred to as "sanctions") for any violation or circumvention of or non-compliance with the provisions:

a) of the acts listed under Section 4, other legal regulations adopted by authorization of these acts, and other statutory provisions governing the operations of the bodies and persons referred to in Section 4;

b) contained in the Authority's resolutions;

c) set out in the own internal regulations of the bodies and persons referred to in Section 4.

(2) The Authority may impose sanctions initiated by a foreign financial supervisory authority on the strength of law.

(3) The Authority may impose these sanctions repeatedly and collectively.

(4) The Authority 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 bodies and persons referred to in Section 4 and also on their members and clients;

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

e) the risk caused by the infringement or negligence, the extent of damage, and the perpetrator's willingness to provide retribution;

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

g) whether or not the person affected by the sanction has acted in good or bad faith, and the pecuniary advantage obtained by that person through the infringement or negligence;

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

i) the recurrence or frequency of the infringement.

(5) No sanction shall be imposed in connection with any negligence or breach of duty past two years from the time when the Authority has gained knowledge of the act, or past five years from the time it was committed.

(6) Within the time limits referred to in Subsection (5) a sanction may also be imposed even if the natural person affected is no longer in the employ of the bodies and persons referred to in Section 4, their mandate has been terminated or they are no longer engaged in any of the activities governed by the acts listed under Section 4.

Section 47/A

(1) The supervisory fine levied by the Authority upon the bodies and persons referred to in Section 4 may be between one hundred thousand and two billion forints:

a) for any infringement of the provisions laid down in the regulations governing the operations of the bodies and persons referred to in Section 4, and for any breach of internal policies;

b) for any violation, circumvention, evasion, non-fulfillment or late fulfillment of the obligations set out in the resolution of the Authority.

(2) By way of derogation from Subsection (1) above, the ceiling of the supervisory fine may be 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 referred to in Section 4, if this is higher than two billion forints.

(3) The supervisory fine levied upon persons recognized as executive employees by the acts listed under Section 4 may be between ten to eighty per cent of the income of the executive employee affected earned through the office, whether under employment or service contract. If no such income is available, the income of other persons employed by the given institution in the same or similar jobs shall be taken into account, or the amount of the supervisory fine shall be between one hundred thousand and ten million forints. The supervisory fine levied upon an executive employee may not be paid by the bodies referred to in Section 4.

(4) In the event of any breach of the obligations prescribed by law upon the bodies and persons referred to in Section 4, a supervisory fine may be imposed as of the date of default and computed by multiplying the same by the number of days in default (with a maximum of one hundred days). The supervisory fine for one day shall be one hundredth of a per cent of the annual supervision fee (comprising the minimum charge and the variable-rate fee) payable by the bodies and persons referred to in Section 4. Moreover, this supervisory fine may be imposed upon bodies and persons for non-compliance with the provisions of the Authority's resolutions, and for partial or late compliance with the said provisions.

ANNEX XVII: EXTRACTS FROM THE ACT LXXXV OF 2009 ON THE PURSUIT OF THE BUSINESS OF PAYMENT SERVICES

Section 1

(1) This Act applies to payment services provided in the territory of the Republic of Hungary.

(2) This Act applies to the Magyar Nemzeti Bank solely in respect of the payment services it provides outside the scope of implementing monetary policy and apart from carrying the single Treasury account.

(3) As regards the current account specified in Paragraph b) of Subsection (1) of Section 15 of Act LVIII of 2001 on the National Bank of Hungary (hereinafter referred to as "MNB Act") carried by the Magyar Nemzeti Bank, this Act shall apply only to the credit transfers executed according to the provisions of this Act pertaining to official transfer orders and credit transfers on the basis of a remittance summons.

(4) As regards the payment services provided by the Treasury falling under the sphere of the Treasury as defined by Act XXXVIII of 1992 on Public Finances (hereinafter referred to as "PFA"), this Act shall apply only to the credit transfers executed according to the provisions of this Act pertaining to official transfer orders and credit transfers on the basis of a remittance summons.

Definitions
Section 2

For the purposes of this Act:

1. 'transfer of funds' shall mean a payment service carried out on behalf of a payee for debiting the payer's payment account, where a payment transaction is initiated by the payer, including official transfer orders and credit transfers on the basis of a remittance summons;
2. 'direct debit' shall mean a payment service carried out for debiting a payer's payment account, where a payment transaction is initiated by the payee on the basis of the payer's consent given to the payee, to the payee's payment service provider or to the payer's own payment service provider;
3. 'EEA Member State' shall mean any Member State of the European Union and any State that is a party to the Agreement on the European Economic Area;
4. 'unique identifier' shall mean a combination of letters, numbers or symbols specified to the payment service user by the payment service provider to identify unambiguously the payment account for a payment transaction, or in the absence of a payment account, to identify the payment service user;
5. 'value date' shall mean a reference time used by a payment service provider for the calculation of interest on the funds debited from or credited to a payment account;
6. 'payment order' means any instruction by a payer or payee to his payment service provider requesting the execution of a payment transaction, including official transfer orders and remittance summons;
7. 'payment transaction' shall mean an act, initiated by the payer or by the payee, of placing, transferring or withdrawing funds, irrespective of any underlying obligations between the payer and the payee, or an order initiated by an officer empowered to issue an official transfer order or a remittance summons;
8. 'payment account' shall mean an account held in the name of one or more payment service users which is used for the execution of payment transactions, including bank accounts;
9. 'payer' shall mean a natural or legal person:

a) who holds a payment account and allows a payment order from that payment account, or
b) who gives a payment order where there is no payment account, or
c) whose payment account is debited based on an official transfer order or credit transfer on the basis of a remittance summons;

10. ‘consumer’ shall have the meaning defined in Act CXII of 1996 on Credit Institutions and Financial Enterprises (hereinafter referred to as “CIFE”);
11. ‘authentication’ shall mean a procedure which allows the payment service provider to verify the use of a specific cash-substitute payment instrument, including its personalized security features;
12. ‘payee’ shall mean a natural or legal person who is the intended recipient of funds which have been the subject of a payment transaction;
13. ‘framework contract’ shall mean an agreement between a payment service provider and a payment service user for payment services which governs the future execution of individual and successive payment transactions for a specific period and which contains the material conditions for payment transactions, including the setting up of a payment account;
14. ‘money remittance’ shall have the meaning defined in the CIFE;
15. ‘cash-substitute payment instrument’ shall have the meaning defined in the CIFE;
16. ‘low value cash-substitute payment instrument’ shall mean a cash-substitute payment instrument that can be used only for payment transactions for less than nine thousand forints, or on which value units are made available or stored in the amount of forty-five thousand forints or less;
17. ‘micro-enterprise’ shall mean an enterprise which, at the time of conclusion of the framework contract or single payment service contract, employs fewer than 10 persons, and whose annual gross earnings - during the financial year previous to the time of conclusion of the contract - from sales and/or balance sheet total does not exceed 2 million euro or the forint equivalent of 2 million euro translated by the official MNB exchange rate in effect on the last day of the financial year;
18. ‘business day’ shall mean a day on which the payment service provider of the payment service user is open for business as required for the execution of a payment transaction;
19. ‘funds’ shall mean banknotes and coins, scriptural money and electronic money;
20. ‘current account’ shall mean a payment account opened or held by the account holder as prescribed by law for the execution of payment transactions within the framework of their regular business activities;
21. ‘payment services’ shall have the meaning defined in the CIFE,
22. ‘payment service provider’ shall mean credit institutions, specialized credit institutions issuing electronic money, the institution operating the Postal Clearing Center, financial institutions, the Magyar Nemzeti Bank and the Treasury, whose business includes the provision of payment services;
23. ‘reference exchange rate’ shall mean the exchange rate which is used as the basis to calculate any currency exchange and which is made available by the payment service provider or comes from a publicly available source;
24. ‘reference interest rate’ shall mean the interest rate which is used as the basis for calculating any interest to be applied and which comes from a publicly available source;
25. ‘queuing’ shall mean the non-performance (holding in abeyance) of payment orders arriving at a payment account carried by the payment service provider owing to insufficient funds and placing the order in a waiting line (queue) for future performance, not including the case where the payer reaches an agreement with the payment service provider for queuing, for the purpose of planned payments, and for the performance and scheduling of payment transactions;
26. ‘durable medium’ shall mean any instrument which enables the payment service user to store information addressed personally to him in a way accessible for future reference for a period of time adequate to the purposes of the information and which allows the unchanged reproduction of the information stored;
27. ‘means of distance communication’ refers to any means which, without the simultaneous physical presence of the parties, may be used for the conclusion of a framework contract and a single payment services contract;
28. ‘payment service user’ shall mean a natural or legal person making use of a payment service in the capacity of either payer or payee, or both;
29. ‘Company’ shall have the meaning defined in the CIFE.

ANNEX XVIII: EXTRACTS FROM THE ACT CXII OF 1996 ON CREDIT INSTITUTIONS AND FINANCIAL ENTERPRISES

Section 44

(1) The executive officer of a financial institution may be elected or appointed upon the prior authorization of the Commission, as well as the executive employee directing the operations of a financial holding company or a mixed financial holding company.

(2) Authorization shall be construed granted if the Commission does not reject it or does not suspend the procedure within twenty-two working days of receipt of the application. If there is a criminal proceeding described in Subsection (6) pending against the person referred to in Subsection (1), the Commission shall suspend its procedure for the application until conclusion of the criminal proceeding.

(3) The Commission shall reject any application for authorization for the election or appointment of a natural person if there is grounds for disqualification under Subsections (4) and (5) with regard to the person proposed for appointment or election or, in the case of an executive, if the nominated person does not conform to the conditions specified in Section 68.

(4) The persons described in the following may not be elected and appointed as a executive officer:

a) having (or having had) a qualifying interest in or being (or having been) the executive officer of a financial institution:

1. in the case of which insolvency can only be avoided by extraordinary measures taken by the Commission,

2. which was liquidated due to its operating permit being revoked,

and whose personal responsibility for the development of this situation has been established in a definitive decree;

b) persons who have seriously or systematically violated the provisions of this Act or another legal regulation pertaining to banking or the management of financial institutions and such has been determined by the Commission, another authority or a court in a final resolution dated within the previous five years;

c) having a criminal record.

(5) Above and beyond the provisions set forth in Subsection (4), with the exception of supervisory board members, the person to be executive officer of a credit institution or a clearing house for credit institutions must satisfy the following criteria:

a) have at least three years of experience in banking or business management, or in financial or economic management in government administration;

b) shall not act as auditor for another financial institution;

c) shall not hold another office or position which may hinder performance of his professional duties.

(6) No person who has been indicted by the public prosecutor for any of the criminal acts specified in Titles VII and VIII of Chapter XV and Chapters XVII and XVIII of Act IV of 1978 on the Criminal Code or who has been indicted abroad for a property or economic crime that is punishable under Hungarian law may be employed as an executive officer until the conclusion of the criminal procedure, and such persons shall be suspended from the performance of such duties and responsibilities.

(7) The bylaws of the credit institution that operates in the form of a public limited liability company may contain provisions to prescribe - by way of derogation from Subsection (2) of Section 295 of Act IV of 2006 on Business Associations (hereinafter referred to as "Companies Act") - a larger majority than a simple majority of the votes for the removal of management board members, not to exceed three-quarters majority of the votes.

Section 44/A

(1) The executive employees of companies engaged in money processing activities with legal personality, and the persons placed in charge of money processing operations and all employees directly involved in money processing activities:

a) must have a clean criminal record;

b) must have no prior record of any violation of financial regulations or embezzlement within the two-year period preceding the date when the application was submitted.

(2) The executive employees of companies engaged in money processing activities with legal personality must have a degree in higher education, and the person placed in charge of money processing operations or at least one employee who is directly involved in money processing activities must have a degree in higher education and at least three years of previous experience.

(3) Within the context of Subsection (2) the criteria of experience may be satisfied by employment at the NBH or a credit institution in the position of a prominent administrator or higher, or in a position related to money processing, or by employment at a financial enterprise or a legal person engaged in money processing in a position related to money processing.

Section 151

(1) The Commission must consider the need for measures if a financial institution, a non-financial business association engaged in activities auxiliary to financial services, or an executive officer or owner thereof violates this Act; the legal provisions on effective, reliable and independent ownership and prudent operation; as well as the provisions of the regulations on financial transactions - other than the MNB Decree on Money Transmission Transactions -, and obviously conducts its activities without due care; thus, for example,

a) their decision-making system and rules of procedure do not comply with regulations, or they fail to observe them during their operation,

b) their accounting, recording and auditing system fails to meet the requirements of legal provisions in effect,

c) they fail to comply with their obligation to disclose data, to report or to provide information to the Commission, the shareholders or the Fund by the prescribed deadline,

d) the activity of their auditors is not in compliance with legal regulations, or they inform the board of directors, the supervisory board or the Commission delayed and inaccurately about violations of law, deficiencies and their other problems - endangering their prudent operation - found at the financial institution,

e) their own funds fail to reach the capital requirements specified in Subsections (1)-(2) of Section 76,

f) they violate any of the regulations on exposures, on the determination, analysis, evaluation and definition of exposures, on the management of exposures, on the management and reduction of risks,

g) they fail to inform the general meeting about the measures of the Commission, and if a credit institution

h) fails to comply with regulations on ensuring liquidity and approximation of maturities of assets and liabilities,

i) fails to fulfil its obligation to create reserves,

j) the financial institution does not fulfill the obligations stipulated in the Act on the Prevention of Money Laundering.

(2) In the event that the provisions of this Act, the legal regulations pertaining to prudent operation, the regulations on financial transactions - other than the MNB Decree on Money Transmission Transactions - are violated, the Commission shall weigh the available data and information and take the necessary measures - (Sections 153, 155 and 156), if a financial institution

a) performs any activities prohibited by law or for which it is not authorized,

b) is unable to continuously satisfy the requirements for authorization described in this Act during its operation,

c) has own funds that is less than seventy-five per cent of the capital requirements specified in Subsections (1)-(2) of Section 76,

d) wishes to pay or pays dividends in a situation when its own funds is below the capital requirements specified in Subsections (1)-(2) of Section 76, or has failed to set aside general reserves during the year,

e) does not have sufficient provisions and the valuation of its assets is inadequate, as a consequence of which its solvency margin must be reduced by the amount of unaccounted accumulation of provisions and adjustments,

f) regularly or severely violates regulations on exposures (such as to undertake any exposure without due care and diligence),

g) employs an auditor whose activities are not in compliance with statutory provisions and who fails to inform the board of directors and the supervisory board of the credit institution and the Commission about any violation of law, deficiencies and other problems found at the credit institution endangering the prudent operation of the credit institution,

h) is unable to fulfil or - repeatedly - fails to fulfil by the deadline its obligation to disclose data, to report or to provide information to the Commission, the NBH, its shareholders or the Fund,

i) hinders the Commission or the auditor in performing their tasks,

j) operates without the stipulated and necessary regulations, records, information technology and controlling systems,

k) fails to comply with supervisory measures taken in respect of its non-compliance with the regulations,

l) repeatedly infringes the regulations specified in Subsection (1) within two years of the operative date of the measure taken by the Commission or the resolution imposing a penalty,

m) can only comply with the relevant capital adequacy requirement in such a way that it cannot repay a junior subordinated loan on time.

(3) In the event of any serious infringement of the provisions of this Act, legal regulations pertaining to prudent operation, the regulations on financial transactions - other than the MNB Decree on Money Transmission Transactions -, the Commission shall take the major sanctions and exceptional measures necessary (Sections 157-160), if a financial institution

a) has own funds that is less than sixty per cent of the capital requirements specified in Subsections (1)-(2) of Section 76,

b) wishes to pay or pays dividends in a situation where its own funds is below fifty per cent of the capital requirements specified in Subsections (1)-(2) of Section 76,

c) fails to meet its obligation to create provisions or the obligation of value adjustment, has insufficient provisions and inadequate value adjustments, meaning that the evaluation of off-balance sheet items and assets was incorrect, as a consequence of which its solvency ratio falls below four per cent because the solvency margin were reduced by the amount of unaccounted accumulation of provisions and value adjustments,

d) by non-observance of the regulations for ensuring liquidity and the approximation of maturities of assets and liabilities, severely endangers the maintenance of the liquidity of the credit institution,

e) regularly or substantially violates the regulations on exposures and thus severely endangers the credit institution's liquidity, solvency or ability to produce income,

f) regularly performs activities prohibited by law or for which it is not authorized,

g) is unable to satisfy the requirements for authorization described in this Act during its operation,

h) operates without the necessary accounting, management information or internal control system, or these systems are inefficient to indicate the credit institution's actual financial position,

i) in the course of its resource collecting activities, determines an interest value significantly differing from the market value representing increased risks for the credit institution or the deposit-holders,

j) enters into illicit or bogus contracts in order to gain pecuniary benefits or to alter its balance-sheet result capital requirement,

k) employs an auditor who fails to inform the Commission, the board of directors and the supervisory board of the financial institution about any severe infringement, deficiencies and other problems found at the financial institution and endangering the prudent operation of the financial institution,

l) repeatedly infringes the regulations specified in Subsection (1) within five years of the operative date of the measure taken by the Commission under Subsection (2) or the resolution imposing a penalty,

m) fails to fulfil the provisions of the supervisory measures taken for any severe violation of regulations.

(4) The Commission shall, in addition to the provisions set forth in Subsection (3), take the necessary regular or extraordinary measures (Sections 157-160), also if

a) the capital maintenance ratio of a branch office of a third-country credit institution falls below one-hundred per cent,

b) a branch office of the foreign credit institution in another country has become insolvent.

(5) The Commission may also take measures if the supervisory authority with jurisdiction over the registered office of the third-country credit institution has taken measures against or penalized the given credit institution or one of its branch offices operating in any country for a reason that affects the safe operation of the branch office.

(6) The Commission shall take the aforementioned major sanctions or exceptional measures if, according to the findings of the supervisory review and evaluation carried out under Section 145/A:

a) the own funds held by credit institutions is insufficient to ensure sound management and coverage of their risks; or

b) the credit institutions' internal control mechanism, corporate governance functions and risk management procedures, internal models for the assessment of capital adequacy, and management of large exposures fail to comply with the requirements set out in this Act and other legal regulations implemented by authorization of this Act.

(7) Prior to taking exceptional measures with respect to a credit institution that is subject to supervision on a consolidated basis, the Commission shall - with the exception set out in Subsection (8) - consult the competent supervisory authority of the Member State where a credit institution to which supervision on a consolidated basis applies under Subsection (2) of Section 90 jointly with the credit institution in question is established.

(8) Before adopting a resolution for taking the exceptional measures the Commission shall not be required to consult with the competent supervisory authority of the other Member State, if the time required for consultation may jeopardize the effectiveness of the decisions. In this case, the Commission shall, without delay, inform the other competent supervisory authority.

Section 152/A

If, according to the findings of the supervisory review and evaluation, the economic value of a credit institution (assets and liabilities, off-balance-sheet items, net cash flow at current value) declines by more than twenty per cent of its own funds as a result of the change in interest rates as specified in Paragraph h) of Subsection (2) of Section 145/A, relative to its economic value calculated without the effects of the interest rate changes, the Commission shall take the measures necessary.

Measures
Section 153

(1) In the event if any violation of regulations or deficiencies are established - if these do not severely endanger the prudent operation of the financial institution -, the Commission shall take the following measures:
a) it may call upon the financial institution within the framework of negotiations held with an executive officer to take the necessary steps
1) in order to eliminate the revealed deficiencies to comply with the regulations of this Act and the provisions of legal regulations on prudent operation,
2) to maintain or improve its financial position;
b) it may advise the financial institution
1) to provide further training to its employees (managers) or to hire employees (managers) with the appropriate professional skills,
2) to draw up its standard service agreement and/or internal rules and regulations before the prescribed deadline, or to adapt it according to specific criteria,
3) to change its business management concept;
c) it may stipulate the fulfillment of obligation for extraordinary supply of data;
d) it may oblige the financial institution to draw up and execute an action plan;
e) issue a disciplinary warning to the executive officer of the financial institution.
f) adopt a resolution to declare the fact of infringement, and shall order the cessation of the infringement or prohibit any further infringement;
g) require the credit institution to take measures for the reinforcement of the arrangements, processes, mechanisms and strategies relating to its internal control mechanism, corporate governance functions, risk management procedures and internal models for the assessment of capital adequacy.
(2) In the cases listed in Subsections (2) and (6) of Section 151, the Commission shall apply the following measures:
a) delegate - one or more - on-site inspectors to the financial institution;
b) oblige the financial institution
1) to adopt internal rules and regulations, or to adapt and apply these regulations according to specific criteria,
2) to provide professional training for employees (managers) or to hire employees (managers) with the appropriate professional skills,

3) to conduct an investigation in the interest of determining responsibilities for the damages caused and to initiate proceedings against the responsible person,
4) to reduce operating costs,
5) to accumulate sufficient reserves,
6) to convene the board of directors or the supervisory board and advise these bodies to discuss specific items on the agenda and to the necessity of making specific decisions,
7) to draw up and implement a restoration plan,
8) to elect another auditor;
9) to comply with the additional capital requirement prescribed under Subsection (2) of Section 76, however, the additional capital charge of the credit institution may not be higher than the capital requirement specified in Subsection (1) of Section 76.
c) it may prohibit, limit or make subject to conditions
1) payment of dividends,
2) payment of remuneration of executive officers,
3) raising of loans by the owners of financial institutions, or rendering services to them by credit institutions which involve any exposure,
4) extension of loans by financial institutions to enterprises belonging to the sphere of interests of the owners or executive officers,
5) extension (prolongation) of deadlines specified in loan or credit agreements,
6) performing certain financial service activities or activities auxiliary to financial services,
7) opening new branches, starting new financial services as well as starting up new activities (business lines) within a financial service.
(3) If the asset retention index of a credit institution operating as a branch office falls below one hundred per cent, the Commission shall order the parent foreign credit institution to bring the branch office into compliance with the provisions on capital maintenance ratio.

Penalties
Section 169

(1) The Commission may impose fines and penalties for any violation of the provisions stipulated in the legal regulations pertaining to financial services and activities auxiliary to financial services.

(2)-(3)

Section 170

(1)

(2) Penalties may be imposed on credit institutions or executive officers failing to fulfil the provisions of this Act and of the Commission's resolution, and for partial or late compliance with the said provisions.

(3) The amount of the penalty, which may be imposed on the credit institution in the cases described in Section 151 or in the case of a fine which may be imposed when taking the measures described in Subsection (1) of Section 153, may vary from 0.1 to 1 per cent of the mandatory minimum subscribed capital prescribed for the type of credit institutions in this Act, and from 0.5 per cent to 2 per cent in the case of penalties that may be imposed when taking the measures listed under Subsections (2) and (3) of Section 153.

(4) The amount of the penalty, that may be imposed on the credit institution when taking the measures listed under Subsection (1) of Section 157 as well as in the case of a failure of fulfillment of the obligations described in Subsection (1) of Section 158 may be between one and three per cent of the mandatory minimum subscribed capital described for the type of credit institutions in this Act.

(5) In the cases described in Subsection (4) or in the event of any infringement by the credit institution, the Commission may impose a penalty computed as of the date of default and multiplied

by the number of days in default (with a maximum of one hundred days). The penalty shall be fifty thousand forints per day.

Section 171

The penalties imposed on an executive officer - including the director of a bank representation office - may be from ten to fifty percent of his net income earned through the office, whether under employment or contract, in the previous year. If no such income is available, the amount of the penalty shall be between one hundred thousand and one million forints.

ANNEX XIX: EXTRACTS FROM THE ACT XIX OF 2004 ON THE CUSTOMS AND FINANCE GUARD

In order to secure the European Union's own resources, the budget of the Republic of Hungary, to perform law enforcement, consumer and market protection tasks as well as the duties of Member States and of the bodies of the Hungarian Customs and Finance Guard, the Parliament adopts the following Act:

Legal status of the Customs and Finance Guard
Article 1

(1) The Customs and Finance Guard is an armed law enforcement and public administration body supervised by the Minister in charge of tax policy, and is an agency of the central body that has nationwide jurisdiction and operates and manages its finances independently.

(2) In order to implement his management powers, the Minister in charge of tax policy:

a) supervises the imposing and collection of customs duties and non-community taxes and charges within the customs authority's powers for compliance purposes and checks the activities of customs bodies,

b) determines the directions of developing the Customs and Finance Guard based on proposals from the Commissioner,

c) in order to check compliance and proficiency, requests reports on customs, tax and excise procedures and other activities within the duties of the Customs and Finance Guard from the Head of the Customs and Finance Guard, and request information and data to be provided out of the registers managed by the Customs and Finance Guard for this purpose,

d) determines the annual requirements for performing the tasks of the Customs and Finance Guard,

e) directs and checks budget management by the Customs and Finance Guard,

f) may provide guidance and if necessary, give instructions to the Head of the Customs and Finance Guard in particular in respect of developing the operating conditions for and the proficient operation of customs and excise administration,

g) shall perform the tasks delegated to his customs administration powers by the Act on that Minister's roles and responsibilities, whether to be performed independently or in agreement with the Minister in charge of trade and/or – based on law – with the Minister in charge of foreign policy.

(3) The Customs and Finance Guard shall be included in the budgetary chapter of the Ministry managed by the Minister in charge of tax policy as a separate title including the budgets of high, middle and low level bodies as well. For the purposes of the right to dispose over budget appropriations, medium level bodies are deemed to be bodies with partial authority.

Duties of the Customs and Finance Guard
Article 2

(1) Acting within its customs administration powers, the Customs and Finance Guard shall perform the following:

a) customs checking of goods and passengers moving across the customs border, imposing and collection of customs debts and non-community taxes and charges associated with customs procedures,

b) investigation of the identity of goods (classification for tax purposes, quality and other requirements defined by legislation) – within a defined scope – directly or indirectly, and checking whether such investigation has taken place,

c) checking, ensuring correction, registration, aggregation, processing and delivery of data contained in customs documents for customs and statistical purposes,

d) the taxation, checking and ex post checking duties defined in customs, tax and other legislation,

e) ex post audits related to payments financed out of the European Agricultural Guarantee Fund (EAGF).

(2) Acting within its excise administration powers, the Customs and Finance Guard performs tasks related to:

a) excise audits defined in excise legislation,

b) excise tax matters defined in excise legislation.

(3) Acting within its crime detection and investigation authority powers, the Customs and Finance Guard shall prevent, detect and investigate crimes transferred to its powers by Act XIX of 1998 on criminal procedures (hereinafter: Criminal Procedures Act).

(4) Acting within its enforcement and administration powers, the Customs and Finance Guard:

a) detects and evaluates irregularities delegated to its powers by separate law,

b) provide personal protection ordered by the investigations authorities of the Customs and Finance Guard within the framework of applicable legislation,

c) safeguard and escort material goods and valuables of a defined scope,

d) guard and escort persons captured, arrested, taken in custody, and detained,

e) in-depth inspections along the internal and external borders of the European Union (hereinafter: EU) by setting up mobile control units,

f) enforcement tasks defined in separate law.

(5) The Customs and Finance Guard performs the following in the framework of its international activities:

a) duties of Member States arising out of the operation and application of information systems based on community as well as separate legislation on matters within the Customs and Finance Guard's roles,

b) tasks arising out of cooperation under international conventions and bilateral agreements,

c) procedures related to support granted by the EU that falls in the jurisdiction of the Customs and Finance Guard,

d) the duties defined by separate law in connection with cooperation and coordination with the European Anti-fraud Office (OLAF).

(6) The Customs and Finance Guard performs the following activities in the framework of its other tasks:

a) checking the movement of products and technologies subject to international control s regulated by separate law,

b) checking tasks related to the trade in precious metals and hallmarking,

c) handling of data falling within its roles and responsibilities created in the course of customs, excise, irregularity and other procedures,

d) operation of road border crossings, implementation of the tasks for sustaining and developing such border stations except for road border crossings along a border with a Member State of the European Union the operation of which was handed over to the police.

Article 3
The Commissioner
Article 4

(1) The Head of the Customs and Finance Guard is the Commissioner, who is the superior officer for the staff of the Customs and Finance Guard.

(2)-(4)

Rights and obligations of professional members of the Customs and Finance Guard to take measures and to serve
Article 5

(1) The persons who perform the tasks of the Customs and Finance Guard to be performed at border crossings, investigation, irregularity investigation, customs and excise checking, security, statutory, executive procedure tasks and those who manage, supervise and check such activities (hereinafter collectively: finance guards) perform enforcement activities and are entitled to wear uniforms and service arms.
(2) Professional staff members of the Hungarian Customs and Finance Guard are in service, the contents of that service relationship is regulated by separate law.
(3) Members of the Customs and Finance Guard must perform the tasks delegated to the Customs and Finance Guard in legislation that specify tasks for the Customs and Finance Guard as specified in Article 2 and in separate legislation.
(4) In the course of performing tasks delegated to the Customs and Finance Guard, members of the organisation who are in service shall be entitled to:
a) check the identity of persons in the territory of the Republic of Hungary in order to perform service tasks,
b) checks the seals and symbols used to secure goods and excise products in transport, and that customs clearance for goods imported in community import and from third countries has taken place. They may investigate and check the identity of the origin of excise products, taxable objects and goods in transport, and for this purpose may stop persons and vehicles on public roads – by using the indications specified in the legislation on the traffic code for public road transport -, may investigate the luggage of passengers staying at railway and bus stations, ship stations and airports and those transported by railway, ship or public passenger road transport while on the vehicle, en route or at stations,
c) take the necessary measures to terminate violations of law, detect the extent of violations of law and to secure evidence in case of detecting or suspecting any violation of customs and excise legislation and other legislation determining the duties of the Customs and Finance Guard. For this purpose, they may hear persons suspected of having violated legislation in respect of customs duties and non-community taxes and witnesses, may withhold and/or seize things that serve as evidence or are subject to confiscation. This right and obligation applies to finance guards who are not on duty if there are no finance guards on duty present at the event or if a finance guard on duty needs help in taking the relevant measures,
d) in order to detect goods and/or untaxed excised products taken to a customs area without authorisation or removed from customs supervision, enter and perform a check in premises – based on the resolution of the head of the competent customs authority – where data from identified and verified sources establish the probability of mineral oil or excise products being held, stored and/or produced in violation of the requirements of the Excise Act or goods are held, stored and/or produced in violation of customs legislation. Entry into and the check in the premises must be performed in the presence of two official witnesses, with due respect to the person checked, preferably during daytime. The customs authority will record he measure in minutes in which it shall record the facts established in the course of proceeding and the data required for identifying the official witnesses,

e) to arrest to the competent authority any person coat in the act of committing a crime or misdemeanour that falls within the jurisdiction of the Customs and Finance Guard and/or in respect of whom there is good reason to suspect the perpetration of such an act, as well as persons whose custody was ordered, for the purpose of taking additional measures and/or taking procedural acts. Arrests may take no more than the time required for achieving its purpose but may not exceed eight hours. The head of the customs body performing the arrest may extend this period once, by four hours. The person thus arrested must be informed about the reason for the arrest verbally or in writing and a certificate must be issued for him on the duration of arrest,
f) members of the professional staff of the Customs and Finance Guard shall be entitled to order a urine test and a medical check-up of persons subject to checks with that person's consent if there is good reason to suspect that the person carrier narcotics or substances deemed to be narcotics in their body or body cavity. If such consent is rejected, the head of the customs body shall submit an application for authorisation to the competent public prosecution organisation. In such cases, the urine test and medical check may be ordered only with the public prosecutor's authorisation. The duration of stay and the medical check may not exceed eight hours,
g) in the course of performing the customs and excise checks – in case of detecting or suspecting violation of customs and excise legislation and other legislation determining the duties of the Customs and Finance Guard –, order that the goods subject to the check be immediately transported to official premises if the conditions for the safe conducting of the check are not in place at the location of the check or conducting the check threatens the personal safety and/or property of others. The person in possession of the goods must abide by the order and may request that his confirmed costs be refunded if no suspicion arises in the course of the procedure that he has committed a violation of law.
(5) Persons subject to checks must forebear the measures of finance guards proceeding lawfully.

Handling of criminal data

Article 35

(1) Unless otherwise provided by law, personal and special data collected and stored by the Customs and Finance Guard for crime detection purposes may be used only for crime detection purposes.
(2) The Customs and Finance Guard may access personal data processed by other bodies – as specified by law – in order to perform its crime detection tasks, and may not use data obtained this way for any purpose other than crime detection purposes and may not transfer such data.
(3) In order to perform its crime detection and enforcement tasks, the Customs and Finance Guard may request data from the bodies that register personal data and addresses, the basic national registers of vehicles and drivers, the registers on persons subject to measures restricting their travels to abroad and the registers concerning passports, the criminal register system as defined in separate law and the register of criminal and enforcement biometric data regardless of the limitations of general work schedules, and from the register of persons held in penalty institutions by taking into account the general work schedule. For enforcement purposes, natural personal identification data and addresses of the persons detained may be requested. Data requests must be performed also on the basis of deficient and partial data.
(4) The head of the recipient customs body shall be responsible for accepting data from the bodies handling the data listed in section (3) and the legality of data use by the Customs and Finance Guard.
(5) The Customs and Finance Guard shall handle natural personal identification and address data of persons participating in procedures and identification data of the case for administration purposes, from the time when the procedure starts up to the scrapping of the document that serves as the basis of the data.
(6) Data processed by the Customs and Finance Guard may be used for statistical purposes in a manner unfit for personal identification.
(7) The Minister in charge of tax policy, the Commissioner, the general director and/or the head of the investigation authority may refuse to publish data of public interest processed by the Customs and Finance Guard for crime detection interests.

Article 36

(1) In order to perform its crime detection tasks specified by law, the Customs and Finance Guard may handle or takeover from the register of bodies authorised to handle data the following:
a) characteristics of unsolved crimes important for criminalistic purposes until the perpetrator of the crime is detected or, in the absence of that, until the crime lapses,
b) clues, remainders of materials, tools, scent samples recorded at the crime scene until the perpetrator of the crime is detected or, in the absence of this, until the crime lapses,
c) the data, fingerprints, description, photograph, voice and scent sample of persons heard due to an established suspicion of having committed a wilful crime, and data of the forensic investigations performed, for twenty years starting from the date when the crime lapses or, in case the person was convicted, from the date when the person is cleared from the disadvantages associated with having previous criminal records,
d) characteristics of the acts of persons heard due to the established suspicion of having committed a wilful crime or convicted for the perpetration of such a crime that are important for criminalistic purposes until the crime lapses or, in case the person was convicted, until that person is cleared from the disadvantages associated with having previous criminal records,
e) data and characteristics of persons involved in acts or legal facts implying organised crime and their relationships important from criminalistic purposes for twenty years after the last piece of data was generated concerning the person concerned,
f) data of persons against whom international crime detection measures must be taken based on international commitment, and data and characteristics of the relationships of such persons important for criminalistic purposes until the crime lapses or for the period specified in the international commitment,
g) the data of persons included in documents created in connection with crime detection and evidence for investigating individual crimes and their relationships, and/or data concerning their position in the procedure, as well as investigation data associated with them up until a final and enforceable judgement is passed on the case or, if investigation is terminated, until the crime lapses,
h) data created in the course of collecting intelligence for two years after intelligence collection is closed if no criminal procedure is started,
i) the data of persons concerned by collecting intelligence – including persons cooperating with the Customs and Finance Guard and under cover investigators – and the outcome of application for maximum two years after intelligence collection is closed if no criminal proceedings are started, or until the crime lapses if a criminal procedure is conducted, or until the person is released from the disadvantages associated with having previous criminal records in case of a conviction, or for maximum 20 years, and in the case of cooperating persons and under cover investigator, for 20 years after the data when cooperation and/or under cover investigation is terminated.
(2) The data processing body of the Customs and Finance Guard may not provide information to the person concerned about the data specified in section (1) a)-f), and h)-i). This provision does not restrict the rights of persons participating in criminal proceedings.
(3) In order to perform its crime detection tasks specified by law, the Customs and Finance Guard – if the conditions for data protection are in place – may perform individual data processing by connecting its crime detection and administrative systems in the course of detecting and investigating a given crime. New data created in the course of such connection that is not used in the criminal proceedings must be deleted.
(4) In order to perform its crime detection tasks specified by law, the Customs and Finance Guard – if the conditions for data protection are provided – may perform individual data processing by connecting its crime detection data processing systems with the data processing systems of other enforcement bodies and/or other investigation authorities in the course of detecting and investigating a given crime. New data created in the course of such connection that is not used in the criminal proceedings must be deleted.

(5) In order to perform its crime detection tasks, the Customs and Finance Guard may takeover data from other data processing systems in the cases and manner specified by law. The fact of such taking over of data must be documented by both the parties who handover and who takeover data.

ANNEX XX : ACT NO. XLVIII OF 2007 ON THE IMPLEMENTATION OF REGULATION (EC) NO. 1889/2005 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 26 OCTOBER 2005 ON CONTROLS OF CASH ENTERING OR LEAVING THE COMMUNITY

In order to promote the implementation and application of the provisions of Regulation (EC) No. 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community, the Parliament of Hungary has passed this Act:

1. § The Hungarian customs authority has got the competence to implement the provisions of Regulation (EC) No. 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community (hereinafter called: the Regulation).

2. § (1) The obligation to declare stipulated in Article 3 of the Regulations must be fulfilled in a written form.

(2) Pursuant to Sub-paragraph b) of Paragraph (2) of Article 3 of the Regulation, the declaration shall contain the full name and address of the owner of the cash, pursuant to Sub-paragraph c), it shall also contain the full name and address of the intended recipient of the cash, while pursuant to Sub-paragraph g), it shall contain the means of transport, including the number plate, in the case of a motor vehicle.

(3) When converting the cash referred to in Paragraph (1) of Article 3 of the Regulation into EUR, the official foreign exchange rates of the National Bank of Hungary (hereinafter called: the NBH) effective at the date of the border crossing shall be applied, while in the case of foreign currencies not included in the official foreign exchange rate chart of the NBH, the foreign exchange rates communicated in the official statement of the NBH on the foreign exchange rates to be applied for the conversion of these foreign currencies into EUR, effective at the date of the border crossing shall be applicable.

3. § In order to exercise control over the movement of cash, following from its customs administration competence, the customs authority shall be empowered to carry out controls on natural persons, their baggage and their means of transport in order to check compliance with the obligation to declare, pursuant to the provisions of Article 3 of the Regulation.

4. § (1) Pursuant to Paragraph (1) of Article 5 of the Regulation, the customs authority shall record the information declared under Article 3 of the Regulation and obtained during the controls carried out under §3 above, and shall process such information normally for 2 years, while in case such information is communicated and/or transmitted to other competent authorities pursuant to the provisions of Paragraphs (2)-(4) below, the customs authority shall process such information for a further 5 years reckoned from the date of communication and/or transmission of such information, solely in order to ensure confirmation of the lawfulness of such communication and/or transmission.

(2) In order to ensure compliance with the obligation laid down in Article 5 of the Regulation, the customs authority shall make the information recorded under Paragraph (1) above to the authority operating as Financial Information Unit at their request.

(3) Where it appears from the information declared under Article 3 of the Regulation or obtained during the controls carried out under §3 above that the movement of cash may be associated with money laundering or financing terrorism, the customs authority shall be obliged to transmit such information immediately to the authority operating as Financial Information Unit.

(4) During the implementation of the provisions of Paragraph (2) of Article 5 of the Regulations the customs authority shall record the information provided for in Paragraph (2) of Article 5 of the Regulation, shall process such information for 2 years reckoned from the date of recording, and shall transmit such information as provided for in Paragraph (3) above.

(5) The customs authority shall maintain its records on the transmission of such information for 5 years reckoned from the date of such transmission. The customs authority shall be empowered to refuse to provide information on the contents of its records on the information transmission at the request of the person involved in order to support the fight against money laundering and financing terrorism, as well as in order to support the detection of criminal acts such as acts of terrorism (§261 of the Criminal Code), unauthorized financial activities (§298/D of the Criminal Code), money laundering (§303-303/A of the Criminal Code), non-performance of reporting obligation in connection with money laundering (§303/B of the Criminal Code), tax fraud (§310 of the Criminal Code), embezzlement (§317 of the Criminal Code), fraud (§318 of the Criminal Code), fraudulent breach of trust (§319 of the Criminal Code).

5. § In the cases included in Articles 6 and 7 of the Regulation, the customs authority shall be empowered to transmit the information included in Paragraph (1) of §4 to the competent national authorities of other member states and third countries, as well as to the Commission at their request, or ex officio.

6. § (1) This Act shall enter into force on 15 June 2007.

(2)

(3) This Act promotes the implementation of Regulation (EC) No. 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community.

ANNEX XXI: EXTRACTS FROM THE ACT CXX OF 2001 ON THE CAPITAL MARKET

Securities Secrets
Section 369

(1) All data and information that is at the disposal of an investment fund management company, a venture capital fund management company, the exchange, a body providing clearing and settlement services, the central depository or central counterparty concerning specific clients relating to their personal information, financial standing, business operations and investments, ownership and business relations, and their contracts and agreements with any investment fund management company, venture capital fund management company, the exchange, a body providing clearing and settlement services, the central depository or central counterparty and to the balance and money movements on their accounts shall be construed as securities secrets.

(2) For the purposes of legal provisions pertaining to securities secrets, any person who receives services from an investment fund management company, venture capital fund management company, the exchange, a body providing clearing and settlement services, the central depository or central counterparty shall be considered a client.

(3) The organizations referred to in Subsection (1) above shall be subject to the relevant provisions of the IRA pertaining to securities secrets.

ANNEX XXII : EXTRACTS FROM THE ACT OF 2000 ON ACCOUNTING

Accounting Documents
Section 166

(3) Accounting documents shall be prepared in the Hungarian language, at the time or in the process of the economic transaction or event to which they pertain, or when the economic action in question is taken or implemented. (Data and information on documents made out in Hungarian may also be indicated in other language(s) as well.)

Retaining Documents
Section 169

(2) The accounting documents underlying the accounting records directly or indirectly (including ledger accounts, analytical records and registers) shall be retained for minimum eight years, shall be legible and retrievable by means of the code of reference indicated in the accounting records.

ANNEX XXIII: EXTRACTS FROM THE ACT XCVI OF 1993 ON VOLUNTARY MUTUAL INSURANCE FUNDS

Section 40/B

(1) The requirement of confidentiality concerning fund secrets and business secrets shall not apply to

a) the Commission,

b) the State Audit Office,

c) the general prosecutor's office in charge of the legal supervision of the funds,

d) investigating authorities and the district prosecutor's office acting within the framework of a pending trial and supplementing the indictment,

e) organizations authorized to conduct covert investigation operations under the conditions specified in specific other legislation,

f) notaries public involved in the execution of wills or the child custody service acting in an official capacity,

g) the national security agency, acting within the scope of its responsibility as defined in law, upon special permission from the general director,

h) the court, within the framework of bankruptcy and liquidation proceedings, in criminal cases and civil actions related to estates as well as in local self-government debt-servicing procedures,

i) the service provider keeping the books on financial management to the extent required for such records, the outsourcing service provider to the extent required for carrying out the outsourced activities,

j) the tax authorities for the purpose of proceedings to inspect compliance with tax liabilities and to enforce the executable document issued for the execution of such debts, as well as in connection with fund payment allowances,

k) the Economic Competition Office

l) the body in charge of the implementation of restrictive measures imposed by the European Union relating to liquid assets and other financial interests, if the conditions prescribed in specific other legislation are provided for

when acting in an official capacity, if the above organizations request information from the fund in writing.

(8) Furthermore, the requirement of confidentiality concerning fund secrets shall not apply:

a) to the fund's compliance with the obligation of reporting prescribed in the Act on the Prevention and Combating of Money Laundering and Terrorist Financing (hereinafter referred to as "MLT");

b) when the authority that functions as a financial intelligence unit makes a written request for information - that is considered fund secret - from a fund, acting within its powers conferred under the MLT or in order to fulfill the written requests made by a foreign financial intelligence unit - if the request contains a confidentiality clause signed by the foreign financial intelligence unit.

Protection of Information Systems
Section 40/C.

(1) Funds are required to set up a regulatory regime concerning the security of their information systems used for their activities, and to provide adequate protection for the information system consistent with existing security risks, including risks stemming from criminal activities. The

regulatory regime shall contain provisions concerning requirements of information technology, the assessment and handling of security risks in the fields of planning, purchasing, operations and control.

(2) Funds shall review and update the security risk assessment profile of the information system whenever necessary, or at least every other year.

(3) The organizational and operating rules shall be drawn up in light of the security risks inherent in the use of information technology, as well as the rules governing responsibilities, records and the disclosure of information, and the control procedures and regulations integrated into the system.

(4) Funds shall install an information technology control system to monitor the information system for security considerations, and shall keep this system operational at all times.

(5) Based on the findings of the security risk analysis, the following utilities shall be installed as consistent with the existing security risks:

a) clear identification of major system constituents (tools, processes, persons) and keeping logs and records accordingly;

b) self-protect function of the information technology security system, checks and procedures to ensure the closure and complexity of the protection of critical components;

c) frequently monitored user administration system operating in a regulated, managed environment (access levels, special entitlements and authorizations, powers and responsibilities, entry log, extraordinary events);

d) a security platform designed to keep logs of processes which are deemed critical for the operation of the information system and that is capable to process and evaluate these log entries regularly (and automatically, if possible), or is capable of managing irregular events;

e) modules to ensure the confidentiality, integrity and authenticity of data transfer, and financial transactions transacted exclusively by electronic means;

f) modules for handling data carriers in a regulated and safe environment;

g) virus protection consistent with the security risks inherent in the system.

(6) Based on their security risk assessment profile, funds shall implement protection measures to best accommodate their activities and to keep their records safe and current, and shall have adopted the following:

a) instructions and specifications for using their information system, and plans for future improvements;

b) all such documents which enable the users to operate the information system designed to support business operations, whether directly or indirectly, independent of the status of the supplier or developer of the system (whether existing or defunct);

c) an information system that is necessary to provide services and equipment kept in reserve to ensure that services can be provided without any interruption, or in the absence of such equipment, solutions used in their stead to ensure the continuity of activities and/or services;

d) an information system that allows running applications to be safely separated from the environment used for development and testing, as well as proper management and monitoring of upgrades and changes;

e) the software modules of the information system (applications, data, operating system and their environment) with backup and save features (type of backups, saving mode, reload and restore tests, procedure), to allow the system to be restored within the restoration time limit deemed critical in terms of the services provided. These backup files must be stored in a fireproof location separately according to risk factors, and the protection of access in the same levels as the source files must be provided for;

f) a data storage system capable of frequent retrieval of records specified by law to provide sufficient facilities to ensure that archived materials are stored for the period defined by legal regulation, or for at least five years following termination of the membership of the member to whom it pertains, and that they can be retrieved and restored at any time, containing safeguards to prevent the stored contents from being manipulated or corrupted;

g) an emergency response plan for extraordinary events which are capable of causing any interruption in services.

(7) Funds shall have available at all times:

a) operating instructions and models for the inspection of the structure and operation of the information system they have developed themselves or that was developed by others on a contract basis;

b) the syntactical rules and storage structure of data in the information system they have developed themselves or that was developed by others on a contract basis;

c) the scheme of classification of information system components into security categories defined by the fund;

d) a description of the order of access to data;

e) the documents for the appointment of the data manager and the system host;

f) proof of purchase of the software used;

g) complex and updated records of administration and business software tools comprising the information system.

(8) All software shall comprise an integrated system:

a) that is capable of keeping records of the data and information required for regular operations and as prescribed by law;

b) that is designed for the use of checking stored data and information;

c) that has facilities for logic protection consistent with security risks and for preventing tampering.

(9) The internal regulations of the fund shall contain provisions concerning the knowledge required in the field of information technology for filling certain positions.

ANNEX XXIV: EXTRACTS FROM THE ACT LIII OF 1994 ON JUDICIAL ENFORCEMENT

Enforcement Orders
Section 10

Judicial enforcement (hereinafter referred to as "enforcement") shall be ordered by the issue of an enforcement order. Enforcement orders are the following:

a) certificate of enforcement issued by the court;

b) document with a writ of execution issued by the court;

c) a judicial order or restraint of enforcement, or order of transfer, furthermore, a decree of direct judicial notice;

d) judicial notice on a fine, on a fine imposed as a secondary punishment, on a penalty, on a fine for contempt, on a verdict of confiscation of assets, on a fine imposed in any Member State of the European Union in criminal proceedings in connection with the commission of a crime; and a notice on the confiscation of property applied in the territory of a Member State in connection with pending criminal proceedings;

e) judicial notice on the costs of a criminal procedure or the costs of arrest or escort, furthermore, notice from the court administration office on a fine for contempt levied or costs of a criminal procedure charged by the public prosecutor, on the costs of arrest or escort charged by the public prosecutor or the investigating authority, and on the costs established by the national parole board in mediation proceedings, that were advanced by the government subject to repayment,

f) writ of criminal attachment.

g) the order for the freezing of assets in connection with the implementation of restrictive measures imposed by the European Union relating to liquid assets and other financial interests.

Appeal in Connection with the Order of Enforcement
Section 213.

(1) If a court has ordered enforcement by way of a ruling, or adopted a ruling in confirmation of any derogation in an enforcement order if issued in derogation of the application therefor, the parties may lodge an appeal against such rulings.

(2) An appeal filed against the ruling defined in Subsection (1) shall have no suspensory effect concerning the enforcement procedure, however - unless otherwise prescribed in this Act - the things seized may not be sold and the sums collected by the enforcement procedure may not be remitted to the claimant.

(3) The judgment creditor may lodge an appeal against a ruling rejecting issuance of an enforcement order.

(4) If enforcement is based on a direct judicial notice (Section 28) the parties may lodge an appeal against the decision which contains the direct court notice.

ANNEX XXV: LAW-DECREE NO. 2 OF 1989 ON SAVINGS DEPOSITS

Section 1

(1) 'Savings deposit' means a sum of money placed in a credit institution under a saving deposit contract (Section 533 of the Civil Code) and recorded in a savings account passbook or some other document (hereinafter referred to as 'document').

(2) All savings deposit accounts must be registered under the holder's name. Savings deposits can be placed by any natural person. The saving deposit contract may stipulate a beneficiary other than the depositor (hereinafter referred to as 'deposit holder'), if such person is otherwise entitled to place a savings deposit.

(3) Where the beneficiary is known, credit institutions are required to apply the relevant provisions of Act CXXXVI of 2007 on the Prevention and Combating of Money Laundering and Terrorist Financing (hereinafter referred to as “MLT”) relating to the implementation of customer due diligence measures in connection with the beneficiaries as well.

(4) The credit institution must indicate on the document the deposit holder's and the beneficiary's surname and forename, and place and date of birth.

Section 2

(1) Financial institutions, according to the interest terms and their general contract conditions, shall pay interest on savings deposits as contracted or some other form of return (hereinafter referred to as 'interest'), or - in respect of a prize drawing deposit - pay the winnings, depending on the results of the drawing.

(2) The President of the National Bank of Hungary may prescribe the highest rates of interest on savings deposits fixed for a specific period of time.

(3) The formula for the calculation of the prize base for prize drawing deposits shall be determined by the financial institution in accordance with the interest rate thresholds defined in Subsection (2). The formula shall be laid down in the general contract terms and conditions.

ANNEX XXVI: GOVERNMENT DECREE 314/2006. (XII. 23.) ON THE ORGANISATION OF THE HUNGARIAN CUSTOMS AND FINANCE GUARD AND ON THE SELECTION OF THE PROCEEDING ORGANS

In its capacity as the primary law-maker provided for in Paragraph (2) of §35 of the Constitution, acting in its competence under Paragraph (3) of §40 of the Constitution, as well as following from its authorizations ensured by the provisions of points a) and b) of §42/A of the Act XIX of 2004 on the Hungarian Customs and Finance Guard (hereinafter called: the Act on the HCFG); of point c) of Paragraph (1) of §129 of Act CXXVII of 2003 on excise taxes and the special regulations on the distribution of excise goods (hereinafter called: the Excise Act); and of point g) of Paragraph (1) of §342 of Act XLIII of 1996 on the service status of professional members of the armed services, the Government orders the following:

Part I
Organisation of the Hungarian Customs and Finance Guard
General Provisions

1. § (1) The Government designates the Hungarian Customs and Finance Guard to act as the customs authority.

(2) The Hungarian Customs and Finance Guard carries out its tasks stipulated in §2 of the Act on the HCFG under the control of its head (hereinafter called: the Commissioner) pursuant to Paragraph (1) of §4 of the Act on the HCFG, via its higher-level, middle-level and lower-level units of the customs organisation.

(3) The Hungarian Customs and Finance Guard is composed of units having powers of an authority, as well as units without powers of an authority.

(4) The units without powers of an authority have to fulfil the following tasks: furnishing the Hungarian Customs and Finance Guard with technical and physical means and requisites, ensuring the security guarding, transport and other logistic activities, carrying out systems integration, application development and data provision activities, ensuring IT operation, financial and business management tasks, providing training and development for the staff, as well as organizing health, social and cultural services for the Hungarian Customs and Finance Guard.

(5)

(6) The Commissioner is empowered to create units having powers of an authority, as well as units without a status of budgetary legal entity within the organisation of the Hungarian Customs and Finance Guard.

The Commissioner

2. § (1) The Commissioner is independent in and responsible for managing the Directorate General, directing and controlling the middle-level and lower-level units within the framework of the effective laws and other legal tools of government control.

(2) The tasks of the Commissioner in connection with the management and control of the customs organization must be defined in the organizational and operational rules and regulations approved by the Minister of Finance. The appointment, legal status and service relationship of the Commissioner are regulated in separate laws and regulations.

(3) The Commissioner has powers of an authority and acts as second instance for appeals lodged against the decisions and orders made by the Directorate General, and also exercises supervisory powers in the case of decisions and orders made by the Directorate General but not reviewed by the court.

Higher-Level Unit of the Hungarian Customs and Finance Guard

3. § (1) The higher-level unit of the Hungarian Customs and Finance Guard is the Directorate General of the Hungarian Customs and Finance Guard (hereinafter called: the Directorate General).

(2) The registered seat of the Directorate General is Budapest.

(3) Tasks and scope of competence of the Directorate General:

a) if not regulated otherwise in this Decree, the Directorate General acts as second instance for appeals lodged against the first instance decisions and orders made by middle-level units having powers of an authority, and also exercises supervisory powers,

b) conducts the controls necessary to make as a result of the requests of any organization empowered to do so by the community laws and regulations,

c) ensures and co-ordinates the operation of the lower-level and middle-level units of the Hungarian Customs and Finance Guard, and further, manages, supervises and controls the activities of these units,

d) conducts the professional, organizational, service, personnel, training, financial and other tasks falling within its scope of responsibilities by the relevant laws,

e) participates in the preparation of laws and regulations determining the tasks, scope of competence and operation of the Hungarian Customs and Finance Guard,

f) represents the Hungarian Customs and Finance Guard in international matters, is involved in maintaining international relations, with particular emphasis on liaising with the organizations of the European Union,

g) carries out the tasks of co-operating and co-ordinating with the European Anti-Fraud Office (OLAF) as defined in a separate law,

h) in relation to certain activities determined in special laws and regulations, the Directorate General carries out the preliminary controls under the provisions of Act C of 2001 on the recognition of foreign certificates and diplomas,

i) receives requests for anti-dumping drawback and transmits them to the European Commission,

j) carries out the prevention, detection and investigation of the criminal action falling within its competence under the relevant legislation, pursuant to the provisions of the relevant laws and regulations.

(4) Regarding its eligibility to dispose over the budget estimates, the Directorate General is a budgetary unit having partial powers.

Middle-Level Units of the Hungarian Customs and Finance Guard Having Powers of an Authority

4. § (1) The middle-level units of the Hungarian Customs and Finance Guard having powers of an authority are as follows:

a) the South-Plain Regional Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Szeged,

b) the North-Plain Regional Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Debrecen,

c) the North-Hungary Regional Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Miskolc,

d) the Middle-Transdanubia Regional Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Székesfehérvár,

e) the Middle-Hungary Regional Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Budapest,

f) the Western-Transdanubia Regional Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Szombathely,

g) the South-Transdanubia Regional Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Pécs,

h) the Central Airport Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Budapest,

i) the Central Control Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Budapest,

j) the Central Criminal Investigation Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Budapest,

k) the Central-Hungary Regional Investigation Office of the Hungarian Customs and Finance Guard, having its registered seat in Budapest,

l) the North-Hungary Regional Investigation Office of the Hungarian Customs and Finance Guard, having its registered seat in Eger,

m) the North-Plain Regional Investigation Office of the Hungarian Customs and Finance Guard, having its registered seat in Nyíregyháza,

n) the South-Plain Regional Investigation Office of the Hungarian Customs and Finance Guard, having its registered seat in Kecskemét,

o) the Central-Transdanubia Regional Investigation Office of the Hungarian Customs and Finance Guard, having its registered seat in Székesfehérvár,

p) the Western-Transdanubia Regional Investigation Office of the Hungarian Customs and Finance Guard, having its registered seat in Győr,

q) the South-Transdanubia Regional Investigation Office of the Hungarian Customs and Finance Guard, having its registered seat in Pécs,

r) the Central Patrol Service Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Budapest,

s) the Accounting Directorate of the Hungarian Customs and Finance Guard, having its registered seat in Budapest,

t) the Chemical Laboratory of the Hungarian Customs and Finance Guard, having its registered seat in Budapest,

u) the Criminal Provisions Investigation Office of the Hungarian Customs and Finance Guard, having its registered seat in Budapest.

7. § The tasks and scope of competence of the Central Criminal Investigation Directorate of the Hungarian Customs and Finance Guard are as follows:

a) transfers the drugs, psychotropic materials and their precursors seized by the Hungarian Customs and Finance Guard to its Laboratory, and also guards and accompanies captured, arrested, detained, imprisoned persons,

b) conducts the professional, organizational, service, personnel, disciplinary, training, financial and other tasks falling within its scope of responsibilities by special laws and regulations,

c) carries out the prevention, detection and investigation of the criminal actions falling within its competence under the relevant legislation, pursuant to the provisions of the relevant laws and regulations,

d) with respect to customs warehouses, it carries out the tasks outlined in points b) and e) of Paragraph (1) of §5,

e) performs the tasks defined for the authority acting as the financial information unit under the Act on the prevention and combating of money laundering and financing terrorism,

f) performs the tasks relating to taking measures aimed at the freezing of funds and economic resources following from the Act on the implementation of the measures aimed at the freezing of funds and economic resources prescribed by the European Union.

ANNEX XXVII: GUIDELINES TO SAMPLE REGULATIONS FOR PROVIDERS OF FINANCIAL SERVICES AND SUPPLEMENTARY FINANCIAL SERVICES

Preparation of Regulations

The Hungarian Financial Supervision Authority (hereinafter the HFSA) provides credit institutions and financial enterprises with Sample Regulations approved by the Ministry of Finance and drawn up with consideration to the remarks received from the Financial Intelligence Department of the Central Law Enforcement Directorate of the Hungarian Customs and Finance Guard performing the roles of the Financial Intelligence Unit (subsequently: the Authority acting as the Financial Intelligence Unit).

Sections of the Sample Regulations printed in bold-italics contain mandatory sections that service providers must develop with consideration to their own practices.

Sections printed in regular italics refer to rights and obligations that derive from Directive 2005/60/EC, from the recommendations of the HFSA and in particular the recommendations on the prevention and deterrence of money laundering and terrorist financing and on internal safeguards, as well as from international standards.

Sections printed in other font types may be adopted without modification in drafting the regulations.

Newly established financial service providers shall prepare their own internal regulations on the basis of the sample regulations and shall submit their internal regulations together with their other licensing documents.

Already licensed financial service providers shall revise their regulations without delay within their own competence on the basis of the sample regulations or in line with the amendment of Act CXXXVI of 2007 on the prevention and deterrence of money laundering and terrorist financing (hereinafter the MLA). Amended regulations of already active financial service providers shall be examined by the HFSA within the framework of an audit and need not be submitted for authorisation.

Agents discussed under Subsection b) of Section 12 of Part I of Annex No. 2 of Act CXII of 1996 on Credit Institutions and Financial Enterprises (hereinafter the Credit Market Act – CMA) need not draft regulations, because pursuant to Section a) of Paragraph (4) of Article 1 of the MLA they are not subject to that Act. The activities of Type b) agents are to be considered as if conducted by the financial service provider itself.

Institutions not providing or not using correspondence banking services may delete the sections related to correspondence banking services.

There are separate dedicated sample regulations for money changers and pawnbrokers.

Due Diligence Obligation

Due diligence procedures are instruments for the practical manifestation of anti money laundering and counter terrorist financing activities. Throughout the procedure service providers should always observe the principles of “Know your customer” and “Be Prudent with your Customer”.

The due diligence procedure is a complex series of measures designed to enable financial service providers to know accurately at all times with whom they enter into a business relationship, for whom they fulfil a transaction order.

When establishing a business relationship and when executing transaction orders for an amount equal to or exceeding three million six hundred thousand Hungarian Forints, considering also several de-facto related transaction orders, or if some data, facts or circumstances emerge that indicate money laundering or terrorist financing and if the customer was previously not subjected to due diligence measures and if there are doubts as to the veracity and adequacy of previously obtained customer identification data, service providers shall record in writing the personal identity details of the customer, of the person with disposal powers, of the proxy, or of the representative and shall verify the

personal identity of such persons, and shall also record the personal identity details of the beneficial owner and shall verify the personal identity if there are any doubts as to the personal identity of the beneficial owner. Service providers shall also record the details of business relationships and of transaction orders and shall perform continuous monitoring of the business relationship.

A new element in the procedure is the option allowed for service providers to set the scope of their customer due diligence measures on a risk-sensitive basis. The law specifies minimum and maximum data sets. /Paragraphs (2)-(3) of Article 7 of the MLA/. In the course of customer due diligence service providers may specify the number of data items to be recorded on the basis of the nature and amount of the business relationship or of the transaction order, the circumstances of the customer (with consideration to the cases specified in the internal regulations) and assessing the risk of money laundering and terrorist financing.

Service providers shall explicitly specify within the sample regulations the cases where, on a risk-sensitive basis the maximum data set must be recorded.

With regard to due diligence measures concerning the beneficial owner the law specifies the obligation to provide a written statement and specifies the extent of the data to be recorded. Financial service providers must record the personal identity details of the beneficial owner, but shall only verify the identity of the beneficial owner if there are doubts arising as to the personal identity of the beneficial owner. Financial service providers may also decide on a risk-sensitive basis on the number of data items to be recorded for the beneficial owner, i.e. they may choose between the minimum or maximum data set. The provisions of the former MLA required only two data items (name, residence address / registered seat) to be recorded so the minimum set of data to be recorded with regard to the beneficial owner has now been extended.

As a new legal instrument, simplified and enhanced customer due diligence measures have been added to the law. In line with the risk-based approach, simplified due diligence may be applied for customers and transactions that represent a low risk of money laundering and terrorist financing. In the application of simplified due diligence, due diligence measures are to be carried out only if some data, facts or circumstances emerge that indicate money laundering or terrorist financing (and are therefore not mandatory when establishing a new business relationship, etc.). In addition to this, it is always mandatory to perform continuous monitoring of the business relationship.

Enhanced customer due diligence is mandatory for customers and transactions that represent a high risk of money laundering or terrorist financing. In the application of enhanced customer due diligence all customer due diligence measures are mandatory, i.e., financial service providers are required to record the maximum data set.

Financial Service providers must mandate the application of enhanced customer due diligence measures if a customer fails to show up in person for identification, for cross-border correspondence banking relationships conducted with institutions from third countries and for business relationships to be established with politically exposed persons residing in another member state or in a third country and when changing money.

Thus, pursuant to this, financial service providers are required to apply enhanced customer due diligence in the four mentioned cases and may, on a risk-sensitivity basis, specify within their regulations other cases with greater exposures to money laundering or terrorist financing, mandating the application of enhanced customer due diligence measures.

Service providers may also opt to accept that the customer has already been identified by another service provider.

Customer Due Diligence Scenarios

Service providers must carry out customer due diligence measures when establishing a relationship with a customer, regardless of the value threshold.

Due diligence is also mandatory for transaction orders reaching or exceeding HUF 3.6 million, if it has not yet occurred earlier. This also applies to de-facto related transaction orders, if a customer issues transaction orders for amounts less than HUF 3.6 million and if those are related, whereas due diligence is to be carried out upon the receipt of the order by which the total estimated value of the orders reaches HUF 3.6 million.

The due diligence threshold amount for changing money is HUF 500,000. This means that customers must be indentified only if the amount of the money changed reaches or exceeds HUF 500,000.

Furthermore, identification is also required if the service provider has doubts as to the true identity of the customer or suspects that the customer's details have changed, or that the customer has supplied incorrect or false data earlier.

The last scenario is the emergence of data, facts or circumstances that indicate money laundering or terrorist financing, where due diligence is required only if the customer is entirely unknown.

Notice

Financial service providers shall display a notice in the premises where they normally receive customers. We recommend the use of the following text for the notice:

"Pursuant to the provisions of Act CXXXVI of 2007 on the Prevention and Deterrence of Money Laundering and Terrorist Financing customer due diligence is mandatory in the cases specified in the law, and in particular when establishing a business relationship with a customer and for cash-based transactions for amounts reaching or exceeding HUF 3.6 million, as well as when changing money in an amount exceeding HUF 500,000. Please have your personal identification documents ready to facilitate the transaction. Thank you!"

Record keeping

Records may be kept electronically and, in exceptional cases, on paper.

The requirements to maintain searchable and auditable records derive from the provisions of the MLA on the one part and serve to ensure mandatory data reporting and external audits on the other part.

Internal Procedures for Due Diligence

The Internal Regulations must define process descriptions for the identification of customers, for the verification of the personal identity of customers, for the identification of the beneficial owner and for the verification of the personal identity of such if there are doubts as to the personal identity of the beneficial owner, and for the activity to reveal the purpose and planned nature of business relationships and for the continuous monitoring of the business relationship. The internal procedures must also address the management of data obtained in the course of customer due diligence measures performed by the financial service provider and by other service providers.

In drawing up the internal procedures for customer due diligence, the service provider must specify the form (contract, data sheet, computerised system, dedicated form, etc.), location (customer file, computerised system, etc.) and method (in alphabetical order, filed by customer or filed by date, etc.) for the storage of the data recorded in due diligence. The service provider must indicate the persons that will have access to the data (authorised administrators, CEO, client relationship officer, internal auditor, compliance manager, designated person, etc.).

With regard to due diligence on the beneficial owner, the Regulations must specify in what form, where and how his/her declaration will be stored. The internal procedures must specify the Service provider's responsible person and the means for verifying the personal identity details of beneficial owners in records available for this purpose pursuant to legal statutes or in records accessible to the public, if there are doubts as to the personal identity of the beneficial owner.

Customer due diligence information may be indicated on the contract or may be recorded on separate (electronic) forms. Data may be recorded on both paper-based and electronic identification forms (as

set out in the annex), on signature cards, in the contract or on other media that can be appended to the customer file, or identification forms may be filed in a separate registry (for paper-based documents). The recording of the data may not be omitted if the person conducting the transaction or the third person that he/she represents are not customers of the financial service provider.

The Regulations must provide for the cases where the service provider will also record the maximum data set. In this sense, the Service provider must specify the transactions, cases, circumstances and transaction amounts with heightened exposures to the risk of money laundering and terrorist financing that justify recording the maximum data set in the interest of prevention.

The financial service provider must continuously monitor the business relationship and analyse the transaction orders executed throughout the existence of the business relationship, and must develop a customer profile in the process. Development of the customer profile is indispensable in order to determine whether or not a specific transaction order is consistent with the data available on the customer, i.e., whether or not it qualifies as unusual. The Regulations must specify who should perform the analysis.

In case the Service provider has already carried out due diligence measures on the customer and thus the details are available, there is no need to record the data again.

If no transaction orders were debited or credited to an account associated with the customer over a period of two calendar years, the financial service provider shall call upon the customer within 30 days in writing or with the next regular balance statement sent to the customer, to disclose any changes that may have occurred in his/her details. The Regulations must specify the procedures and the persons responsible for such notifications. In other cases the customer must notify the financial service provider of changes within five working days of learning of the change.

The Regulations must specify that due diligence measures are to be carried out before the business relationship is established or before the transaction is executed, and if the service provider is unable to carry out the due diligence measures the establishment of the business relationship and the execution of the transaction order is to be refused, or an existing business relationship is to be terminated. In exceptional cases due diligence measures may also be carried out concurrently with establishing the business relationship, but even in such cases only prior to the execution of the first transaction, provided that this is necessary in order to avoid an interruption of regular business and if there is a low probability of money laundering or terrorist financing. Exceptional cases shall be monitored by the designated person.

Internal Procedures for Simplified Customer Due Diligence

The financial service provider may apply simplified customer due diligence measures on customers and transactions specified in Article 12 of the AML that represent a low risk with regard to money laundering or terrorist financing. In this case the customer due diligence measures are to be carried out only if some facts, data or circumstances emerge that indicate money laundering or terrorist financing. The designated person must monitor cases subject to simplified due diligence.

The Internal Regulations must specify who should notify the HFSA and how, on third countries that meet the requirements of simplified due diligence.

Internal Procedures for Enhanced Customer Due Diligence

For the following cases the Service provider must mandate the application of enhanced customer due diligence measures, i.e., to record of the maximum data set when identifying the customer.

Due Diligence in the Absence of the Customer

The Regulations must specify where and how the financial service provider must store the certified documents submitted for due diligence.

Cross-border correspondence banking relationships with institutions in third countries

Orders issued in the framework of a correspondence banking relationship by service providers with registered offices in third countries will only be accepted if the financial service provider has carried out due diligence measures on the service provider prior to establishing the correspondence banking relationship and has analysed the service provider to reveal its system of anti money laundering and counter terrorist financing instruments. In addition to this, the financial service provider must have satisfied itself that the service provider with its registered office in the third country has verified the identity of the customer with direct access to the correspondence account and that it performs continuous monitoring of the business relationship, and can provide the relevant customer due diligence information if requested.

The organisational regulations must specify the name of the manager responsible for approving the establishment of correspondence banking relationships.

The Regulations must specify whose responsibility it is to examine, before establishing a relationship, whether or not the specific service provider or the country where it has its registered office are included on the list of "non cooperative" or "not sufficiently cooperative" countries as published by the FATF and/or on the sanctions list of the European Union or on the sanctions list of the UNO.

The Regulations must specify whose responsibility it is to verify, if the affected correspondent bank has its registered office in the territory of the European Union or in a third country subject to legal regulations equivalent to those in Hungary and if it is subject to supervision with regard to compliance with those statutes, and if the correspondent bank is a corporation whose securities have been introduced to a regulated market in one or more member states or is a corporation in a third country subject to disclosure requirements consistent with community law, because in such cases the financial service provider will apply simplified due diligence measures.

The Regulations must specify who will inform the HFSA and how about third countries that meet the mentioned conditions.

The internal regulations must set forth who and in what form will request the documents required for customer due diligence before establishing a correspondence banking relationship with a service provider having its registered office in a third country, and who and in what form will request the correspondent bank to complete a risk evaluation document (such as the compliance questionnaire) and the declaration of the beneficial owner, and to return those signed using its corporate signature.

The designated person must investigate if the documents returned by the correspondent bank are well founded and must take into consideration the feedback received from market players relevant to the involved correspondent bank.

Due Diligence on Politically Exposed Persons with Residence in another Member State or in a Third Country

The Regulations must specify where and how the service provider must store written declarations provided by politically exposed persons with residence in a foreign country. The service provider must prepare foreign-language versions of the declaration text with consideration to its clientele and the text of the Directive.

The Regulations must provide for a responsible manager to be specified in the organisational regulations, to approve the establishment of business relationships and the execution of transactions for politically exposed persons with residence in a foreign country.

If the Service provider has doubts as to the veracity of the declaration, it must take measures to verify the declaration in records available for this purpose pursuant to legal statutes or in records accessible to the public. Lists and records maintained by international service providers provide grounds for taking such verification measures.

Money Changing

The internal Regulations must specify in what form, where and how the financial service provider must store the data collected in due diligence and what persons will have access to those.

Internal Procedures for Customer Due Diligence Measures Carried Out by Other Service Providers

When accepting the results of customer due diligence measures carried out by other service providers, liability rests with the financial service provider that accepts the results of customer due diligence measures carried out by the other service provider, which however does not affect the liability of the party providing the information.

The acceptance of the results of customer due diligence measures carried out by another service provider requires customer consent, thus the Regulations must provide for the format as well as for the storage location and the means of storage for affected customers' declarations of consent.

Where customer due diligence measures were carried out by a service provider operating in a third country, the Regulations must specify who will investigate and how (e.g., compliance by sending out a questionnaire) whether or not the affected service provider is registered in a mandatory professional registration and whether or not it applies customer due diligence and registration requirements as specified in the law or requirements equivalent to those, and whether or not it is subject to supervision pursuant to equivalent requirements, or whether or not it has its registered office in a third country that imposes requirements that are equivalent to those laid down in this Act.

The Regulations must specify who should notify the HFSA and how, on third countries that meet the mentioned requirements.

Customer due diligence measures carried out by agents of financial service providers shall not qualify as customer due diligence measures carried out by another service provider, because pursuant to the law agents are considered as parts of the financial service providers. The Regulations must specify how the agent will hand over the data, who will have access to those, and who will audit those.

Internal Procedures in Connection with Payer Information Accompanying Transfers of Funds, for the Identification of the Payer, for the Audit, Record-Keeping and Forwarding of Payer Information, and for the Detection and Handling of Funds Transfers received with Incomplete or Missing Payer Information

Pursuant to Regulation 1781/2006/EC of the European Parliament and of the Council (hereinafter the Regulation), when sending funds transfers financial service providers shall ensure that transfers of funds are accompanied by complete information on the payer. This information shall consist of the name, address (or the address may be substituted with the date and place of birth, customer identification number or national identity number) and account number (or the account number may be substituted with a unique identifier where the payer does not have an account number).

When receiving transfers of funds the financial service provider shall either reject funds transfers received from a payment service provider that fails to transfer the specified payment information, or shall ask for complete information on the payer. Where a payment service provider regularly fails to supply the required information on the payer, the service provider shall take steps. These may initially include the issuing of warnings and setting of deadlines, before either rejecting any future transfers of funds from that payment service provider or deciding whether or not to restrict or terminate its business relationship with that payment service provider. The financial service provider shall report the restriction of the business relationship to the Authority acting as the Financial Intelligence Unit.

Pursuant to Paragraph (5) of Article 13 the intermediary payment service provider shall for five years keep records of all information received for the following cases:

Unless the intermediary payment service provider becomes aware, when receiving a transfer of funds, that information on the payer required under this Regulation is missing or incomplete, it may use a payment system with technical limitations to send transfers of funds to the payment service provider of the payee.

Where the intermediary payment service provider becomes aware, when receiving a transfer of funds, that information on the payer is missing or incomplete, it shall only use a payment system with technical limitations if it is able to inform the payment service provider of the payee of the fact that information is missing.

Where both the payment service provider of the payer and the payment service provider of the payee are situated in the Community, transfers of funds shall only be required to be accompanied only by the account number of the payer or a unique identifier allowing the transaction to be traced back to the payer.

The payment service provider of the payee shall ensure that all received information on the payer accompanying transfers of funds is kept together with the transfer.

The payment service provider of the payee shall consider missing or incomplete information on the payer as a factor in assessing whether the transfer of funds, or any related transaction, is suspicious, and whether it must be reported to the Authority acting as the Financial Intelligence Unit.

The Regulations must specify who should audit received transfers and how, how transfers received with incomplete information should be handled, and who should request the missing information and how and setting what deadline.

Internal Procedures for Reporting as defined in Act CLXXX of 2007 on the Implementation of Financial Restrictive Measures and the Freezing of Assets ordered by the European Union

The Regulations must provide for an employee of the Service provider to be responsible for reporting to the Authority acting as the Financial Intelligence Unit all data, facts and circumstances that indicate that the subject of the financial restrictive measures or the freezing of assets has financial assets or economic resources in the territory of the Republic of Hungary that are subject to the financial restrictive measures or the freezing of assets.

The service provider shall refrain from executing a transaction that may involve financial assets or economic resources subject to financial restrictive measures or the freezing of assets on the basis of the data, facts or circumstances underlying the reporting, for one working day following the reporting for domestic transaction or for two working days following the reporting for non domestic transactions. The transaction may be executed if the Service provider receives information within the above deadline that the person concerned is not subjected to financial restrictive measures or the freezing of assets.

After reporting the transaction must be executed following one working day for a domestic transaction or following two working days for a non domestic transaction, except if the service provider receives information within the mentioned deadline that the person concerned is subjected to financial restrictive measures or the freezing of assets

The Regulations must specify that the Service provider applies the general provisions of the MLA on the reporting obligation, on the prohibition of disclosure, on the screening system, on record-keeping, on the obligation to retain documents and on training.

Codes of Conduct for Employees

The Regulations must specify what employees should pay attention to and how they should behave when encountering something unusual, what they should consider in order to be able to decide whether a transaction is regular or unusual. Employee conduct must be consistent with the Service provider's ethical standards. In cases associated with data, facts or circumstances that indicate money

laundering or terrorist financing, customers should not in any way suspect that the employee has detected the circumstance and the employee must continue to behave as normal. The employee must decide on the basis of the information available whether or not the transaction is consistent with the customer profile, whether or not it makes economic sense, and relying on his/her understanding – if any – of the circumstances of the customer whether or not the customer may conduct such a transaction, whether or not the specific transaction represents a sudden change to the customer's pawning history.

The Regulations must specify that employees, when encountering a case associated with data, facts or circumstances that indicate money laundering or terrorist financing, must verify whether or not the customer has previously been subjected to due diligence measures. If yes, the transaction may be accepted from the customer. If the customer has not previously been subjected to due diligence measures, the employee must identify the customer with reference to the statutory provisions on due diligence, and must take a customer declaration.

Customers without a Residence Address

In order to ensure equal opportunities – pursuant to the briefing by the Ministry of Finance dated April 2, 2004 – the Service provider may also provide services to homeless persons. However, special care is required when dealing with customers without a residence. If a customer larger funds movements on his/her account, or if the customer has a large number of investments, or if some other unusual circumstances emerge, the employee should consider making a report.

Reporting Obligation

As compliance with the reporting obligation greatly influences success in the efforts to combat money laundering and terrorist financing, the Regulations must highlight and must specify to the lowest possible level of detail the responsibilities, obligations and rights of employees, managers and designated persons.

Designated Person

The Service provider must appoint a member of its staff as the designated person (and another as a deputy) with the primary responsibility to forward reports (anti money laundering, counter terrorist financing or related to the freezing of assets) to the Authority acting as the Financial Intelligence Unit. The designated person has responsibilities of key significance to organise training and to lead the efforts to combat money laundering and terrorist financing.

If possible, the designated person should be a member of the service provider's senior management or a direct report to a top executive. In the case of small service providers the CEO should fulfil the responsibilities of the designated person in the prevention and deterrence of money laundering. Larger service providers should appoint a duly qualified person with several years of experience as the designated person. If necessary, the designated person may issue instructions to the department heads of the organisational units in relation to money laundering and terrorist financing, may overrule to approve or disapprove transactions with risky customers, may propose that contracts be terminated or may prohibit those, and may issue instructions or lists of prohibitions to employees.

The designated person must provide or organise training on the subject matter, ensure regular and ad-hoc reporting to top management, ensure the monitoring of international lists, events and statutes and must liaise with financial organisations with regard to the subject matter.

The designated person must analyse the data and cases screened during the monitoring activities of the service provider, as the service provider must perform continuous monitoring of the business relationship – including the analysis of transaction orders executed throughout the existence of the business relationship – in order to determine whether or not any specific transaction order is consistent with the data available to the service provider pursuant to legal statutes about the customer.

This statutory obligation must be segregated from the obligation of the service provider to operate a system of internal audit, pursuant to which the service provider must operate an internal audit and information system to facilitate customer due diligence, reporting and the maintenance of records in order to deter business relationships and transaction orders that may enable or implement money laundering or terrorist financing.

The designated person will receive information from the following sources:

From front-office employees who detect unusual transfers and cash transactions;

From the computer network that screens transactions based on pre-defined criteria when the customer issues orders electronically or otherwise to conduct wire transfers, transfers between accounts, or other transactions;

Practically from any manager or employee in case some data, fact or circumstance indicates money laundering or terrorist financing.

The designated person must analyse the information received through these channels and must notify the Authority acting as the Financial Intelligence Unit if some data, facts or circumstances emerge that indicate money laundering or terrorist financing.

In order to protect employees, sent reports contain no information on the employee that has made the report. Only direct superiors or the designated person may be informed of who has made a report.

Reporting must be based on cause for suspicion, where suspicion is not to be interpreted as the term used in Act XIX of 1998 on Criminal Proceedings, but rather as some data, fact or circumstance that indicates money laundering or terrorist financing. In the opinion of the Authority acting as the Financial Intelligence Unit, there have been many reports received recently where the circumstances were found not to indicate money laundering (such as the extension upon expiry of a deposit that was collected over a longer period of time in a value just reaching or exceeding the value threshold, transfers made to authorities, reporting on entirely regular transactions for certain industry sectors, reporting due to a value of three million six hundred thousand Hungarian Forints on the grounds that the value threshold is an “automatic” threshold, etc.). It is the responsibility of the designated person to provide or organise training to employees to facilitate, if possible, that reporting takes place only if data, facts or circumstances indeed indicate money laundering or terrorist financing.

Furthermore, the designated person must strive to ensure that reports sent to the Authority acting as the Financial Intelligence Unit contain the related and underlying information to an appropriate level of detail.

The Regulations must specify the internal procedures for reporting. These must specify the number of copies of the reporting form to be completed by the administrators, to whom and how the forms should be forwarded, and how the forms should be sent to the Authority acting as the Financial Intelligence Unit. The designated person may not overrule the intention of an employee to make a report, but may mandate an employee to make a report and may also make reports himself or herself (such as on the basis of the screening system among others).

ANNEX XVI: SAMPLE REGULATIONS FOR PROVIDERS OF FINANCIAL SERVICES AND SUPPLEMENTARY FINANCIAL SERVICES FOR THE PREPARATION OF REGULATIONS TO PREVENT AND DETER MONEY LAUNDERING AND TERRORIST FINANCING

I. PREPARATION OF REGULATIONS

Credit institutions, financial enterprises and legal entities providing financial services and supplementary financial services but not qualifying as financial institutions (subsequently: Financial Service Providers) are required to draw up internal regulations pursuant to Act CXXXVI of 2007 on Measures to Prevent and Deter Money Laundering and Terrorist Financing (subsequently: the Money Laundering Act – MLA).

On the basis of the decree issued for the implementation of the MLA, with consideration to the observations made by the Authority acting as the Financial Intelligence Unit and with the approval of the Ministry of Finance, the Hungarian Financial Supervisory Authority places sample regulations at the disposal of Financial Service Providers.

Within 90 days following the effective date of the Act Financial Service Providers shall adapt their existing regulations, in order to enable all of their employees to comply with their obligations in customer due diligence and reporting and to be able to recognise unusual transactions aimed at using the Service Provider to launder the proceeds of criminal activities and to provide financial support for terrorism.

Act CLXXX of 2007 on the implementation of financial restrictive measures and the freezing of assets as ordered by the European Union and on the related amendment of certain Acts was added to the legal environment relevant to the prevention and deterrence of terrorist financing and is to be considered in the preparation of the regulations.

The Hungarian Financial Supervisory Authority shall approve internal regulations provided they include the mandatory elements as described in the decree for the execution of the MLA and if they are not in conflict with legal statutes.

Newly established Financial Service Providers shall prepare their internal regulations on the basis of the sample regulations and shall submit their internal regulations together with their other licensing documents. The amended regulations of already active Financial Service Providers shall be examined by the HFSA within the framework of an audit and need not be submitted for authorisation.

II OBLIGATION TO RETAIN DOCUMENTS

Financial Service Providers shall retain for a period of eight years following the termination of the business relationship all data and documents, or copies thereof subject to the consent of their customers, obtained while fulfilling their obligation to perform customer due diligence measures and to solicit declarations of beneficial ownership.

Financial Service Providers shall retain documents, or copies thereof, that evidence their compliance with their reporting obligations and the suspension of transaction orders, for a period of eight years from the date of such reporting or suspension having been made.

Financial Service Providers shall make records of transaction orders executed in cash (in Hungarian Forint or in foreign currency) for values equal to or higher than three million six hundred thousand Hungarian Forints and shall retain those records for a period of eight years. Data is to be stored in a way that allows for search and retrieval. Should data change over time due to changes or modifications to data, then the historical data should be retained in a way to enable clear retrieval of historical, ineffective data as well as the dates of any data modifications that have taken place at the Service Provider.

III DEFINITIONS

European Union shall mean the European Union and the European Economic Area.

Member State of the European Union shall mean a member state of the European Union or any other state that is party to the treaty on the European Economic Area.

Third Country shall mean a country outside the European Union.

Customer shall mean any person pursuant to Article 3 of the MLA who enters into a written contract with the Service Provider or issues a transaction order to the Service Provider for a service that falls within the scope of activities listed under Paragraph (1) of Article 1.

Business Relationship shall mean a continuous legal relationship created with a written contract between the Customer and the Service Provider for the use of services that fall within the scope of services provided by the Service Provider.

Transaction Order shall mean the occasional legal relationship created between the Customer and the Service Provider by a contract for the use of a service that falls within the scope of activities of the Service Provider.

Several De-Facto Related Transaction Orders shall mean transaction orders given by the Customer within a period of one year under the same title and for the same subject matter. For service providers engaged in money changing it shall mean transaction orders given by the Customer within a period of one week.

Customer Due Diligence shall mean measures taken for customer due diligence as specified under Articles 7-10 in the cases specified under Article 6. Pursuant to these, when establishing business relationships and when executing transaction orders for an amount equal to or above three million six hundred thousand Hungarian Forints, considering also several de-facto related transaction orders, or if some data, facts or circumstances emerge that indicate money laundering or terrorist financing and if the customer was previously not subjected to due diligence measures and if there are doubts as to the veracity and adequacy of previously obtained customer identification data, Service Providers shall record in writing the personal identity details of the customer, of the person with disposal powers, of the proxy, or of the representative and shall verify the personal identity of such persons, and shall also record the personal identification details of the beneficial owner and shall verify the personal identity if there are any doubts as to the personal identity of the beneficial owner. Financial Service Providers shall also record the details of the business relationship and such transaction orders and shall perform continuous monitoring of the business relationship. Financial Service Providers shall record identification details on electronic or paper-based media in a reliable manner that allows for retrieval.

Identification shall mean recording in writing the details specified under Paragraphs (2)-(3) of Article 7 and Paragraphs (2)-(4) of Article 8 of the MLA.

Authority-Issued Document Suitable for Personal Identification shall mean a personal identification certificate, a passport or a driving license in card format.

Verification of Personal Identity shall mean the verification of the personal identity of the customer, of the proxy, of the person with disposal powers or of the representative, using official documents as specified under Paragraphs (4)-(6) of Article 7 of the MLA, or the verification of the personal identity of the beneficial owner using records specified under Paragraph (5) of Article 8.

Beneficial Owner shall mean the natural person on whose behalf a transaction order is executed.

Beneficial Owner shall also mean the natural person who controls at least twenty-five percent of the voting rights or the ownership shares of a legal entity or legal arrangement other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards, or a natural person who is a member or a shareholder of a legal entity or legal arrangement and entitled to elect or recall the majority of the members of

senior management or of the supervisory board, or who has sole disposal rights over more than fifty percent of the votes on the basis of an agreement with other members or other shareholders /Civil Code Article 685/B Paragraph (2)/.

For foundations the beneficial owner is the natural person who is the beneficiary of twenty-five percent or more of the property of the foundation where the future beneficiaries have already been determined, or the class of persons in whose main interest the foundation is set up or operates where the individuals that benefit from the foundation have yet to be determined, or who is a member of the foundation's management organisation or exercises dominant control over twenty-five percent or more of the property of the foundation and acts in its representation.

Politically Exposed Person shall mean natural persons who are residents of a foreign country and are or have been entrusted with a prominent public function within one year prior to the customer due diligence measures being taken and their immediate family members or persons known to be close associates of such persons. People entrusted with a prominent public function include heads of state, heads of government, ministers, deputy or assistant ministers, members of parliaments, members of supreme courts, constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, chairmen and members of courts of auditors or of the boards of central banks, ambassadors, chargés d'affaires, high-ranking professional officers (flag officers or generals) in the armed forces, and members of the administrative, management or supervisory bodies of enterprises in majority state ownership.

Immediate family members include close relatives as specified under Section b) of Article 685 of the Civil Code and partners considered by national law as equivalent to the spouse.

Close associates of politically exposed person shall include natural persons who are known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations of the politically exposed person, or any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the politically exposed person.

Correspondent Banking Service shall mean a service when a credit institution maintains an account for another credit institution in order to execute orders for payment services or to carry out investment service activities.

Shell Bank shall mean a service provider engaged in providing financial services and supplementary financial services that conducts its activities in a country different from its country of registration and that is not subject to supervision on a consolidated basis. Provisions related to shell banks shall apply to correspondent banking relationships.

Authority Acting as the Financial Intelligence Unit shall mean an organisation unit of the customs authority as specified in Government Decree No. 314 of 2006 (of December 23) that performs the duties of the Financial Intelligence Unit. As an obligation specified under the MLA the Authority Acting as the Financial Intelligence Unit receives and processes reports sent by the service providers, performs supervision functions in case a transaction is suspended, requests data from service providers and other authorities and pursuant to Act CLXXX of 2007 performs the functions of the agency responsible for the implementation of financial restrictive measures and the freezing of assets with regard to financial restrictive measures and the freezing of assets ordered by the European Union.

The duties of the Authority Acting as the Financial Intelligence Unit are performed by the Central Law Enforcement Directorate of the Hungarian Customs and Finance Guard, while the non-investigative functions of the Authority Acting as the Financial Intelligence Unit are performed by the Department of Financial Intelligence (hereinafter the Authority Acting as the Financial Intelligence Unit).

IV INFORMATION ON THE PAYER ACCOMPANYING TRANSFERS OF FUNDS

Financial Service Providers shall apply the rules laid down in Regulation 1781/2006/EC on information on the payer accompanying transfers of funds. Member states shall directly apply this

Regulation which is to be considered as part of their national law not requiring separate transposition into national law. The purpose of Article 22 of the MLA is to enable the implementation of this Regulation.

V PROVISIONS FOR BRANCH OFFICES AND SUBSIDIARIES LOCATED IN THIRD COUNTRIES

Financial Service Providers shall require their branch offices and subsidiaries located in third countries to employ customer due diligence regulations equivalent to those contained in the Act and to maintain records, and shall inform the same of the internal audit and information systems that they operate as well as of the contents of their internal regulations.

Financial Service Providers shall inform the HFSA if the legal regulations of a third country do not allow for the implementation of these measures and shall prepare a discovery analysis of their branch office or subsidiary.

VI CUSTOMER DUE DILIGENCE OBLIGATIONS PRESCRIBED BY THE MLA

Financial Service Providers shall carry out customer due diligence measures when establishing a business relationship. For customers with whom the Financial Service Provider has not established a business relationship customer due diligence measures shall be carried out whenever the value of a transaction order initiated, or the value of several de-facto related transaction orders reach or exceed the value threshold of three million six hundred thousand Hungarian Forints, or if the value of a money changing transaction reaches or exceeds five hundred thousand Hungarian Forints.

Financial Service Providers shall carry out customer due diligence measures if some data, facts or circumstances emerge that indicate money laundering or terrorist financing and if the customer was not previously subjected to due diligence. Financial Service Providers shall also carry out customer due diligence measures if there are doubts as to the veracity or adequacy of previously recorded customer identification data.

Transaction orders for values exceeding three million six hundred thousand Hungarian Forints shall only be accepted from, and business relationships shall only be initiated with customers who have been subjected to customer due diligence measures by the Financial Service Provider.

In the mentioned cases of mandatory customer due diligence Financial Service Providers shall identify the customer and shall verify his/her personal identity, and shall also identify the beneficial owner and verify the personal identity of the beneficial owner if there are doubts as to the personal identity of the beneficial owner. In addition to the above, Financial Service Providers shall also record the details of the business relationship and the transaction order and shall perform continuous monitoring of the business relationship.

Pursuant to the MLA the Financial Service Provider is entitled to specify the extent of customer due diligence measures on a risk-sensitive basis. In this context the MLA specifies minimum and maximum data sets for the identification of the customer and of the beneficial owner as well as for recording the details of the transaction order. Pursuant to these, the financial service provider shall record at least the data specified under Paragraph (2) of Article 7 of the MLA to identify the customer, at least the data specified under Paragraph (2) of Article 8 of the MLA to identify the beneficial owner, and at least the data specified under Paragraph (1) of Article 9 of the MLA to identify the business relationship and the transaction order (minimum data set). In addition to the above, the financial service provider may also record additional data specified under Paragraph (3) of Article 7 of the MLA with regard to the customer, additional data specified under Paragraph (3) of Article 8 of the MLA with regard to the beneficial owner and additional data specified under Paragraph (3) of Article 8 of the MLA with regard to the business relationship and the transaction order (maximum data set). The service provider shall record the maximum data set if the data is required for the identification of the customer, the business relationship or the transaction order on the basis of the nature or the amount of the business relationship or transaction order or on the basis of the circumstances of the customer,

or in order to prevent and deter money laundering and terrorist financing pursuant to the provisions of the internal regulations. (Subsequently: customer due diligence on a risk-sensitive basis.)

The maximum data set prescribed by the MLA is identical to the data set that was available to Financial Service Providers about their existing customers on the effective date of the Act. There is no retroactive effect concerning such existing customer details and there is no obligation to delete data. The customer due diligence measures shall be applied to new customers.

Should the Financial Service Provider be unable to carry out the customer due diligence measures, it shall refuse to carry out transactions using the bank account as ordered by the customer or to establish a business relationship or to carry out transaction orders for the respective customer and shall terminate the business relationship with such.

The MLA prescribes the application of simplified customer due diligence measures for certain customers and transactions representing a low risk of money laundering and terrorist financing. With simplified customer due diligence the customer due diligence measures are to be carried out only if some data, facts or circumstances emerge that indicate money laundering or terrorist financing. Nevertheless, service providers shall always perform continuous monitoring of the business relationship.

The MLA prescribes the application of enhanced customer due diligence measures for certain customers and transactions representing a high risk of money laundering and terrorist financing. With enhanced customer due diligence the service provider is obliged to carry out all of the customer due diligence measures specified in the MLA, and further measures are carried out in addition to those.

Apart from the continuous monitoring of the business relationship, customer due diligence measures need not be repeated if the Financial Service Provider has already carried out due diligence measures on the customer, the proxy, the person with disposal powers or the representative in connection with another transaction order, and if the Financial Service Provider has determined the personal identity of the customer, the proxy, the person with disposal powers or the representative in a procedure for the verification of personal identity in connection with the affected transaction order, and has found that there were no changes to the details previously recorded.

Following January 1, 2009, Financial Service Providers shall refuse to carry out transaction orders for customers if the business relationship with the customer was established before the effective date of the MLA (December 15, 2007) and if the customer or his/her representative has failed to physically show up in person in front of the service provider for the due diligence measures to be carried out, and if the due diligence results as specified by the MLA are not fully available.

If no transaction orders were debited or credited to an account maintained by the Financial Service Provider over a period of two calendar years – including transactions that by nature have terms of several years – the service provider shall call upon the customer within 30 days in writing or with the next regular balance statement sent to the customer, to disclose any changes that may have occurred in his/her details in the meantime. If a customer fails, as specified, to inform the service provider in writing of changes that have occurred in his/her details, the service provider shall record changes in details when the customer physically show up in person.

VI.1 Internal Procedures for Customer Due Diligence

The Regulations shall include process descriptions for the identification of the customer, for the verification of the customer's personal identity, for the identification of the beneficiary owner and for the verification of the personal identity of the beneficial owner if there are doubts as to the personal identity of the beneficial owner, as well as for the activity to reveal the purpose of the transaction order and its planned nature, as well as for the continuous monitoring of the business relationship. These process descriptions must also address the management of data obtained in the course of customer due diligence measures performed by the Financial Service Provider and by other service providers.

The Regulations must provide for the cases, listed by the Financial Service Provider, where the Financial Service Provider will record the maximum data set indicated under Paragraph (3) of Article 7, Paragraph (3) of Article 8 and Paragraph (2) of Article 9 of the MLA in addition to the minimum data set prescribed under Paragraph (2) of Article 7, Paragraph (2) of Article 8 and Paragraph (1) of Article 9 of the MLA.

With regard to the option of the financial service provider pursuant to Article 12 of the MLA to apply simplified customer due diligence measures for customers representing a low risk of money laundering and terrorist financing, and with regard to the obligation of the service provider pursuant to Articles 14 and 16 of the MLA to apply mandatory enhanced customer due diligence for customers representing a high risk of money laundering and terrorist financing, the Internal Regulations must also include the internal procedures for simplified and enhanced customer due diligence.

Pursuant to the provisions of Paragraphs (1)-(2) and (5)-(8) of Article 18 of the MLA the Regulations must include provisions to define the range of other organisations whose completed customer due diligence measures will be accepted and to define the range of organisations that will be provided, with the consent of the customer, with data obtained by the Financial Service Provider in the course of its customer due diligence measures.

Provisions must be made for the internal data base available for carrying out the due diligence measures and for the means of data access for the individual administrators. There should be provisions for the storage of and access to media containing due diligence data, as well as for the related retention obligations.

In connection with information on the payer accompanying transfers of funds the Regulations shall provide for procedures for the identification of the payer, the verification, record-keeping and forwarding of payer details, and for the detection and treatment of funds transfers received with missing or incomplete payer information.

In connection with the implementation of Act CLXXX of 2007 on the implementation of financial restrictive measures and the freezing of assets as ordered by the European Union and on the related amendment of certain Acts, the Regulations must also specify the internal procedures for the reporting prescribed by the Act.

Customers shall inform Financial Service Provider organisations of any changes in the identity of the beneficial owner within 5 working days of learning of such changes. Financial Service Provider organisations shall include this requirement in their terms and conditions of contract.

VI.2 Specification of Procedural Standards and Codes of Conduct for Front-Office Employees

In line with their special organisational attributes Financial Service Providers shall specify codes of conduct for their employees to follow. This chapter recommends the following points for consideration:

What are the most important things that employees of the Financial Service Provider must do in order to know their customers better?

What should employees do, when deciding:

Whether a transaction is usual or unusual;

Whether the business activities of the customer justify the specific transaction;

Whether the appearance and the conduct of the customer is realistic and consistent with the specific transaction;

Whether or not the specific transaction represents a sudden change in the foregoing financial practices of the customer;

Whether the customer is subject to financial restrictive measures or the freezing of assets, or whether the subject of the financial restrictive measures or the freezing of assets will draw pecuniary benefits from the specific transaction.

What are the responsibilities of the employees while reporting data, facts or circumstances that indicate money laundering and terrorist financing, that call for the definition of reporting routes to be followed by the employees of the Financial Service Provider?

What audit responsibilities arise from the relationship between the activities to fight money laundering and terrorist financing and internal audit?

The employee carrying out the specific transaction and signing the contract shall be responsible for recording the identification details, filling in the data forms and obtaining the declaration, as well as filling in the reporting data sheet and sending it to the designated person. If some data, facts or circumstances emerge that indicate money laundering or terrorist financing in relation to the transaction on the basis of the criteria to be presented later or otherwise, then the employee shall without delay send his/her completed data sheet to the person designated for reporting.

VI.3 Customer Due Diligence for Natural Persons

When establishing a business relationship and when executing a transaction order for an amount equal to or greater than three million six hundred thousand Hungarian Forints, also with consideration to several de-facto related transaction orders, or if some data, facts or circumstances emerge that indicate money laundering or terrorist financing and if the customer was not previously subjected to due diligence measures and if there are doubts as to the veracity and adequacy of previously obtained customer identification data, the Financial Service Provider shall identify and verify the personal identity of the customer, of the proxy, of the person with disposal powers or of the representative.

For natural persons Financial Service Providers shall record at least the following details in writing (minimum data set):

Last name and first name (name at birth);

Citizenship;

Address (as shown in the personal identity certificate or in the authority-issued residence certificate, or the text „no address” if an address is not available);

And the number(s) and type(s) of the customer’s identification document(s).

For natural persons who are foreigners Financial Service Providers shall document the above details using their identification documents, as well as their place of stay in Hungary (if available).

Financial Service Providers may decide, on a risk-sensitive basis, to record further details (maximum data set) in addition to the minimum data set.

In such cases Financial Service Providers shall also record the following details for natural persons:

Place and date of birth;

Mother’s maiden name.

In order to verify personal identities Financial Service Providers shall demand that customers present the following documents:

For natural persons:

For Hungarian citizens the authority-issued document suitable for personal identification and the authority-issued residence certificate;

For natural persons who are foreigners a passport or a personal identity certificate provided it entitles the holder to reside in Hungary, or a document providing proof of the right of the holder to reside in Hungary or a document entitling the holder to reside in Hungary;

For natural persons who have not yet reached 14 years of age, the authority-issued certificate of the personal identifier and the authority-issued residence certificate, or the passport and the authority-issued residence certificate.

Financial Service Providers shall also verify the validity of identity documents presented.

Financial Service Providers shall obtain information on the purpose and planned nature of business relationships and transaction orders. To this purpose they shall record at least the following details (minimum data set).

The contract type, subject matter and term for business relationships;

The subject matter and period for transaction orders.

In addition to the above, Financial Service Providers may also record the following details (maximum data set) on a risk-sensitive basis in order to prevent and deter money laundering and terrorist financing:

The circumstances (place, date and time, method) of execution.

Business relationships shall be monitored continuously in order to verify that specific transaction orders are consistent with the details available about the customer pursuant to statutes. Monitoring shall also include the analysis of transaction orders executed during the life of the business relationship.

VI.4 Customer Due Diligence for Legal Entities and Legal Arrangements

For the purposes of identification Financial Service Providers shall record at least the following customer details (minimum data set):

Name and short name;

Address of the registered office and the address of the branch office in Hungary for enterprises registered abroad;

Corporate registration number or for other legal entities the number of the resolution by which the entity was created (registered, incorporated) or its registration number.

Financial Service Providers may decide, on a risk-sensitive basis, to record further details (maximum data set) in addition to the minimum data set as follows:

Principal activity;

Names and positions of the authorised representatives;

Identification details of the agent for service of process.

In addition to presenting the documents indicated under V.3 for persons authorised to act on behalf of and in the name of legal entities or legal arrangements, Financial Service Providers shall require the presentation of further documents not older than 30 days as proof of the following:

That a domestic business has been registered by the court of registration or that the business has submitted an application for registration, that a private entrepreneur’s certificate has been issued to a private entrepreneur or that the private entrepreneur has submitted an application for a private entrepreneur’s certificate to the town clerk of the district centre.

That the entity has been entered into the records, in the case of other domestic legal entities whose creation requires that an authority or court enter them into its records.

That a foreign legal entity or legal arrangement has been registered or entered into records as required by the laws of its country.

If the submission of an application for the registration of a company, or to enter an entity into the records of some authority or court is yet to be made, the articles of association (charter of foundation, statutes) of such legal entity or legal arrangement.

The identification of a foreign legal entity or legal arrangement shall require a certificate, not older than 30 days, of incorporation or of entry into the records as required by the laws of its own country. Financial Service Providers shall specify in their Internal Regulations, on a risk-sensitive basis, the cases where they will require certified translations of the registration documents or certificates required for identification.

In the case specified under Section 4, the legal entity or legal arrangement shall provide official documentary proof of its incorporation or entry into the records within 30 days following its incorporation or entry into the records of some authority or court and the Financial Service Provider shall record the corporate registration number or other registration number.

Following due diligence measures on a legal entity or legal arrangement Financial Service Providers shall also carry out due diligence measures on the person acting in the name or on behalf of the legal entity or legal arrangement.

When verifying personal identity the Financial Service Provider shall also verify the validity of the document presented as proof of identity.

If some detail is not shown in the accepted document or if the customer has no address card, then this fact shall also be documented.

Financial Service Providers shall obtain information on the purpose and planned nature of business relationships and transaction orders. To this end they shall record at least the following details (minimum data set):

The contract type, subject matter and term for business relationships;

The subject matter and the amount for transaction orders.

In addition to the above, Financial Service Providers may also record the following details (maximum data set) on a risk-sensitive basis:

The circumstances (place, date and time, method) of execution.

Business relationships shall be monitored continuously in order to verify that specific transaction orders are consistent with the details available about the customer pursuant to statutes. Monitoring shall also include the analysis of transaction orders executed during the life of the business relationship.

VI.5 Identification and Verification of the Personal Identity of the Beneficial Owner

In the course of their customer due diligence measures Financial Service Providers shall obtain written declarations from their customers on whether transaction orders are executed on behalf of the customer or on behalf of someone else.

If a customer declares to the service provider in writing that he/she is not acting on his own behalf but in the name and on behalf of a beneficial owner, then the written declaration should contain the following details for the beneficial owner (minimum data set):

The name of the beneficial owner;

The address of the beneficial owner;

The citizenship of the beneficial owner.

Financial Service Providers may request these three details to be provided for the beneficial owner of a legal entity or legal arrangement if the details cannot be found in the documents presented.

Financial Service Providers may also record the following details (maximum data set) on a risk-sensitive basis:

Type and number of the identity document;

Place of stay in Hungary for natural persons who are foreigners;

Place and date of birth;

Mother's maiden name.

The declaration may be part of the contract or may be made on a separate form, but it is a requirement for the customer to make the declaration in full understanding of his/her liability under criminal law.

If a customer refuses to make a declaration or if comprehensive customer due diligence measures are not possible, the Financial Service Provider shall refuse to execute the transaction order, shall not establish a business relationship with the customer, or shall terminate the business relationship with the customer.

If there are doubts as to the identity of the beneficial owner the Financial Service Provider shall call upon the customer to make a repeated declaration in writing, and if there are doubts as to the personal identity of the beneficial owner the Financial Service Provider shall take measures in order to verify the personal identity details of the beneficial owner in records available for this purpose pursuant to legal statutes or in records accessible to the public.

During the life of their contractual relationships customers shall inform Financial Service Provider organisations of any changes in the identity of the beneficial owner within 5 working days of learning of such changes. Financial Service Provider organisations shall include this requirement in their terms and conditions of contract.

VI.6 Simplified Customer Due Diligence

Pursuant to Article 12 of the MLA, simplified customer due diligence measures may be applied for customers representing a low risk of money laundering or terrorist financing.

Under this regime financial service providers shall only monitor the business relationship, while customer due diligence measures are to be carried out only if some data, facts or circumstances emerge that indicate money laundering or terrorist financing.

Financial Service Providers may apply simplified customer due diligence measures if the customer is engaged in providing financial services, supplementary financial services, investment services, supplementary services for investment services, insurance, insurance brokerage and employer's pension services, services on the commodities exchange, postal currency brokerage, postal money transfers, the receipt and delivery of domestic and international postal money orders or operating as a voluntary mutual insurance fund and if it conducts its activities within the territory of the European Union.

Financial Service Providers may also apply simplified customer due diligence measures if the customer qualifies as a service provider and is engaged in providing financial services, supplementary financial services, investment services, supplementary services for investment services, insurance, insurance brokerage and employer's pension services, services on the commodities exchange, postal currency brokerage, postal money transfers, the receipt and delivery of domestic and international postal money orders or operating as a voluntary mutual insurance fund, and has its registered offices in a third country that imposes requirements equivalent to those laid down in the MLA, and is subject to supervision for the enforcement of those requirements.

Financial Service Providers may conduct a simplified due diligence procedure if the customer is a company whose securities have been introduced to the regulated market in one or more member states, or is a company from a third country that imposes disclosure requirements consistent with community standards. In addition, Financial Service Providers may also conduct a simplified due diligence procedure if the customer qualifies as a supervisory agency in the application of the MLA, including the Hungarian Financial Supervisory Authority, the National Bank of Hungary, the Chamber of Hungarian Auditors, the Tax and Financial Control Administration, the Hungarian Trade Licensing Office, the Central Law Enforcement Directorate of the Hungarian Customs and Finance Guard, for lawyers the bar association where the lawyer is a member and for notaries public the chamber where the notary public is a member.

Financial Service Providers shall carry out simplified customer due diligence measures if the customer is a central state administrative agency, a local government, or an agency of the European Community, the European Economic and Social Committee, the Committee of the Regions, the European Central Bank and the European Investment Bank.

VI.7 Enhanced Customer Due Diligence

Financial Service Providers shall employ an enhanced customer due diligence procedure for customers and transactions representing a high risk of money laundering or terrorist financing.

Financial Service Provider shall mandate the application of enhanced customer due diligence measures in the following four cases:

If a customer is not physically present in person for identification;

Upon the establishment of a cross-border corresponding banking relationship with a service provider having its registered office in a third country;

When establishing a business relationship with and executing a transaction order for a politically exposed person with residence in another member state or in a third country;

For service providers engaged in money changing activities.

1. Customer Due Diligence if the Customer is Not Physically Present in Person

In the course of identification Financial Service Providers shall record the maximum data set as specified for customer due diligence if a customer with either domestic or foreign residence is not physically present in person.

In order to enable the verification of personal identity the customer shall also submit to the service provider certified copies of documents prescribed for customer due diligence measures. A certified copy of a document is acceptable for identification and the verification of personal identity, if the certified copy was prepared by a Hungarian consular officer or a notary public who has also attached a corresponding certification, or if the Hungarian consular officer or the notary public has furnished the copy with a certification that certifies that it is identical to the original. In the course of verification, copies are also acceptable if prepared by an agency authorised to prepare certified copies in the state where the original document was issued, and if the Hungarian consular officer has legalised the signature and the stamp of this agency on the copy, unless otherwise provided for by some international treaty.

2. Customer Due Diligence Measures for Corresponding Banking Relationships

Orders within the framework of a corresponding banking relationship from service providers having their registered offices in a third country shall only be accepted by Financial Service Providers if they have carried out customer due diligence measures on the service provider from the third country prior to having established the corresponding banking relationship and if they have prepared a discovery analysis of the instruments employed to combat money laundering and terrorist financing. In addition, they shall have satisfied themselves that the service provider with its registered office in the third

country has verified the personal identity of the customer who has direct access to the correspondence account and performs continuous monitoring of the business relationship and can provide the relevant customer due diligence details if requested.

Before establishing a correspondence banking relationship financial service providers may examine whether or not the specific service provider or the country where it is registered is included on the list of "non-cooperative" or "not sufficiently cooperative" countries as published by the FATF, or on the sanctions list of the European Union or on the sanctions list of the UNO.

It is not recommended for financial service providers to establish correspondence banking relationships if the specific service provider is included on the list of "non cooperative" or "not sufficiently cooperative" countries as published by the FATF and/or on the sanctions list of the European Union or on the sanctions list of the UNO.

Before establishing a correspondence banking relationship with a service provider that has its registered office in a third country, Financial Service Providers shall request documents necessary to carry out customer due diligence measures, and in order to prepare the discovery analysis they shall request the correspondent bank to complete a risk assessment document and a declaration of the beneficial owner for the customer, and to return those duly signed using their corporate signatures.

The establishment of correspondence banking relationships shall require the approval of the Manager designated in the organisational regulations of the Financial Service Provider organisation.

Financial Service Providers shall not establish and shall not maintain correspondence banking relationships with shell banks or with service providers that maintain correspondence banking relationships with shell banks.

3. Due Diligence Measures for Politically Exposed Persons Residing in a Foreign Country

A customer residing in a foreign country must in every case provide a written declaration to the Financial Service Provider whether he/she qualifies as a politically exposed person under the law of his/her country of residence, and in what capacity if yes.

The execution of transaction orders for politically exposed persons residing in foreign countries shall require the approval of the Manager specified in the organisational regulations of the Financial Service Provider.

If a Financial Service Provider has doubts as to the veracity of the declaration, it shall take measures to verify the declaration in records available for this purpose pursuant to legal statutes or in records accessible to the public.

Financial Service Providers shall carry out all customer due diligence measures with regard to politically exposed persons residing in a foreign country, i.e., shall record the minimum data set using the identification document presented and may decide on a risk-sensitive basis to record further details, shall verify the personal identity of the customer and shall identify the beneficial owner, and if there are doubts as to the personal identity of the beneficial owner they shall also verify the personal identity of the beneficial owner, shall record the details of the business relationship and the transaction order and shall perform continuous monitoring of the business relationship.

4. Due Diligence Measures when Changing Money

When changing money in an amount equal to or more than five hundred thousand Hungarian Forints Financial Service Providers shall identify their customers using the maximum data set as specified in the customer due diligence provisions, shall verify the personal identity of the customer, shall identify the beneficial owner and shall verify the personal identity of the beneficial owner and shall record the details of the transaction order. The customer due diligence obligation shall extend to several de-facto related transaction orders if the total value of those reaches five hundred thousand Hungarian Forints.

The following shall be shown on transaction documents for natural persons:

Name;

Residence address;

Type and number of identification document;

Place of stay in Hungary for natural persons residing in a foreign country.

The following shall be shown on transaction documents for legal entities and legal arrangements:

Name;

Registered address;

Corporate registration number or for other legal entities the number of the resolution by which the entity was created (registered, incorporated) or its registration number.

VI.8 Customer Due Diligence Measures Carried Out by Other Service Providers

The MLA allows Financial Service Providers to accept the results of customer due diligence measures carried out by other service providers, but the responsibility to comply with customer due diligence requirements shall remain with the service provider that accepts the results of customer due diligence measures carried out by other service providers.

Financial Service Providers are entitled to accept the results of customer due diligence measures carried out by service providers specified under Sections a)-e) and l) of Paragraph (1) of Article 1 of the MLA with the exception of service providers providing cash transfer and money changing services, if active in the territory of the Republic of Hungary or in another member state of the European Union or in a third country imposing customer due diligence and record-keeping requirements as laid down in the Act or equivalent to those, and such results shall be acceptable also if the scope of the official documents and data underlying the requirements are not identical to those specified by the MLA.

The results of customer due diligence measures performed by other service providers shall be acceptable subject to the consent of the customer, because a service provider is only entitled to provide data required by another service provider for customer due diligence if the affected customer provides his/her consent.

If the customer due diligence measures were performed by a service provider active in a third country, then such service provider must comply with requirements pursuant to Paragraph (6) of Article 18 of the MLA, i.e., it must be listed in a trade register and must apply customer due diligence and record-keeping requirements as laid down in the Act or equivalent to those, and must also be subject to supervision according to the requirements specified in the MLA or equivalent to those, or its registered office must be located in a third country that imposes requirements equivalent to those laid down in this Act.

If a service provider active in a third country fulfils the above requirements, the Financial Service Provider shall inform the Hungarian Financial Supervisory Authority of this.

Customer due diligence measures carried out by agents of Financial Service Providers shall not qualify as customer due diligence measures carried out by another service provider, because pursuant to the law agents are considered as parts of the financial service providers. The activities of an agent in the course of customer due diligence measures shall be considered as if carried out by the financial service provider itself

VII REPORTING OBLIGATION

Pursuant to Paragraph (1) of Article 23 of the MLA, if some data, facts or circumstances emerge that indicate money laundering or terrorist financing, the manager or the employee of the Financial Service Provider organisation shall subject the customer to due diligence measures regardless of the value threshold, if not carried out already earlier, and shall without delay report the emergence of the data,

fact or circumstance that indicates money laundering or terrorist financing by completing and forwarding the attached form. Designated persons shall not refuse to forward such reports.

Financial Service Providers shall elect a designated person from among their employees, to be responsible primarily for forwarding, without delay, reports to the Authority Acting as the Financial Intelligence Unit. In addition, the designated person shall participate in organising training for employees and in leading the fight against money laundering and terrorist financing.

If possible the designated person should be a senior employee of the service provider.

The person designated in the internal procedural regulations for the reporting requirement, or his/her deputy shall be available to the service provider organisation's employees at all times during work hours and shall forward reports without delay to the Authority Acting as the Financial Intelligence Unit.

Financial Service Provider organisations shall provide information within five working days to the Authority Acting as the Financial Intelligence Unit, of the identity of their designated employees and of any changes thereto.

With consideration to the secrecy provisions of the legal statute governing Financial Service Providers, designated persons shall forward reports via encrypted electronic mail or through postal delivery with return receipt or by facsimile, or if there is a danger in delay, they shall provide prior notification to the Financial Intelligence Unit of the necessary details by telephone.

As of December 15, 2008, reports are to be forwarded to the Authority Acting as the Financial Intelligence Unit exclusively in the form of encrypted electronic mail.

The reports must in every case contain the details recorded in the course of customer due diligence, including the details of the customer and of the beneficial owner, the contract type, subject matter and term of the business relationship, the subject matter and the amount of the transaction order and the place, date and method of execution if available, and a presentation of the data that indicate money laundering or terrorist financing and a description of the circumstances.

Financial Service Providers shall not execute the affected transaction order prior to forwarding the report, unless it is impossible to block the execution of the transaction order or if reporting prior to the execution of the transaction order would endanger the ability to trace the beneficial owner.

VII.1. Suspension of Transactions

Subject to Article 24 of the MLA financial service providers shall suspend the execution of transactions connected with data, facts or circumstances that indicate money laundering and terrorist financing, if they believe an immediate action by the Authority acting as the Financial Intelligence Unit is necessary in order to verify the data, facts or circumstances that indicate money laundering or terrorist financing.

Concurrently with the suspension Financial Service Providers shall notify the Authority acting as the Financial Intelligence Unit. Designated persons shall forward reports of affected transactions via encrypted electronic mail or through postal delivery with return receipt or by facsimile, or if there is a danger in delay, they shall provide prior notification to the Financial Intelligence Unit of the necessary details by telephone.

Financial Service Providers shall execute suspended transactions if informed by the Authority acting as the Financial Intelligence Unit that no measures have been taken pursuant to the provisions of the Act on criminal procedures, or if one working day has passed following the reporting of a domestic transaction or two working days have passed following the reporting of a non domestic transaction without any notification having been received from the Authority acting as the Financial Intelligence Unit.

VII.1 The Obligations, Rights and Responsibilities of the Financial Service Provider's Employees in Activities for the Prevention and Deterrence of Money Laundering and Terrorist Financing

VII.1.1 Front-Office Administrators and Those Who Process Payment Orders

Obligations:

To carry out due diligence measures, such as to record identification details when identifying customers, to fill in data sheets or to verify the personal identity of customers identified, to identify beneficial owners and if in doubt, to verify the personal identity of beneficial owners, to reveal the purpose and planned nature of business relationships and to perform continuous monitoring of business relationships;

To complete reporting data sheets if some data, facts or circumstances emerge that indicate money laundering or terrorist financing;

To provide detailed and accurate descriptions in reports of data, facts or circumstances that indicate money laundering or terrorist financing;

To forward completed data sheets to the designated person without delay;

To maintain the secrecy of reporting and of the inspection vis-à-vis the customer.

Rights:

Right to anonymity, pursuant to which the names of employees taking action shall not be included on reports. Reporting sheets must indicate the branch that is the "case owner". Designated persons shall provide the personal details of employees initiating reporting to the authority only if specifically requested by the Authority acting as the Financial Intelligence Unit.

Right to be free of the obligation of banking secrecy when initiating bona-fide reports regardless of whether or not such reports are proven to be well founded, and the right not to be made responsible due to such reporting.

VII.2.2. Designated Persons

Obligation:

To immediately forward received reports to the Authority Acting as the Financial Intelligence Unit.

Responsibilities:

To request clarification from the account manager on unusual transactions of which information was obtained by other means and to forward such information in the form of a report;

To organise training and continuing training for employees on a regular basis but at least once a year, with the exchange of up-to-date experience;

To liaise with the designated units of the Authority acting as the Financial Intelligence Unit and if properly requested to provide information on reported accounts, customers and contractual relationships and transactions not included in the reports (all requests for information must comply with requirements set out in other statutes, such as in Act CXII of 1996 on Credit Institutions and Financial Enterprises or in Act XIX of 1998 on Criminal Proceedings).

To develop the purpose, function, rules and regulations of audits related to the prevention and deterrence of money laundering and terrorist financing.

VII.2.3. Compliance

Obligations:

To audit compliance – also by money changer agents – with the rules for the prevention and deterrence of money laundering and terrorist financing on a regular basis but at least once a year, and

within this with regard to the accurate conduct of customer due diligence measures, and to examine training activities and the screening system;

To inform the supervisory board (board of directors) of the audit findings.

Rights:

Right to access the data required for topical audits related to the prevention and deterrence of money laundering and terrorist financing.

VII.2.4. Internal Audit

If a financial service provider does not have a separate compliance function, then the rights and obligations listed under Section VII.2.3 shall rest with Internal Audit.

VII.2.5 Contents of Reporting (based on the form, see the annex):

Name and details of the reporting Financial Service Provider, name, work address and telephone number of the designated person;

Date of reporting;

Transaction date;

Personal details recorded while complying with the due diligence obligation;

Identification details determined for business organisations;

Transaction details, and in specific the type of the transaction – cash payment or receipt, wire transfer, conversion, transfer between accounts, etc. –, the amount involved, the currency, the persons involved (payee, payer, accounts involved, etc.);

Detailed description of the data, fact or circumstance that indicates money laundering or terrorist financing, which shall not be exhausted by providing only a description of the unusual transaction on the level of typology, but should also include if possible an attachment with a detailed account statement for the affected period, the experience with the customer, the customer's behaviour to date and any other information that could help the Authority acting as the Financial Intelligence Unit to fulfil its function.

Pursuant to the provisions of the MLA, reports shall be sent to the Authority acting as the Financial Intelligence Unit.

If some data, facts or circumstances emerge that indicate money laundering or terrorist financing, the Authority acting as the Financial Intelligence Unit may request the Financial Service Provider or any other service provider governed by the MLA to provide additional information. Service providers shall comply with such requests for additional information.

VII.3 Internal Procedural Regulations for Reporting

The following are to be specified:

The way in which completed data sheets are to be forwarded by front-office administrators who execute due diligence measures as well as verify and process documents, by the managers and employees who by virtue of their position can detect data, facts and circumstances that indicate money laundering or terrorist financing, and by employees who analyse transactions, as well as how they should obtain confirmation of receipt from those receiving the data sheets;

The way in which reports sent to the Authority acting as the Financial Intelligence Unit are to be acknowledged;

The record-keeping and secrecy rules for reporting;

The obligation for the retention of documents and the eight years period prescribed in the law.

VIII. SECRECY RULES

Compliance with the reporting obligation shall not be considered a breach of banking secrecy or a breach of some other restriction on the supply of data or information, whether under some legislation or pursuant to contract.

Banking secrets include all facts, information, solutions or data at the disposal of the financial institution about the individual customer that relate to the customer's personal identity, details, property situation, business and economic activities, ownership and business connections and the balance of his/her account maintained at the financial institution, as well as any information that relates to the contracts concluded between the customer and the financial institution.

All persons with any form of access to banking secrets are subject to the obligation of banking secrecy. A person subject to the obligation of banking secrecy who discloses a banking secret to an unauthorised person for illegal gain or thereby causes harm to the property of another, or who without authorisation obtains, makes use of, communicates to another or publicly discloses a business secret for illegal gain or thereby causes harm to the property of another, is guilty of a felony and is punishable with up to three years of imprisonment.

If some data, facts or circumstances emerge that indicate money laundering or terrorist financing, the Authority acting as the Financial Intelligence Unit may request the Financial Service Provider to provide data or information that represent banking secrets, securities secrets or business secrets, which the Financial Service Provider shall not refuse to provide.

A person who complies with the obligation to report data, facts or circumstances that indicate money laundering or terrorist financing or who initiates such reporting, shall not be punishable for the violation of either a business secret or a banking secret, not even if the bona-fide reporting later proves to be unfounded.

IX PROHIBITION OF DISCLOSURE

Pursuant to Paragraph (1) of Article 27 of the MLA Financial Service Providers shall not disclose to the customer concerned or to other third persons or organisations the fact that a report has been made or information has been transmitted in response to a request or the contents of such information, that a transaction has been suspended, the identity of the reporting person, or whether or not a criminal investigation has been initiated against the customer. Furthermore, Financial Service Providers shall ensure that the act of reporting, the contents of the report and the identity of the reporting person shall remain secret.

This prohibition shall not extend to disclosures made to the Hungarian Financial Supervisory Authority or to the investigating authority conducting the criminal investigation, if they request information in order to fulfil their responsibilities under the law.

This prohibition shall not apply to data forwarded for consolidated supervision or for supplementary supervision of financial conglomerates as specified under the Credit Market Act, to the disclosure of information between institutions of member states or third countries which impose requirements equivalent to those laid down in this Act and which are subject to supervision with regard to compliance with these requirements.

For service providers providing financial services, supplementary financial services, investment services, supplementary services for investment services, insurance services, insurance brokerage and employer's pension services, services related to the commodities exchange, postal currency brokerage, postal money transfers, the receipt and delivery of domestic and international postal money orders or operating as a voluntary mutual insurance fund the prohibition shall not apply to the disclosure of information between two or more involved service providers, subject to the following conditions:

The information should relate to the same customer and to the same transaction;

Of the two or more Financial Service Providers at least one should be engaged in activities subject to the MLA and the other service providers should be domiciled in another member state or in a third country which imposes requirements equivalent to those laid down in this Act;

The involved service providers should be engaged in identical activities as specified under Paragraph (1) of Article 1 of the MLA;

The service providers should be subject to requirements equivalent to the domestic requirements with regard to professional secrecy and the protection of personal data.

The financial service provider shall notify the Hungarian Financial Supervisory Authority if a third country meets the conditions for equivalent requirements as specified in the Act. /Paragraphs (3)-(5) of Article 27/

X SCREENING SYSTEM

In order to deter business relationships and transaction orders that may enable or implement money laundering or terrorist financing, Financial Service Providers shall operate internal audit and information systems to assist in customer due diligence, reporting and record-keeping.

This obligation under the law should be segregated from the monitoring activities performed by the financial service provider, an obligation of the financial service provider to perform continuous monitoring of the business relationship including to analyse the transaction orders executed while the business relationship is active, in order to determine whether or not a transaction order is consistent with the data legally available to the service provider about the customer.

In order to fully comply with their monitoring obligations specified in the law, financial service providers shall operate automatic screening systems using their existing IT resources, to screen their account management systems for unusual transactions and to forward those for analysis to their designated persons. Such systems shall analyse both outgoing and incoming transfers. Smaller financial organisations without externally accessible account management systems or with a low number of transactions per day may use manual methods to control and record unusual events. It is the responsibility of the Designated Person to ensure that control mechanisms are created and operated to ensure the application of monitoring. The Designated Person shall analyse screened transactions and shall immediately report those where data, facts or circumstances emerge that indicate money laundering or terrorist financing.

Transaction screening criteria could include the following:

Transaction received from or sent to off-shore institutions;

The amount of the transfer;

If a business relationship is unusual for an industry sector;

The frequency and the size of the transactions;

Type and number of target accounts;

Transactions between foreign accounts of business organisations with registered offices in a foreign country, in values exceeding HUF 10 million (HUF 20 million);

Lists compiled by the European Union, the United Nations and the authorities of other countries, officially published in Hungary, as well as other „grounds for suspicion”.

XI IMPLEMENTATION OF FINANCIAL RESTRICTIVE MEASURES AND THE FREEZING OF ASSETS AS ORDERED BY THE EUROPEAN UNION

Financial Service Providers shall proceed in compliance with the provisions of Act CLXXX of 2007 on the implementation of financial restrictive measures and the freezing of assets as ordered by the European Union and on the related amendment of certain Acts.

The purpose of the Act is to order the freeze of the economic resources and financial assets of natural persons and legal entities and other groups and organisations involved in terrorism. This has introduced a new legal institution for the seizure of assets in an administrative process independently from a criminal procedure. Freezing does not represent the final confiscation of economic resources and financial assets, but rather a suspension of the possibility to exercise the related rights.

A freeze regulated by the Act may not be ordered on its own, but relates to the implementation of financial restrictive measures and the freezing of assets as ordered by the European Union. If the community decree and the community resolution passed on the basis of the authorisation contained in the decree orders restrictive measures, then the provisions of this Act and the provisions of the Act on juridical enforcement are to be followed.

Pursuant to Article 10 of the Act Financial Service Providers shall without delay report to the Authority acting as the Financial Intelligence Unit every data, fact and circumstance that may indicate that the person subjected to financial restrictive measures or the freezing of assets has financial assets or economic resources in Hungary which are subject to the financial restrictive measures or the freezing of assets.

The Authority acting as the Financial Intelligence Unit shall examine the report made by the Financial Service Provider – also disclosing the personal details as laid down in Paragraph (1) of Article 7 of the Act – within one working day for domestic transactions and within two working days for non domestic transactions from the date that the report was made.

In the course of this examination the Financial Intelligence Unit determines whether the person subject to financial restrictive measures or the freezing of assets has financial assets or economic resources in the territory of the Republic of Hungary that are subject to the financial restrictive measures and the freezing of assets, and whether the specific transaction provides an economic gain to the person subject to the financial restrictive measures and the freezing of assets.

In the course of the investigation the data contained in the report are evaluated as to whether they are identical to the data included in the community legal action providing for the financial restrictive measures or the freezing of assets. On the basis of its investigation the Authority acting as the Financial Intelligence Unit initiates a freeze of which it also notifies the Financial Service Provider that has made the report, or notifies the reporting Financial Service Provider if the conditions for the initiation of a freeze are not met.

Financial Service Providers shall refrain from executing a transaction that may involve financial assets or economic resources subject to financial restrictive measures or the freezing of assets on the basis of the data, facts or circumstances underlying the reporting, for one working day following the reporting for domestic transaction or for two working days following the reporting for non domestic transactions, except if the Financial Service Provider receives information within the above deadline from the Authority acting as the Financial Intelligence Unit that the person concerned is not subjected to financial restrictive measures or the freezing of assets.

Financial Service Providers may also execute the transaction within one working day following the reporting of a domestic transaction or within two working days following the reporting of a non domestic transaction if they receive information within the above deadline that the person concerned is not subject to financial restrictive measures or the freezing of assets.

Transaction shall be executed after one working day following the reporting of a domestic transaction or after two working days following the reporting of a non domestic transaction, except if the

Financial Service Provider receives information within the above deadline that the person concerned is subject to financial restrictive measures or the freezing of assets

When implementing Act CLXXX of 2007 on the implementation of financial restrictive measures and the freezing of assets as ordered by the European Union and on the related amendment of certain Acts, Financial Service Providers shall apply, of the provisions of these regulations in connection with the MLA, the rules for the reporting obligation, the prohibition of disclosure, the screening system, record-keeping and the obligation for the retention of documents, and shall include the information related to this Act in their training and continuing training curricula.

The procedure to be applied for persons and organisations included on lists for restrictive measures ordered by the European Union shall be discussed separately from the measures to be carried out for persons or organisations included on lists prepared by the UN or the USA.

The European Union Lists shall mean the lists specified in the annexes to the Council Regulations created in order to combat terrorist financing and which are to be applied directly (881/2002/EC and 2580/2001/EC). Financial Service Providers shall apply the provisions of Act CLXXX of 2007 with regard to persons or organisations included on these lists.

If in order to combat terrorist financing a Financial Service Provider also screens against other lists, then for persons and organisations included on such lists the Financial Service Provider shall conduct reporting pursuant to Paragraph (2) of Article 23 of the MLA, i.e., if some data, facts or circumstances emerge that indicate money laundering or terrorist financing, provided that the data is not identical to persons or organisations included on lists specified in the annexes to the Council Regulations created in order to combat terrorist financing and which are to be applied directly.

XII RECORD KEEPING

Pursuant to Article 28 of the MLA Financial Service Providers shall maintain records of data obtained while carrying out customer due diligence measures and shall keep such data for at least eight years following the termination of the business relationship or the execution of the transaction order.

Such records shall contain data and documents obtained by Financial Service Providers in the course of customer due diligence measures and copies thereof – subject to customer consent –, as well as documents evidencing reporting activities or data supplied on request from the Authority acting as the Financial Intelligence Unit, as well as documents evidencing the suspension of transactions or copies thereof, which Financial Service Providers shall keep for eight years from the date that the data was recorded or from the date of reporting (suspension).

Records maintained by Financial Service Providers shall contain transaction orders transacted in cash (in Hungarian Forints or in foreign currency) in an amount of, or exceeding three million six hundred thousand Hungarian Forints.

Financial Service Providers shall maintain separate searchable and verifiable records of the minimum data set recorded during customer identification pursuant to Paragraph (1) of Article 7 of the MLA and of the maximum data set recorded pursuant to Paragraph (3) of Article 7 of the MLA, as well as of cases where enhanced customer due diligence measures are applied with regard to customers and transactions representing a high risk of money laundering or terrorist financing, and where the service provider accepts the results of customer due diligence measures performed by other organisations. Where electronic screening systems do not allow for separate data queries, Financial Service Providers shall maintain separate data records for internal and external audit purposes.

In order to fully comply with the data supply obligation as specified in the Decree issued by the Minister of Finance on the data set to be supplied to the HFSA and on the method of data supply, the data sets specified in the decree shall be kept in a way to enable separate queries for internal and external audit purposes.

XIII TRAINING AND CONTINUING TRAINING

Financial Service Providers shall take appropriate measures to acquaint their employees, engaged in activities pursuant to Paragraph (1) of Article 1 of the MLA, with the legislative provisions related to money laundering and terrorist financing, to recognise transaction orders that enable or implement money laundering or terrorist financing and to be able to proceed in compliance with this Act if some data, facts or circumstances emerge that indicate money laundering or terrorist financing. For this purpose the designated person shall develop rules for training and continuing training wherein appropriate measures shall be taken to train new employees and to organise regular continuing training for employees at least once every year, to record and document such training and to assess the knowledge acquired. Continuing training may cover legislation related to the prevention and deterrence of money laundering and terrorist financing, new emerging perpetration trends or changes in the Regulations. Training should also cover the definition of money laundering and terrorist financing, the internal procedures for identification and reporting, as well as the typology of unusual events. Within one year following the effective date of the MLA, i.e., before December 15, 2008, training shall always end with an examination using multiple choice questions to include concepts, delimitations as well as practical examples. Otherwise only new employees shall be required to pass an examination, the results of which, and the training thematic, the subject matter of the examinations as well as attendance shall be documented by the designated person. In other cases Financial Service Providers shall require attendance at continuing training, with the designated person recording the names, positions and job functions of the participants.

XIV ANNEXES

Regulations shall contain the following Annexes:

Typology of Unusual Transactions

Identification Form

Reporting Form

Contact details for the Authority acting as the Financial Intelligence Unit (administrators, telephone number, facsimile number) and the availability of the international lists prepared by authorities of other countries that are officially published in Hungary

Names, positions and telephone numbers of contact persons liaising with the Authority acting as the Financial Intelligence Unit.

Reporting Form for Measures to Freeze Assets

Regulation 1781/2006/EC on Information of the Payer Accompanying Transfers of Funds

Annex No. 1

UNUSUAL TRANSACTIONS

This annex contains the typology, organised into a uniform structure, of unusual transactions observed hitherto by the profession and affecting the operations of all service providers subject to the MLA.

1.) Money laundering using unusual cash transactions

If a natural person makes an unusually large cash deposit or cash withdrawal, especially if it is not in conformity with the customer's profession. The physical presence of the customer should not in itself render the cash deposit suspicion-free. Example: A criminal will always have an orderly passport and will always maintain an orderly appearance, because he/she will not risk two things at the same time.

If there is a sudden significant increase in cash deposits or withdrawals by either a private individual or a company.

Customers with several relatively small deposits, which however are significant in total value.

Frequent exchange of cash into some other currency.

Significant movements of funds on an account that was previously inactive.

If customers arrive together and conduct high value cash transactions or foreign currency transactions at the same time with the same bank.

Regular cash transactions just below the value threshold for identification.

Withdrawal and deposit of cash on the same day or within a short time interval without the movement of cash, with the transaction affecting the accounts of several customers.

2.) Money laundering using bank accounts

If a customer maintains several bank accounts at the bank without this being justified by his/her business activities, and makes frequent transfers between the bank accounts without reasonable cause. Reasonable cause includes transfers performed to facilitate book-keeping.

If the movements of funds on bank accounts maintained for natural persons or legal entities do not indicate business activities, but significant amounts are credited or debited to the bank account without a clear purpose.

If general banking services are used in an unusual way, such as if interest due on a large deposit amount is disclaimed.

If several persons deposit regularly or large amounts to the same account.

If several people transfer smaller amounts of money to the same account, which are then transferred on to a third account that has no clear connection with the given account.

If a large amount of cash is placed in deposit and is offered as collateral by the owner of the bank account.

3.) Suspicious transactions of businesses organisations

If there is a change in ownership of the company and the background or appearance of the new owners (homeless, etc.) is inconsistent with the activities of the company, or if the financial activities of the company are suddenly transformed following the change in ownership.

Companies with financial indicators noticeably different from those of other similar companies.

If the owner of a business makes several deposits on the same day in different branches of the bank.

An account with transfers being conducted without a reasonable business purpose or inconsistent with the company owning the account or with its history (incoming and outgoing transfers, especially from and to countries that qualify as tax havens).

An account that receives many incoming transfers or many small deposits, with the entire amount subsequently being transferred, if the activity is inconsistent with the customer company or its history.

If a company makes frequent large cash deposits and maintains high balances but does not use other services such as loans, letters of credit, wage payment or tax payment services, etc.

Financial transactions using substitutes for money, with details missing or containing fictitious beneficiaries, senders, etc.

Unusual funds transfers between connected accounts, or the accounts of companies with clear interlocking ownership in addition to business relationships.

If the extent of cash deposits and their placement and frequency are inconsistent with the company's activities.

If a company is managed by a person – duly authorized to represent the company – whose appearance and abilities clearly make him/her unsuitable for such activities, especially if the account is controlled by a person who is not employed by the company.

If the same person or group controls the account or accounts of several companies and if there are regular funds movements on the accounts.

If transfers to the account are frequently returned due to contracts not having been concluded or due to erroneous transfers.

If a company established with the minimum required capital conducts significant turnover or receives a large loan from another bank.

If members provide frequent and unreasonable loans to the company and if the individual or total amount of these loans is suspiciously high.

If a current account credit if provided for the day, transferred in a single amount between closed companies related to each other in ownership and in funding without a real economic substance, and if at the end of the day the amount returns to the bank account of the company that has initiated the transfer.

4.) Money laundering using transactions associated with investments

If there is increased demand for investment services where the source of the allocated capital is not clear or it is foreign to the business activities of the customer.

Cash purchase of securities in a high value, purchase in several instalments below the value threshold for identification.

Purchase, sale or possession of securities without reason or under unusual circumstances, such as where the financial situation of the firm does not justify a sale.

Purchase or sale of illiquid securities without an established market price or where it is not available from a public source or difficult to obtain, and where the transaction or the series of transactions is not consistent with the profile of the customer.

Instructions for derivative transactions where the customer continuously makes only profits or realises only losses vis-à-vis the same group of customers on the other side.

If the customer initiates a complex transaction affecting many accounts and companies, inconsistent with the profile of the customer, if the series of transactions includes transaction orders related to securities.

Regular instructions to carry out loss-making transactions, especially if the front-office employee specifically points out this fact to the attention of the customer.

Instructions for high magnitude transactions initiated with cash deposits.

Instructions for linked transactions to conduct cross-linked deals, initiated by several customers (businesses in general) that can be associated with each other.

If the same customer maintains several securities accounts without reason, with no significant turnover on either, but with a significant total invested amount.

If a customer holds physical securities in an unreasonably high amount – volume – despite the availability of electronic storage.

Withdrawal or transfer of the proceeds following a sale, with a subsequent instruction for a similar or even higher volume transaction following a new deposit.

5.) Money laundering via credit transactions

If customers suddenly repay their troubled loans.

Application for a loan against collateral where the origin of the collateral is unknown or if the collateral is not consistent with the financial standing of the customer.

Application for financing from a financial institution where the source of the customer's financial contribution is not known.

Application for a loan when the customer has significant funds available on another account.

The use of funds from a loan that is inconsistent with the declared purpose of the loan.

An application for loans to off-shore companies or an application for a loan secured by a promissory note from an off-shore bank.

If the purpose of the loan as declared by the customer makes no economic sense, or if the customer offers to provide a cash collateral for the loan, while refusing to disclose its purpose.

If a customer purchases depository receipts and uses them as collateral for a loan.

If a customer secures a loan with a cash deposit.

If a customer uses cash collateral deposited with an off-shore financial institution in order to obtain a loan.

If funds originating from a loan are unexpectedly directed to an off-shore territory.

If a customer unexpectedly repays a loan or a significant portion thereof without an economic precedent visible to the bank.

If a loan is repaid by a person with whom the customer had (has) no financial relationship.

6.) Money laundering using international activities

Contact with large amounts from companies registered in countries associated with drug trading.

Holding of large balances inconsistent with the customer's usual business turnover with a subsequent transfer to a foreign country.

If a customer, in the course of his/her foreign trade activities, regularly deviates from the payment methods that are customary for the respective countries.

A customer is suspicious if he/she conducts a significant flow of finds with countries associated with the production of or trade in drugs, especially if the customer's business profits are inconsistent with the economic and commercial structures of the respective countries.

Transactions affecting off-shore banks or shell-banks with names very similar to the name of a large legal financial institution.

Frequent payment orders or payment orders for large amounts where the beneficiary or the obligor is an off-shore institution and where this is inconsistent with the known business of the customer.

If a customer sends and receives transfers (to and from countries qualifying as tax havens), especially if such transactions have no visible business reasons or if such transactions are inconsistent with the business or the history of the customer. A typical case would be for an off-shore reinsurer to transfer a larger amount identified as commissions to a private individual.

Regular repeated transfers from the bank account (accounts) of a natural person to countries that qualify as tax havens.

If a customer receives transfers or sends transfers that are just below the value threshold for reporting or affect a number of banks, but there is no visible relationship between the transactions and the activities or history of the customer.

7.) Insufficient or suspicious information

If a business organisation is reluctant to provide comprehensive information about the business purpose of the enterprise, its previous banking relationships, officers, directors or place of business.

If a customer refuses to provide information when opening an account, or purchases cash substitutes above the specified threshold.

If a customer tries to open an account without references, a local address or personal identification (passport, driving license or social security card), or refuses to provide any other information required by the bank for opening an account.

If a potential borrower is reluctant or refuses to specify the purpose of a loan or the source of funds for repayment, or specifies a questionable purpose and/or source of funds.

If a customer provides very minimal information or information that seems to be false, or information that is difficult for the Bank to verify, especially with regard to his/her personal identity.

If a potential customer is reluctant or refuses to provide references, or the references cannot be verified or cannot be contacted.

If a person does not indicate his/her past or present employment on the loan application.

8.) Unusual features or activities

If an account is maintained for a customer located at a distant address from the location of the bank or the branch, especially if another branch is available in closer proximity and there is no logical explanation for choosing a more distant branch.

Accounts or customers with frequent large amounts of cash deposits that are bundled with currency straps bearing the seals of other banks.

If the customer holding the account almost never visits the financial institution but has a number of couriers who deposit money onto his/her account.

If there are significant unexplained deviations from traditional banking practices.

If a customer's willingness to take risks suddenly increases, diverging from his/her customary behaviour.

9.) Attempts to evade reporting or record-keeping requirements

If a customer attempts to enter into a financial transaction for an amount above a certain threshold, but retrieves a portion of the money when informed of the record-keeping or reporting requirement, in order to keep the transaction just below the specified threshold.

If a person takes cash to the financial institution and insists that the prescribed record-keeping or reporting forms should not be completed.

If a customer makes many deposits in short succession to a single account, each below the threshold for identification, or if he/she distributes large deposits to several accounts in order to evade mandatory reporting.

If a customer is reluctant to provide information that is required for identification, or is reluctant to carry on with the transaction when informed of the requirement to identify him-/herself.

If a customer forces or attempts to force a bank employee not to submit the required record-keeping or reporting forms.

10.) Money laundering using life insurance

Sudden significant increase in extraordinary payments or withdrawals by either a private individual or a legal entity.

A deposit of a significant amount for unit-linked life insurance not consistent with the customer profile.

Regular transactions just below the value threshold for identification.

Payments and withdrawals not consistent with the customer profile.

Use of a service in a form different from the general practice.

If a business organisation is reluctant to provide comprehensive information about the business purposes of its enterprise, about its previous banking relationships, officers, directors, or about its place of business activities.

If a customer refuses to provide information when entering into a contract.

If a customer intends to enter into a contract without disclosing his/her references, local address or personal identity (using a passport, driving license or social security card), or refuses to provide any other information required by the insurance company in order to enter into a contract.

If a customer provides very minimal information or information that seems to be false, or information that is difficult for the insurance company to verify, especially with regard to his/her personal identity.

If there are unexplained significant deviation from traditional insurance practices.

If a customer attempts to enter into a transaction or a contract for an amount above a certain threshold, but withdraws from entering into the contract when informed of the record-keeping or reporting requirement, in order to keep the transaction just below the specified threshold.

If a customer intends to make a cash payment and insists that the prescribed record-keeping or reporting forms should not be completed.

If a customer enters into many contracts below the value threshold for identification.

If a customer is reluctant to provide the information that is required for identification or to carry on with the transaction when informed of the requirement to identify him-/herself.

If a customer forces or attempts to force a bank employee not to submit the required record-keeping or reporting forms.

11.) Money laundering using the change of money

Possession of an unusually large sum if not consistent with the appearance or the behaviour of the customer.

Regular change of large amounts of money.

If customers arrive together and change large amounts of money at the same time.

A series of transactions, each just below the value threshold for identification.

Change of a large sum or regular change involving rarely used currencies

If a customer is reluctant to identify him-/herself.

If a customer attempts to initiate a change above the value threshold, but retrieves a portion of the money when informed of the due diligence requirement, in order to keep the transaction just below the specified threshold.

Exchange of small denominations of currency into a larger denomination or sale with a concurrent purchase of a different currency.

12.) Money laundering via pawning

If customers suddenly repay their pawn loans.

If customers regularly pawn a large number of items, each representing a smaller value individually but a larger value in total, and if those are typically not redeemed.

A customer whose appearance gives reason to believe that he/she is not the owner of the pawned property.

If the customer is very nervous and his/her behaviour may give rise to the suspicion that he/she may have become involved in a money laundering transaction.

If the clothing and the behaviour of the customer are inconsistent with the quality of the pawned property.

If the customer rather withdraws from a transaction on hearing of identification.

If the purpose of the loan as declared by the customer does not make economic sense or if the customer refuses to disclose the purpose of the loan.

If a customer purchases depository receipts and uses them as collateral for a loan

If the registered office or the residence of the customer is located in one of the states listed in Annex No. 4.

If a different person tries to redeem a pawned property of significant value without providing an acceptable explanation.

13.) Transactions giving rise to the suspicion of terrorist financing

Terrorists usually maintain low profile behaviours and lifestyles to avoid causing suspicion in their environments, networks and financial practices. It is therefore impossible or difficult to specify the types of unusual transactions in relation to terrorists.

Terrorists collect unlawful funds as well as funds that typically seem lawful: in addition to protection moneys, blackmail and trading in drugs and arms they also collect funds from lawfully operating foundations as well as from not for profit organisations, and they also collect membership fees and sell publications.

It may be suspicious for instance, if a customer who is the citizen of a foreign country applied for not only one or two bank cards, but several when opening an account. After opening the account a long period – even several months – may pass before a transfer or cash payment is made to the account, which would then be withdrawn in cash within a short period of time from ATMs with the use of the cards. Subsequently the account may be dormant for a lengthy period of time, and then the process would be repeated.

It may also be suspicious if several persons cancelled their life insurance policies and requested payment to the same person.

Annex No. 2

DATA SHEET FOR IDENTIFICATION – TO BE COMPLETED EXCLUSIVELY BY THE SERVICE PROVIDER!
For compliance with the obligation prescribed under Article 7 of Act CXXXVI of 2007

Details for natural persons (please mark the appropriate box with an X, *items in italic are optional*):

Family Name and First Name:												
Name at Birth [1]:												
Citizenship:	Hungarian:		Other:									
Address:												
Type of Identifica-tion Document	Personal Identity Certificate		Address Certificate		Driving License		Pass-port		Official certificate of the personal identifier		Other	
Designation of the Other Document												
Number(s) in Sequence:												
Place and Date of Birth:									Y		M	D
Mother's Maiden Name:												

1: Previous Name, Maiden Name

Details for legal entities or legal arrangements (also to be completed for entrepreneurs)

Name, Short Name:	
Registered Office / Address of Branch Office in Hungary:[1]	
Registration / Resolution, Record Number:	
Primary Activity:	
Name and Position of Authorised Representative:	
Identification Details for the Agent for Service of Process:	

1: Address of the branch office in Hungary for enterprises registered in a foreign country:
Details recorded by:

Declaration by Customers residing in a Foreign Country

I declare that I am not a Politically Exposed Person (Please mark with X)	
I declare that I am a Politically Exposed Person (enter the appropriate category code from the list below)	

2a)	Heads of State, heads of government, ministers and deputy or assistant ministers;
2b)	Members of parliament;
2c)	Members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal;
2d)	Chairmen and members of courts of auditors or of the boards of central banks;
2e)	Ambassadors, chargés d'affaires and high-ranking professional officers (flag officers or generals) in the armed forces;
2f)	Members of the administrative, management or supervisory bodies of enterprises in majority state ownership;
3)	Immediate family members of persons mentioned in sections 1), i.e., close relatives as specified under Section b) of Article 685 of the Civil Code and partners considered by national law as equivalent to the spouse;
4a)	Any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in Sections 2);
4b)	Any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in paragraph (2).

Date:

……..……

Signature

DECLARATION OF BENEFICIAL OWNERSHIP BY THE CUSTOMER (Article 8) TO BE COMPLETED BY THE CUSTOMER!

I the undersigned ……..……, (as a duly authorised representative of …….)* hereby declare in full understanding of my liability under criminal law that:
1.) I act as a natural person on my own behalf.*
2.) I act as a natural person on behalf of the following person(s):*
3.) The legal entity or legal arrangement acts on its own behalf.**
4.) The legal entity or legal arrangement acts on behalf of the following person(s).**

1:		1:	
2:		2:	
3:		3:	
4:	5: 6:	4:	5: 6:
7:		7:	
8:		8:	
9:		9:	
10:		10:	
11:		11:	

1:		1:	
2		2:	
3:		3:	
4:	5: 6:	4:	5: 6:
7:		7:	
8:		8:	
9:		9:	
10:		10:	
11:		11:	

*: Please underline the appropriate section or cross out the section not needed.
**: For legal entities the declaration should be signed using the corporate signature because the declaration is made by the legal entity.

1: Family Name and First Name
2: Name at Birth, if different
3: Address
4: Citizenship
5: Hungarian– Mark with X and leave Box 6 empty!
6: Other (if the customer is not a Hungarian citizen, please enter the citizenship):
==========
7: Type of identification document
8: Number of identification document
9: Place of stay in Hungary (only for citizens of a foreign country)
10: Place and date of birth

11: Mother's maiden name
Text in italic indicates the details pursuant to Paragraph (3) of Article 8 of the MLA.

I am aware of my obligation to report to the service provider within 5 (five) working days any changes occurring to the above details or to my own details, and of my liability for any damages arising from my failure to comply with this obligation.

Date:

……..…….

Signature

Annex No. 3

Report on a circumstance that indicates a suspicion of money laundering and terrorist financing

1. Name, address and direct telephone number of the reporting credit institution / financial enterprise: <*Corporate Name, Address and Telephone Number* >

1.1. Name and address of the branch (unit) that has detected the transaction (if not identical to "1"):
1.2. Names, addresses and telephone numbers of other branches and units involved in the transaction;
1.3. Date and time of detection by the service provider;
1.4. Date and time of reporting by the service provider;
1.5. Filing numbers and dates of previous reports (if any) concerning the same matter (customer);
1.6. Name, (work) address and telephone number of the Designated Person: <*Name, ZIP Code, Place-name, Street, House Number and Telephone Number*>

2. Identification details for the customer conducting the transaction with the credit institution / financial enterprise (details listed under Sections a) and b) of Paragraph (2) and if available, under Paragraph (3) of Article 7 of the MLA).

2.1. Are all identification details available for the customer: Yes / No
2.2. Is another financial organisation involved in the matter? If yes, the details of the financial organisation are as follows:
Please also indicate here the person – if any – for whom the transaction was carried out (if a foreign bank was involved it should be properly identified).

3. Transaction Description (type, total amount by currency, detailed description)
3.1. The type(s) and number(s) of the accounts (of the payee and the payer) involved in the transaction;
3.2. The amount(s) involved in the transaction and their total (if several);
3.3. Description of the transaction(s) (deposit, transfer, receipt of amount, cash withdrawal, etc.);
3.4. Description of the data, fact or circumstance that indicates money laundering (suspicion of money laundering).
<Please also describe here why the customer became suspicious, why the transaction carried out by the customer is unusual, why it was reported!>

4. Other circumstances that indicate money laundering not presented above.

5. Measures taken by the financial service provider organisation.

If necessary, it is practical to attach the customer histories of the involved customers for at least 6 months (copies of account statements sent to the customer during the past 6 months), copies of their contracts with the service provider, copies of signature cards, other detailed descriptions, comments and notes if available to the service provider.

Annex No. 4

The Authority acting as the Financial Intelligence unit:
Hungarian Customs and Finance Guard
Central Law Enforcement Directorate
Department of Financial Intelligence

Address: Hajnóczy utca 7-9, Budapest, H-1122, Hungary
Telephone: +36-1-4568-111
Facsimile: +36-1-4568-154
Email: vpkbp.fiu@mail.vpop.hu , fiu@mail.vpop.hu

Access details for lists relevant to the prevention and deterrence of terrorist financing:

The sanctions list of the European Union is accessible at the following address:
http://europa.eu.int/comm/external_relations/cfsp/sanctions/list/version4/global/e_ctlview.html

The sanctions lists of the United Nations Organisation are accessible at the following addresses:

Security Council Committee established pursuant to resolution 1591 (2005) concerning the Sudan:
http://www.un.org/sc/committees/1591

List of individuals and entities subject to the measures contained in paragraph 1 of Security Council resolution 1532 (2004) concerning Liberia (the assets freeze list):
http://www.un.org/Docs/sc/committees/Liberia3/1532_afl.htm

The new consolidated list of individuals and entities belonging to or associated with the Taliban and Al-Qaida organisation as established and maintained by the 1267 committee:
http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm

Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait (Terminated pursuant to resolution 1483 (2003) of 22 May 2003):
http://www.un.org/Docs/sc/committees/IraqKuwait/IraqSanctionsCommEng.htm

The sanctions lists of the United States Office of Foreign Assets Control (OFAC) are accessible on the following address:
http://www.ustreas.gov/offices/enforcement/ofac/

Annex No. 5

The following are the designated person and his/her deputy at <*corporate name* > Financial Service Provider, responsible for reporting to the Authority acting as the Financial Intelligence Unit:
Name: <*Name*> Deputy Name: <*Name*>
Position: <*Position*> Position: <*Position*>
Telephone Number: <*Direct Number*> Telephone Number: <*Direct Number*>

The persons assigned as auditors:
Name: <*Name*>
Position: <*Position*>
Telephone Number: <*Direct Number*>

The person responsible for updating the Regulations:
Name: <*Name*>
Position: <*Position*>
Telephone Number: <*Direct Number*>

Annex No. 6

Reporting on the basis of financial restrictive measures and the freezing of assets

Name, address and telephone number of the involved service provider organisation subject to the reporting obligation:
Date and time of detection of the financial assets or economic resources:
Date and time of reporting:
Name, address, position and telephone number of the designated person:
2. Identification details of the subject of the financial restrictive measures or the freezing of assets
Customer Details

Family Name at Birth:	
First Name at Birth:	
Married Name:	
Place of Birth:	
Date of Birth:	
Permanent Address:	
Place of Stay:	
Other identification details published by a community legal action imposing financial restrictive measures or the freezing of assets:	

3. Details of the natural person with title to the financial assets or economic resources subject to financial restrictive measures or the freezing of assets:
Details of the natural person with disposal powers

Family Name at Birth:	
First Name at Birth:	
Married Name:	

Place of Birth:	
Date of Birth:	
Permanent Address:	
Place of Stay:	

4. Details of the legal entity or legal arrangement subject to financial restrictive measures or the freezing of assets

Details of the business organisation

Name:	
Registered Office:	
Branch Office in Hungary:	

5. All other data, facts or circumstances that indicate that the subject of the financial restrictive measures or the freezing of assets draws pecuniary benefits from the given transaction.

6. Description of the financial assets or economic resources subject to financial restrictive measures or the freezing of assets:

Value of the Financial Assets:	
Currency of the Financial Assets:	
Placement Method of the Financial Assets:	
Details of the Economic Resource:	
- Subject Matter:	
- Other details suitable for identification:	