

## **ACT LVIII OF 2001**

### **ON THE MAGYAR NEMZETI BANK**

The Parliament hereby adopts the following Act on the Magyar Nemzeti Bank, its primary objectives, basic tasks, its institutional, organisational, personal and financial independence and its operations, with due respect to the requirements of an advanced market economy.

#### *Chapter I*

### **LEGAL STATUS, PRIMARY OBJECTIVE AND BASIC TASKS OF THE MAGYAR NEMZETI BANK**

Article 1 (1) The Magyar Nemzeti Bank (hereinafter referred to as the 'MNB') is the central bank of the Republic of Hungary. The MNB is a member of the European System of Central Banks.

(2) The MNB and the members of its decision-making bodies shall be independent in carrying out the tasks and meeting their obligations conferred upon them by this Act, and shall neither seek nor take instructions from the Government, the institutions and bodies of the European Union, the governments of its Member States and any other bodies, except from the European Central Bank.

Article 2 The Governor of the MNB shall report to the Parliament.

Article 3 (1) The primary objective of the MNB shall be to achieve and maintain price stability.

(2) Without prejudice to its primary objective, the MNB shall support the economic policy of the Government, using the monetary policy instruments at its disposal.

#### **Basic Tasks of the MNB**

Article 4 (1) The MNB shall define and implement the monetary policy.

(2) The MNB shall have the exclusive right to issue banknotes and coins. The banknotes and coins issued by the MNB - including commemorative banknotes and coins - shall be legal tender of the Republic of Hungary.

(3) The MNB shall hold and manage official reserves in foreign exchange and gold.

(4) The MNB shall conduct foreign exchange operations in relation to the management of foreign exchange reserves and the implementation of exchange rate policy.

(5) The MNB shall develop the payment and settlement systems, including securities settlement systems, and shall monitor (oversee) their activities in order to achieve sound and efficient operation and smooth money circulation.

(6) The MNB shall collect and publish the statistical information required for carrying out its tasks.

(7) The MNB, in cooperation with other competent authorities, shall support the efficient development and conduct of policies relating to the prudential supervision of credit institutions and the stability of the financial intermediary system; for this purpose, it shall, in particular, explore the business and economic risks to the financial intermediary system as a whole, promote the prevention of systemic risks, and mitigate and eliminate systemic risks that have arisen.

(8) Without prejudice to the achievement of its primary objective and performance of its basic tasks, the MNB may perform other activities, based on statutory authorisation.

## **Chapter II**

### **TASKS OF THE MNB**

#### **Monetary Policy**

Article 5 In the interests of achieving the primary objective described in Paragraph (1) of Article 3, the MNB shall influence the supply and demand of money and credit, using the instruments described in Article 7.

Article 6 Within the framework provided for by this Act, the MNB shall independently define its monetary policy and the instruments for implementing such policy.

#### **Monetary Policy Instruments**

Article 7 The MNB shall implement its monetary policy with the following instruments:

- a) accepting deposits and, subject to the restrictions described in Article 16, lending based on adequate collateral, within the scope of its account management;
- b) buying and selling securities as well as acting as an intermediary of securities in the spot and derivative markets within the framework of open market operations and repurchase agreements;
- c) issuing its own securities;
- d) influencing and setting exchange rates and interest rates;
- e) discounting (rediscounting) securities;
- f) regulating minimum reserves; and
- g) using other central bank instruments.

Article 8

#### **Minimum Reserves**

Article 9 (1) In a decree the Governor of the MNB may require financial institutions and investment enterprises to place reserves with the MNB in proportion to their liabilities (reserve ratio).

(2) The MNB may prescribe different reserve ratios for the various types of liabilities of financial institutions and investment enterprises.

Article 10 (1) The Governor of the MNB shall regulate in a decree the rules governing the calculation of minimum reserves, the method of allocating and placing reserves and the measures to be applied in the event of non-performance

(2) The Monetary Council shall define the size of the reserve ratio. The Governor of the MNB shall declare the size of the reserve ratio in a decree.

#### **Exchange Rates**

Article 11 (1) The MNB shall quote and publish official exchange rates for the conversion of foreign currencies into forints and for the conversion of forints into foreign currencies.

(2) The Government, in agreement with the MNB, shall determine the exchange rate regime, and all parameters thereof, in particular the width of the fluctuation band, the central parity and the composition of the currency basket. Changes in the exchange rate system shall be made without prejudice to the primary objective of the MNB to achieve and maintain price stability.

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

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

## Interest Rates

Article 12 The MNB shall establish the central bank base rate as the key interest rate. The MNB shall publish the central bank base rate in the Official Gazette.

Article 13 The MNB may pay interest on the minimum reserves deposited by the institutions described in Paragraph (1) of Article 9. Different interest rates may be applied according to the various types of liabilities.

## Emergency Loans to Credit Institutions

Article 14 In the event that circumstances arise which jeopardise the stability of the financial system due to the operation of a credit institution, the MNB may extend an emergency loan to the credit institution, observing the prohibition of monetary financing as set forth in Paragraph (1) of Article 16. The MNB may make the extension of such a loan subject to performance of actions by the Hungarian Financial Supervisory Authority (hereinafter referred to as the 'Supervisory Authority') or performance of actions by the credit institution, at the proposal of the Supervisory Authority.

## Maintenance of Accounts by the MNB; Relations with the General Government

Article 15 (1) The MNB shall manage

a) the single bank account of the Hungarian State Treasury

b) the bank account of the Government Debt Management Agency Private Company Limited by Shares,

(2) The MNB shall pay interest equal to the market interest rate, but not more than the central bank base rate on the current balance of the single bank account of the Hungarian State Treasury to the central budget.

Article 16 (1) The MNB - with due consideration of the provisions of Article 101 of the Treaty establishing the European Community on the prohibition of monetary financing and of Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b (1) of the Treaty - may not extend overdrafts or any other types of credit facilities to the State, to local governments, to other budgetary organs, to the institutions and bodies of the European Union, to the central governments and the regional, local or other administrative bodies of the Member States, to other public bodies, as well as to economic associations operating under the dominant influence of the above, and may not purchase the securities of the above institutions directly from the issuer (prohibition of monetary financing).

(2) In respect of the application of Paragraph (1), an economic association shall be considered to operate under the dominant influence of the State, a local government or the institutions listed in Paragraph (1), if the State, the local government, any other budgetary organ, an institution or body of the European Union, the central government of the Member States, a regional, local or other administrative organ of the Member States, jointly, directly or indirectly:

a) has a majority interest in the registered capital of the association,

b) controls the majority of voting rights attached to ownership rights, or

c) has the right to appoint more than half of the members of the executive body and supervisory board of the economic association.

(3) Paragraph (1) shall not be applied in respect of credit institutions which are directly or indirectly owned by the State, a local government, any other budgetary organ, an institution or body of the European Union, the central governments of the Member States, or a regional, local or other

administrative organ of the Member States. In respect of central bank money supply, the treatment received by such credit institutions shall be equal to that of privately owned credit institutions.

(4) In the application of this Article, indirect ownership shall mean when the ownership or voting rights of an enterprise are controlled through the ownership or voting rights held by another enterprise in that enterprise ('intermediary enterprise').

Article 17 (1) The MNB shall allocate to the forint exchange rate equalisation reserve the exchange rate gain or loss incurred on its receivables and liabilities denominated in foreign currency, such gain or loss being calculated according to the revaluation based on the official exchange rate as at the last day of the year under review.

(2) The MNB shall allocate to the foreign currency securities equalisation reserve the difference determined on the basis of the market valuation of receivables in foreign currency securities, following re-entry of the opening balance.

(3) The forint exchange rate equalisation reserve and the foreign currency securities equalisation reserve described in Paragraphs (1) and (2) above shall form a part of the MNB's equity. The balances of the equalisation reserves may not be offset against one another.

(4) In the event that, based on the available data, the balance of either of the equalisation reserves described in Paragraphs (1) or (2) above is negative, the central budget shall make a direct cash reimbursement to the appropriate equalisation reserve in the amount of the negative balance by 31 March of the year following the year under review. Such reimbursement shall be recorded in the balance sheet in the reporting year.

(5) In the event that, based on the final data and with due consideration of the reimbursement described in Paragraph (4), the balance of either of the equalisation reserves described in Paragraphs (1) or (2) above is negative, the central budget shall make a direct cash reimbursement to the appropriate equalisation reserve within eight days of the Shareholder Resolution made pursuant to Point *b*) of Article 46/A hereof. In the event that the reimbursement described in Paragraph (4) exceeds the balance determined on the basis of the final data, the MNB shall reimburse the amount of overpayment to the central budget within eight days of the Shareholder Resolution made pursuant to Point *b*) of Article 46/A hereof, to the debit of the equalisation reserve. Such items shall be recorded in the balance sheet for the year in which the payments are effected.

Article 18

Article 19 The MNB may act as an agent for the Government on the securities market, based on a commission by the Government or in respect of government-owned securities with the exception of equities.

Article 20 (1) Based on a commission by the State, the MNB may participate in the Government's foreign currency borrowing transactions and securities issues abroad, as well as in tasks related to the management of the Government's foreign receivables.

(2) The MNB may, under market conditions, enter into forward and hedging transactions with the Government or as an agent of such.

Article 21

Article 22

Article 23 (1)

(2)

Articles 24-25

## Tasks related to Payment Transactions

Article 26 (1) The MNB shall develop the national payment and settlement system.

(2) The payment and securities settlement systems covered by the act on settlement finality in payment and securities settlement systems shall be designated by the MNB.

(3) The Governor of the MNB regulates the execution of payment orders within the scope described in Paragraph (2) of Article 60.

Article 27 (1) The licence of the MNB shall be required for the entry into force of the General Terms and Business Conditions and the regulations of the payments clearing house, as well as for any amendments thereof.

(2) The MNB shall grant the licence under Paragraph (1) if the General Terms and Business Conditions or the regulations comply with the Decree of the Governor of the MNB on the content and form requirements for the General Terms and Business Conditions and the regulations of the payments clearing house issued pursuant to the authorisation of this Act.

(3) The payments clearing house shall publish its General Terms and Business Conditions and any amendments thereto as licensed by the MNB, in a consolidated format on its website, at latest on the day of entry into force of the licence of the MNB.

## Central Bank Information System

Article 28 (1) In order to fulfil its tasks described in Paragraphs (1)-(7) of Article 4 - including the compilation of monetary, balance of payments and international investment position, securities, financial accounts, financial stability, money circulation and payment system statistics - the MNB operates a central bank information system, for which the organisations and natural persons determined by law shall provide the information - not qualifying as personal data - as required by the MNB. In course of operating the central bank information system, the MNB is entitled to take over from the organ belonging to the official statistical service the available data not qualifying as personal data also in a way that these data are suitable for individual identification. The contents and methodology of the statistical information system operated as part of the central bank information system shall be specified by the MNB in conjunction with the Central Statistical Office, with due consideration of the opinion of the Minister responsible for the state budget (hereinafter referred to as the 'Minister') and the Supervisory Authority.

(2) The MNB shall publish all important information related to the operation of the credit institution system and to the financial situation of the country, and shall regularly provide detailed data on such information to the Parliament, the Government and the ministries (bodies of central state administration) as well as the Hungarian Financial Supervisory Authority.

(3) Such data may only be disclosed in a manner which precludes the possibility of identifying information pertaining to the individual parties providing the data.

(4) In its Decree on the scope of information to be provided for the central bank information system, the method and deadline for data submission - to facilitate the execution of the research, analysing and decision-preparation activities required for the performance of the basic tasks of the MNB - the Governor of the MNB may prescribe that for the data submission to the central bank information system, the organisations falling within the scope of Act CXII of 1996 on Credit Institutions and Financial Enterprises (hereinafter referred to as the 'Act on Credit Institutions'), Act CXX of 2001 on the Capital Markets (hereinafter referred to as the 'Capital Markets Act') or Act CXXXVIII of 2007 on Investment Enterprises and Commodity Exchange Service Providers and the Rules of their Activities (hereinafter referred to as the 'Investment Services Act'), furthermore, the state tax authority, the pension insurance administration, the health insurance administration, the Central Statistical Office, the company registration court, as well as - in respect of family support, disability, social, child welfare, child protection and public education services and supports financed from the central budget - the Hungarian Treasury, shall irreversibly modify the personal data, tax, bank, security, insurance and fund secrets managed by them so that the information cannot be connected to the data subjects, for the reason that they submit these pieces of information on organisations deprived of their confidential nature or on natural persons deprived of their personal nature to the MNB. The Governor of the MNB shall designate the data submitting organisations in its Decree.

(5) In its Decree, the Governor of the MNB may also prescribe that the deprivation of information specified in Paragraph (4) of their confidential or personal nature shall be carried out in a way that the pieces of information shall be provided by applying an anonymous linking code established on the basis of a code generation method sent individually to each of the data submitting organisations under Paragraph (4). After making this code generation method available and prior to the data submission, the MNB shall delete this code generation method.

(6) The MNB shall be entitled to request several organisations to submit the information specified in Paragraph (4) by applying an anonymous linking code established on the basis of the same code generation method and then to combine such information.

(7) The data submitting organisations under Paragraph (4) shall be obliged to refuse to submit the information if the data cannot be deprived of their confidential or personal nature. The data submitting organisations under Paragraph (4) shall notify the MNB of their refusal to supply data and the reasons thereof by the deadline prescribed for submitting the information.

(8) The MNB shall establish the method of anonymous linking code generation and the basis of the code generation as follows:

a) the code generation shall not be based on data identifying organisations or natural persons to the management of which the MNB is entitled,

b) the specific, individual method of code generation shall contain special, random elements.

(9) In the course of the data submission under Paragraphs (4) and (5), prior to the data submission, the data submitting organisation shall modify the data pertaining to the address of a natural person so that the address of this person cannot be specified more precisely than at the micro-region level.

(10) After the data submission, the MNB shall reimburse the justified, direct costs - as shown in a detailed statement of costs - incurred by the data submitting organisations in connection with the generation of the information in compliance with Paragraphs (4) and (5).

(11) The data submitting organisations under Paragraph (4) shall not modify the code generation method and shall delete it immediately after generating the anonymous linking code, and shall also immediately delete the anonymous linking code itself after submitting the data.

(12) Following the combination, the MNB shall irreversibly terminate the connection between the anonymous linking code and the received data and delete the anonymous linking code.

(13) For the purpose of this Article, anonymous linking code shall mean a series of characters generated by a method which also contains a random element, of the data pertaining to and identifying the same natural person or organisation, and which series of characters always remains the same when the same data are used but which is not suitable to create a series of characters from which the data identifying the natural person or organisation would be restorable.

## Central Bank Inspection

Article 29 (1) Central bank inspection shall cover compliance with

a) the provisions of this Act;

b) the provisions of the Act on Credit Institutions on the conditions for providing auxiliary financial services under the licensing authority of the MNB;

c) the provisions of the Act on the Prevention and Combating of Money Laundering and Terrorist Financing on the enterprises providing auxiliary financial services under the supervisory authority of the MNB;

d) the provisions of the legislation on providing information for the central bank information system;

e) the Decrees of the Governor of the MNB;

and with the implementation of the administrative authority decisions and special expert authority opinions of the MNB, and for the inspection of the activities of providers of outsourcing services under the Capital Market Act and the Act on Credit Institutions.

(2) The central bank inspection shall comprise the verification of data submitted in accordance with law and the administrative inspection procedure performed by the MNB. Within this framework the MNB shall be entitled to request the submission of data, reports, balance sheets, documents and inspection materials.

(3) The MNB shall provide letters of authorisation to the persons conducting on-site inspections.

(4) Should it become necessary to establish the authenticity or completeness of the examined documents or to supplement the conclusions of the inspections, the persons conducting the central bank inspection shall be entitled to examine the facts in connection with the topics described in Paragraph (1) at the organisations and natural persons under the scope of central bank inspection.

(5) The duration of central bank inspection shall not exceed six months.

## Common Provisions Relating to the Administrative Proceedings of the MNB

Article 29/A Subject to the exceptions set out in this Act, the MNB shall proceed in accordance with the provisions of the Act on the General Rules of Administrative Proceedings and Services in connection with

- a) central bank inspections;
- b) the approval of the General Terms and Business Conditions and the regulations of clearing houses for credit institutions, including any amendments thereof;
- c) licensing the provision of auxiliary financial services within the licensing authority of the MNB under the Act on Credit Institutions, and the revocation of such licences;
- d) the designations under Act XXIII of 2003 on Settlement Finality in Payment and Securities Settlement Systems, and the withdrawal of such designations;
- e) giving permission to prepare imitations of legal tender in circulation;
- f) functioning in the capacity of special expert authority in accordance with specific other legislation.

Article 29/B (1) Unless otherwise provided by law, proceedings opened upon request are subject to payment of an administrative service fee.

(2) The MNB may publish its decisions - in part or in whole - on its official website or in any other manner.

(3) The MNB's decisions may not be appealed. The client may request judicial review of the MNB's resolutions and its appealable rulings at the Fővárosi Bíróság (*Municipal Court of Budapest*), whereby the court shall judge the claim or request for the judicial review according to the provisions concerning the administrative litigations of the Act on Civil Proceedings within thirty days.

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

(5) The duration of the proceedings in cases under Article 29/A d) shall not exceed three months.

(6) A notice requesting the completion of the documents submitted shall be sent within fifteen days of receipt of the request.

(7) The MNB may adopt a decision for the cessation of the infringement for the period until the resolution or the ruling for the termination of the proceeding is passed, if deemed urgently necessary in order to perform its basic tasks referred to in Article 4 (1)-(7), where any delay may cause serious or irreparable damage. The MNB shall adopt such decision without delay.

(8) For obligors keeping payment account with the MNB, overdue claims for payments prescribed by resolution shall be satisfied directly.

## The MNB's Actions and Sanctions

Article 29/C (1) For any infringement of or non-compliance with the provisions of the legislation listed under Article 29 (1) or of the administrative authority decisions of the MNB by an inspected organisation, an executive of such organisations, or a person treated under the relevant legislation as executive officer of such organisation, the MNB shall take the measures prescribed in the Act on the General Rules of Administrative Proceedings and Services, and may impose fines (hereinafter referred to collectively as 'sanctions'). The MNB shall retain the proceeds from the fines it has imposed.

(2) The MNB shall be entitled to impose sanctions repeatedly and collectively. A sanction may be imposed repeatedly only in connection with repeat offences, or if the previous sanction did not produce the desired result.

(3) If the organisation fails to cease the infringement within the prescribed time limit, the MNB shall advise the executive of such organisation, the person treated under the relevant legislation as an executive officer to observe the rules of law, simultaneously prescribing a time limit.

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

- a) the gravity of the infringement or negligence;
- b) the impact of the act on the organisations governed by the rules of law specified in Article 29 (1);
- c) the risk caused by the infringement or negligence, the extent of damage, and the willingness of the persons responsible to mitigate the damage;
- d) cooperation with the MNB on the part of the persons responsible;

- e) whether the person affected by the sanction has acted in good or bad faith, and the pecuniary advantage that person obtained through the infringement or negligence;
- f) hiding of the underlying data, facts and information, or the intention to hide them; and
- g) the recurrence or frequency of the infringement or negligence.

(5) No sanction may be imposed in connection with any infringement or negligence after three years from the time when the MNB has gained knowledge of the act, or five years from the time it was committed.

(6) Within the time limits referred to in Paragraph (5), a sanction may also be imposed even if the natural person affected by the sanction is no longer employed by the organisation or person inspected, its mandate has been terminated or it is no longer engaged in any of the inspected activities.

(7) Where the branch of a financial institution established in another Member State of the European Union or the cross-border services provided in Hungary by such financial institution is found in breach of the provisions of the legislation specified in Article 29 (1) or in the administrative authority decisions of the MNB, the MNB shall call upon the branch or the financial institution to rectify the situation. Should the branch or financial institution fail to comply with the above-specified request, the MNB shall contact the Supervisory Authority to notify the supervisory authority of the other Member State of the European Union with regard to the anomalous situation and request that the supervisory authority take appropriate action.

(8) The fine shall be payable to the account specified in the resolution imposing it within thirty days of the operative date of the resolution.

Article 29/D. (1) In case a credit institution has infringed any provision of the legislation listed under Article 29 (1), or fails to comply with or carry out the instructions contained in the administrative authority decisions of the MNB, is late or deficient in carrying out the instructions, the amount of the fine which may be imposed on such credit institution may vary from 0.1 to 2 per cent of the statutory minimum subscribed capital prescribed for the type of credit institutions in the Act on Credit Institutions.

(2) The amount of fine imposed on an executive officer of a credit institution - including the heads of bank representative offices - may vary from 10 to 50 per cent of the net income of the person affected earned in the previous year in such office, but not less than one hundred thousand forints. Where the net income is below two million forints, the amount of the fine may not be higher than one million forints.

(3) In case a financial enterprise or other legal entity providing auxiliary financial services has infringed the provisions of the legislation listed under Article 29 (1), or fails to comply with or carry out the instructions contained in the administrative authority decisions of the MNB, is late or deficient in carrying out the instructions, the amount of the fine, which may be imposed on such entity, may vary from two hundred thousand to two million forints.

(4) When the actionable conduct of a natural person acting in relation to preparing and taking decisions related to the operations of financial enterprises or other legal entities providing auxiliary financial services is established, the fine imposed may not be more than thirty-five per cent of the net income the penalised person earned in such office in the previous year. In the absence of such income, the amount of the penalty shall be between one hundred thousand and one million forints.

(5) In case an organisation pursuing the clearing house activity described in the Capital Market Act, the central depository or the central counterparty has infringed the provisions of the legislation listed under Article 29 (1), or fails to comply with or carry out the instructions contained in the administrative authority decisions of the MNB, is late or deficient in carrying out the instructions, the amount of the fine which may be imposed on such organisation may vary from one hundred thousand to ten million forints.

(6) In case an organisation of the central or any local government, a business or any other organisation that is subject to inspection has infringed any provision of the legislation listed under Article 29 (1), or fails to comply with or carry out the instructions contained in the administrative authority decisions of the MNB, is late or deficient in carrying out the instructions, the amount of the fine which may be imposed on such organisation, the director or the persons treated under the relevant legislation as executive officer of such organisation, may vary from two hundred thousand to two million forints.

Article 30



## Issuing Operations

Article 31 (1) The Governor of the MNB shall declare the issue of banknotes and coins, their denominations and distinguishing features, as well as their withdrawal in a decree. The withdrawn banknotes and coins shall cease to function as legal tender as of the date specified in the decree of the Governor of the MNB.

(2) Prior to withdrawal, banknotes and coins issued by the MNB shall be accepted at their face value by all persons in transactions which are conducted in the legal tender of Hungary.

(3) The MNB shall exchange banknotes which are no longer valid as legal tender for 20 years from the date of withdrawal from circulation, and coins for 5 years from the date of withdrawal at their face value into Hungarian legal tender. The MNB may use the services of contributors to meet this obligation.

(4) In respect of cash payment transactions (handing over banknotes or coins), only credit institutions and post office cash desks are obliged to accept more than fifty coins in one payment transaction.

(5) Counterfeit or forged banknotes and coins may not be accepted in payment transactions.

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

(7) The MNB shall exchange banknotes and coins which are difficult to recognise or damaged to legal tender free of charge. The MNB may use the services of contributors to meet this obligation.

(8) The MNB shall not pay compensation for the value of banknotes or coins which have been destroyed. Processes for the destruction of banknotes or coins may not be initiated. The MNB shall have the exclusive right to sell the coins that are difficult to recognise or qualify as damaged legal tender - excluding commemorative coins issued by the MNB - and the coins already withdrawn by the MNB as raw material, or the raw materials obtained from these coins, provided that these sales shall be subject to market conditions.

(9) The Governor of the MNB shall establish the rules of exchanging coins to other denomination of coins or to banknotes, exchanging banknotes to other denomination of banknotes or to coins, including the scope of those obliged to exchange them as well as the conditions of the fees of the exchange in the Decree issued pursuant to the authorisation of this Act, regulating the conditions of cash distribution.

Article 31/A (1) The MNB shall perform the technical and other tasks related to the protection of Hungarian and foreign legal tender against counterfeiting, with special regard to the tasks related to currency-expert services, training, data provision and dissemination of information. In the course of performing currency-expert services, for the purposes of usage in criminal procedures initiated in connection with the currency classified on the basis of the expert examination to be counterfeit or forged, the MNB shall be entitled to manage until the completion of the criminal procedure personal data concerning the natural person depositor (holder) of the presumably counterfeit or forged currency (surname, first name, address, type and number of identification document). Within this framework the MNB shall be entitled to forward the aforementioned data to the organs carrying out the criminal procedure or performing criminal investigation tasks in counterfeiting cases.

(2) Hungarian and foreign currencies that are presumed to be counterfeit or forged (hereinafter referred to as 'suspicious') shall be submitted to the MNB for expert examination, or handed over to the organisation defined in the Decree of the Governor of the MNB in order to be forwarded for expert examination.

(3) No compensation shall be paid for counterfeit or forged Hungarian or foreign currencies.

(4) Organisations providing money circulation, foreign exchange and money processing services under the Act on Credit Institutions, as well as organisations providing, international postal money order services in accordance with Act CI of 2003 on the Post, as prescribed in the Decree of the Governor of MNB shall be obliged to submit any suspicious Hungarian or foreign legal tenders found by them to the MNB, and to supply the data on the circumstances of finding it in the form and with the contents prescribed by the MNB including the personal data defined under Paragraph (1).

Article 32 The MNB shall account for the costs associated with the production of banknotes and coins as an expense.

Article 33

Article 34 (1) Imitations of legal tender in circulation may only be produced for any purpose in accordance with the stipulations set down in the decree of the Governor of the MNB. The production, registration, safekeeping and destruction of imitations shall be governed by stipulations of the decree of the Governor of the MNB.

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

### ***Chapter III***

## ***RELATIONS OF THE MNB WITH OTHER BODIES***

### **Relations with the Parliament**

Article 35 The Governor of the MNB shall report to the Parliament in respect of the activities and monetary policy of the MNB on an annual basis. The Parliament may also request information on an ad hoc basis.

### **Relations with the Government, Ministries and the Public**

Article 36 The MNB shall be consulted regarding the drafts of decisions and legislative provisions related to the tasks of the MNB and the operation of the financial system.

Article 37 The Minister shall provide the MNB with preliminary information regarding the budget proposal. The MNB may express its opinion on the budget proposal to the Government and to the competent parliamentary committee following submission of the budget draft to the Parliament.

Article 38 The Government may not instruct the MNB in relation to its scope of tasks as set forth in this Act.

Article 39 (1) The agenda of the meetings of the Monetary Council (Article 49) shall be submitted to the Government.

(2) The Government shall be represented without voting rights by the Minister or a person duly authorised by the Minister at the meetings of the Monetary Council.

Article 40 The Government shall invite the Governor of the MNB to attend its meetings for items of the agenda pertaining to the MNB's scope of tasks.

Article 41 (1) The MNB shall prepare and publish a report on monetary developments and other important issues related to its basic tasks, at least on a quarterly basis. The MNB shall publish an announcement regarding the method and frequency of providing such information.

(2) Upon request, the MNB shall provide information to the Government and the ministries on an ad hoc basis in respect of monetary developments and other important issues related to its basic tasks.

(3) The Governor of the MNB shall notify the Minister of his decisions relating to the management of the operation of the MNB and of high priority in respect of the operations of the MNB, made under his powers pursuant to Paragraph (1) of Article 50 after such decisions have been taken. The MNB shall report to the Minister on the foreign exchange transactions performed as well as on the gold and foreign exchange reserves on a weekly basis. Each year, the Minister and the Governor of the MNB shall agree in writing on the scope of additional information to be made available by the MNB.

(4) Upon the Government's request, the MNB may undertake tasks arising for the Government in international financial organisations, unless otherwise provided for by a legislative act.

Article 42 The Government, the ministries (bodies of central state administration) and the Hungarian Financial Supervisory Authority shall, at the request of the MNB, provide the MNB with information related to their activities.

Article 42/A (1) In accordance with the decision of the International Monetary Fund on the membership of the Republic of Hungary and with the Articles of Agreement, the MNB shall be the agency making payments of amounts to be paid periodically to the International Monetary Fund on behalf of the Republic of Hungary from appropriate sources determined by law or in a directly applicable legal act of the European Union, also including the payments in connection with the participation in the Special Drawing Rights Department of the International Monetary Fund.

(2) In accordance with the Articles of Agreement of the International Monetary Fund and in connection with the membership of the Republic of Hungary, the MNB may issue non-negotiable, non-interest bearing notes payable to the International Monetary Fund on demand.

(3) The task of the fiscal agent required by the Articles of Agreement of the International Monetary Fund shall be performed by the MNB on behalf of the Republic of Hungary. In this context, the MNB shall be the authorised fiscal agent on behalf of the Republic of Hungary to establish and implement all the operations and transactions that may be carried out pursuant to the Articles of Agreement of the International Monetary Fund, including acting as a beneficiary in its capacity as a fiscal agent with respect to any amount transferred or paid to the Republic of Hungary on the basis of the provisions of the Articles of Agreement of the International Monetary Fund.

(4) As a designated depository, the MNB shall attend to the safekeeping of the foreign currency reserves of the International Monetary Fund held in the Republic of Hungary.

## Relations with the Hungarian Financial Supervisory Authority

Article 43 (1) In the course of performing its tasks, the MNB shall cooperate with the Supervisory Authority.

(2)

Article 44 (1) The MNB and the Supervisory Authority shall exchange data and information which are necessary for the partner organisation to perform its tasks.

(2) The MNB and the Supervisory Authority shall conclude an agreement governing the method and system of exchanging data and information which are necessary to perform their tasks.

## Relations with the State Audit Office

Article 45(1)

(2) The supervisory competence of the State Audit Office in relation to the MNB is set forth in the Act on the State Audit Office.

(3) The President of the State Audit Office shall be consulted before the MNB's Auditor is elected or his dismissal is proposed.

(4)

## *Chapter IV*

### **ORGANISATION OF THE MNB**

#### Legal Form of the MNB

Article 46 (1) The MNB shall be a legal person functioning in the form of a company limited by shares.

(2) The company name of the MNB need not be registered in the company register. The designation 'company limited by shares' need not be indicated in the company name of the MNB.

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

(4) The shares of the MNB shall be owned by the State. The Minister shall represent the State as a shareholder.

(5) The MNB's registered capital is HUF 10,000,000,000, that is, ten billion forints.

Article 46/A The Shareholder shall, in a Shareholder Resolution:

- a) establish and amend the Statutes;
- b) establish the balance sheet and the profit and loss statement;
- c) appoint and dismiss the Auditor; and
- d) establish the remuneration of the Auditor.

## Organs of the MNB

Article 47 (1) The organs of the MNB shall be the Monetary Council and the Supervisory Board.

(2) The MNB shall operate without a General Meeting or a Board of Directors.

Article 48

## The Monetary Council

Article 49 (1) In respect of the tasks described in Article 4, in Paragraph (2) of Article 11 and in Article 14, the supreme decision making organ of the MNB shall be the Monetary Council.

(2) Meetings of the Monetary Council may be convened at any time as deemed necessary, but shall be held at least once every month.

(3) The Monetary Council shall consist of at least five members and at most seven members. For the duration of their mandates the members of the Monetary Council shall be employees of the MNB.

(4) The members of the Monetary Council shall be:

- a) the Governor of the MNB, as the Chairman of the Monetary Council;
- b) the Deputy Governors of the MNB; and
- c) up to four other members, who shall be appointed by the President of the Republic for a term of six years.

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

(6) Candidates for the Monetary Council shall be heard by the competent parliamentary committee.

(7) The members of the Monetary Council shall enter into office on the day specified in their respective appointments or, in the absence of such date, when appointed. The member of the Monetary Council shall make an oath or a solemn promise and sign a document before the President of the Republic, with the words stipulated in the Act on the Oath and Solemn Promise of Certain Public Officials.

(8) The mandate of a member of the Monetary Council shall terminate upon:

- a) expiration of the term of office;
- b) resignation;
- c) dismissal; or
- d) death.

(9) Resignations shall be submitted in writing to the President of the Republic and the Prime Minister.

(10) The President of the Republic may only terminate the mandate of a member of the Monetary Council by dismissal if the member of the Monetary Council no longer fulfils the conditions required for the performance of his duties or has been guilty of serious misconduct.

(11) The Governor of the MNB shall make proposals for the appointment or dismissal of two of the members pursuant to Point c) of Paragraph (4), which the Prime Minister - in case he agrees to a proposal like this - shall submit to the President of the Republic. The Prime Minister shall submit a proposal to the President of the Republic on the appointment and dismissal of further two members in consultation with the Governor of the MNB. The members referred to in Point c) of Paragraph (4) shall be nominated alternately by the Prime Minister and the Governor of the MNB.

(12) A proposal for dismissal pursuant to Paragraph (11) shall be sent to the affected member of the Monetary Council, who may apply to the labour court, in accordance with the regulations set forth in the Labour Code.

(13) The proposal for the dismissal of a member of the Monetary Council pursuant to Paragraph (11) may be submitted to the President of the Republic following the expiration of the period for application to the labour court, or, in the event that the labour court is applied to, after the court decision has been rendered final.

(14)

(15) The Monetary Council shall have a quorum if the majority of its members are present. The Monetary Council shall adopt its resolutions by a simple majority of the votes of the members present. In the event of a tied vote, the Chairman, or in case the Chairman is prevented, his deputy shall have the casting vote.

(16) The Chairman of the Monetary Council, or in case he is prevented, his deputy shall be entitled to make public the position of the Monetary Council.

(17) Every year, at its first meeting, the Monetary Council shall elect, by a simple majority of the votes of those attending, the Deputy Chairman of the Monetary Council. In the event that the mandate of the Deputy Chairman is terminated, the Monetary Council shall elect a new Deputy Chairman at its next meeting.

(18) Members of the Monetary Council, including the Governor and the Deputy Governors of the MNB, and of the Supervisory Board shall not be nominated for membership of the Monetary Council within three years of the termination of their office.

(19) On the day of entry into force of the termination, by a Council Decision, of the derogation pursuant to Article 122 of the Treaty establishing the European Community, the Monetary Council shall cease to exist and the office held by its members in the Monetary Council shall expire as from the said day.

## The Governor of the MNB

Article 50 (1) The head of the MNB shall be the Governor. The Governor shall be liable for the implementation of the decisions of the Monetary Council and for the governance of the operation of the MNB. The Governor shall:

- a) supervise the performance of the tasks specified under Article 4;
- b) supervise the internal audit organisation of the MNB with regard to the responsibilities outside the competence of the Supervisory Board;
- c) exercise the employer's rights over the employees of the MNB (excluding the members of the Monetary Council pursuant to Point c) of Paragraph (4) of Article 49), with the exception of the powers concerning the appointment and dismissal of Deputy Governors;
- d) take any decisions related to the governance of the operation of the MNB and outside the competence of the Monetary Council.

(2) Pursuant to Article 247 of Act IV of 2006 on Business Associations (hereinafter referred to as the 'Companies Act'), the Governor of the MNB shall qualify as a senior officer.

(3) The Governor of the MNB shall be appointed by the President of the Republic for a term of six years, at the proposal of the Prime Minister.

(4) The President of the Republic shall dismiss the Governor of the MNB in accordance with the provisions set forth in Paragraph (10) of Article 49, at the proposal of the Prime Minister.

(5) A proposal for dismissal pursuant to Paragraph (4) shall be sent to the Governor of the MNB, who may apply to the labour court, in accordance with the regulations set forth in the Labour Code.

(6) The proposal for dismissal may be submitted to the President of the Republic following the expiration of the period for application to the labour court, or, in the event that the labour court is applied to, after the court decision has been rendered final.

(7) The Governor of the MNB shall appoint a Deputy Governor with general authorisation to represent him in the event that he is obstructed.

(8) The Governor may delegate his powers under Paragraph (1) to the Deputy Governors.

(9) The provisions of Paragraphs (5)-(10) of Article 49 shall also apply in respect of the Governor of the MNB.

## Deputy Governors of the MNB

Article 51 (1) The MNB shall have two Deputy Governors. The Governor of the MNB shall make proposals for the appointment or dismissal of such Deputy Governors, which the Prime Minister - in case he agrees to a proposal like this - shall submit to the President of the Republic. The proposal shall contain the scope of responsibilities of the candidate. The Governor of the MNB shall inform the President of the Republic, the Prime Minister and the competent parliamentary committee regarding any changes in the scope of responsibilities of a Deputy Governor.

(2) The term of office of Deputy Governors of the MNB shall be six years.

(3) The provisions of Paragraphs (5)-(10) and (12)-(13) of Article 49 shall also apply in respect of the Deputy Governors of the MNB.

Article 52

## The Supervisory Board

Article 52/A (1) The Supervisory Board is the body responsible for the continuous supervision of the MNB on behalf of the owner.

(2) The internal audit body of the MNB shall be under the control of the Supervisory Board, with the restrictions defined in Paragraph (3) of this Article, and it shall be under the control of the Governor in matters falling outside the competence of the Supervisory Board. In the event that the Governor, while practicing his managing authority, learns of a statement in relation to auditing which falls under the competence of the Supervisory Board, he shall communicate such to the Supervisory Board.

(3) The competence of the Supervisory Board shall not extend to the tasks described in Paragraphs (1)-(7) of Article 4, and the impact of such on the profit and loss of the MNB. The Supervisory Board shall prepare the report, specified in Paragraph (3) of Article 35 of the Companies Act, in accordance with such restrictions.

(4) The members of the Supervisory Board shall be:

- a) the Chairman, elected by Parliament,
- b) other members, elected by Parliament,
- c) a representative of the Minister,
- d) a consultant commissioned by the Minister.

(5) In order to determine the collective number of members under Points a) and b) of Paragraph (4), the number of the parliamentary panels of the government parties and the opposition parties as at the day of the commencement of the procedure of the election of the members of the Supervisory Board shall first be established. The collective number of members shall equal twice the greater of the two numbers so established. The members shall be nominated on a half-and-half basis by the parliamentary panels of the government parties and the opposition parties in such manner that each parliamentary panel shall nominate at least one member. In the event that a parliamentary panel opts not to nominate a member, the other parliamentary panel(s) of that side shall nominate on its behalf. The members of the Supervisory Board shall be elected regardless of the fact that fewer than the maximum number of potential candidates have been put up.

(6) The Chairman of the Supervisory Board shall be nominated by the parliamentary panel(s) of the government parties.

(7) Parliament shall vote on the election to member of the candidates of the parliamentary panels pursuant to Point b) of Paragraph (4) simultaneously, in a single group.

(8) Nomination for membership of the Supervisory Board shall be open to Hungarian citizens who possess excellent professional knowledge on matters relating to credit institutions, financial and accounting disciplines and who are eligible voters at the Hungarian parliamentary elections.

Article 52/B The mandate of the members of the Supervisory Board shall be for the duration of the mandate of Parliament and shall last until the expiry of the mandate of Parliament. The Supervisory Board remains in office until a new Parliament elects the new Supervisory Board members within three months from the Parliament's first convening. Should the new Parliament fail to elect the new Supervisory Board members within the aforementioned time-limit, the Supervisory Board remains in office until the new Parliament elects the Supervisory Board members.

Article 52/C Members of the Supervisory Board may be recalled by the Parliament responsible for their election or by the Minister responsible for their appointment.

Article 52/D Members of the Supervisory Board shall be obliged to report to the Parliament responsible for their election or to the Minister responsible for their appointment.

#### Remuneration of the Governor, the Deputy Governors, Members of the Monetary Council and Members of the Supervisory Board

Article 53 (1) The monthly earnings of the Governor from the MNB for the period from 1 March of a reference year to the end of February of the following year shall be ten times the whole-economy gross monthly average earnings officially published by the Central Statistical Office for the year preceding the reference year.

(2) The earnings, from the MNB, of the Deputy Governor referred to in Paragraph (7) of Article 50 shall amount to 80% of the earnings of the Governor of the MNB.

(3) The earnings, from the MNB, of the other Deputy Governor of the MNB shall amount to 70% of the earnings of the Governor of the MNB.

(4) The earnings of the members of the Monetary Council described in Point c) of Paragraph (4) of Article 49, from the MNB, shall amount to 35% of the earnings of the Governor of the MNB.

(5) The remuneration of the Chairman of the Supervisory Board shall be a fixed amount determined by this Act. The amount of remuneration shall be HUF 1,200,000 gross per month.

(6) The remuneration of other members of the Supervisory Board shall be a fixed amount determined by this Act. The amount of remuneration shall be HUF 800,000 gross per month.

(7) No additional remuneration shall be paid to the Governor and the Deputy Governors of the MNB for their membership in the Monetary Council.

(8) In the event that the mandate of the Governor or a Deputy Governor of the MNB is terminated pursuant to Point a) of Paragraph (8) of Article 49, they shall be entitled to severance pay amounting to their earnings of six months.

## Professional Secrecy and the Legal Status of Employees

Article 54 (1) Employees of the MNB and members of the Supervisory Board shall be required not to disclose any classified data, bank secrets, payment secrets, securities secrets and business secrets of which they gain knowledge in the course of discharging their duties at the MNB. Such an obligation to maintain secrecy shall remain even after their duties have ceased.

(2) The provisions of the relevant laws shall be authoritative for the concepts of bank secrets, payment secrets, securities secrets and business secrets and for the obligation of maintaining such.

Article 55

Article 56 The provisions of the Labour Code shall apply to the employees of the MNB, with the exceptions set forth in this Act.

## Conflict of Interest

Article 57 (1) Unless otherwise provided for by law, the employees of the MNB subject to the provisions of Article 49, and the employees performing the basic tasks specified in Paragraphs (1)-(7) of Article 4 (hereinafter referred to as 'classified employees') may not establish and may not maintain a membership, employment relationship, other legal relationship for the performance of work, or a legal relationship as an executive officer or member of the supervisory board at a financial institution (unless the MNB has an ownership interest in such financial institution), other legal entities providing auxiliary financial services, investment enterprises, the National Deposit Insurance Fund and the Investor Protection Fund.

(2) With the exception specified in Paragraph (3), the employees subject to the provisions of Article 49 and the classified employees of the MNB may not have an interest in any financial institution, legal entities providing auxiliary financial services and investment enterprises.

(3) The employees subject to the provisions of Article 49 and the classified employees of the MNB shall make a statement

a) on their interest existing in any financial institution, legal entity providing auxiliary financial services and investment enterprise upon employment and

b) in the event of inheritance of such interests during the period of employment, immediately after binding grant of probate, and

shall terminate such interests within three months of employment with the MNB or, in the event of inheritance, of the operative day of the final grant of probate, respectively.

(4) The employees subject to the provisions of Article 49 and the classified employees of the MNB shall report the acquisition of any financial instrument defined in the Investment Services Act - with the exception of government securities and mutual fund shares issued by public open-ended investment funds -within three business days of such acquisitions.

(5) Employees of the MNB to whom Article 49 does not apply may only establish or maintain employment or other legal relationship for the performance of work with the prior permission of the Governor of the MNB, with the exception of scientific, educational, artistic, proof-reading and editorial activities, or intellectual activities protected by copyright. Such activities must be reported.

(6) Employees of the MNB to whom Article 49 does not apply and those falling outside the scope of classified employees shall make a statement

a) on their interest existing in any financial institution, legal entity providing auxiliary financial services and investment enterprise upon employment and

b) immediately after obtaining an interest specified in point a) in the course of their employment.

(7) Upon employment and in the course of their employment, the employees of the MNB shall immediately report if any of their close relatives living in their household hold or acquire an interest in a financial institution, legal entity providing auxiliary financial services or in an investment enterprise.

(8) Until the termination of the legal relationship or interest specified in Paragraphs (1)-(3) and the fulfilment of the obligation set forth in Paragraphs (4)-(7) the employee of the MNB may not take part in the preparation and adoption of any decisions related to the organisation in which the employee or the close relative living in his or her household has an interest or with which they maintain other legal relationships defined in Paragraphs (1)-(7).

(9) Upon employment, employees of the MNB shall be required to make a statement regarding their membership in cooperative credit institutions.

(10) Employees of the MNB need not terminate such membership existing at the time of their appointment, as long as they owe a debt to the cooperative credit institution. However, during this period the employees may not participate in the preparation and adoption of any decisions on matters which pertain to the organisation in which they have membership.

(11) Employees of the MNB

a) shall be required to make a written statement upon employment as to whether any of their close relatives living in their household are in a legal relationship as an executive officer, a member of the supervisory board, or are in an employment relationship or other legal relationship for the performance of work with a financial institution, a legal entity providing auxiliary financial services or an investment enterprise, and

b) shall immediately report if a close relative living in their household enters into any of the legal relationships set forth in point a) above.

(12) Employees of the MNB may not participate in the preparation and adoption of any decisions which pertain to the financial institution, legal entity providing auxiliary financial services or investment enterprise in which their close relative living in their household maintains legal relationship specified in Paragraph (11).

(13) Employees of the MNB to whom Article 49 does not apply shall submit the reports and statements described in this Article to the party exercising employer's rights.

(14) A legal relationship shall not be established in the MNB, which would result in a managing (supervisory), controlling or accounting relationship between an employee of the MNB and a close relative of such person.

(15) The MNB shall, in order to fulfil the obligations stipulated in this Article and for the monitoring the fulfilment thereof, keep a record of the reports and statements of the employees for 3 years after the termination of their employment.



(16) In the application of this Article, the persons specified in Point *b*) of Article 685 of the Hungarian Civil Code and common-law spouses shall be considered to be close relatives.

Article 58 (1) Members of the Monetary Council of the MNB may only carry out other activities which are compatible with their central bank decision making duties. Such members may not hold office in political parties, may not carry out public activities on behalf of or in the interest of political parties, may not be representatives in Parliament or in local governments and may not be senior officers or public officials in the national or local government.

(2) Members of the Monetary Council of the MNB may not be executive officers or supervisory board members of a business organisation.

(3) The Governor and Deputy Governors of the MNB shall not establish any other employment relationships or other legal relationships for the performance of work.

(4) Members of the Monetary Council pursuant to Point *c*) of Paragraph (4) of Article 49 may establish other employment relationships or legal relationships for the performance of work, which do not give rise to a conflict of interest with their membership in the Monetary Council. Such relationships shall be reported.

(5) Members of the Monetary Council may establish other legal relationships for the performance of work related to scientific, educational, artistic, proof-reading and editorial activities, as well as intellectual activities protected by copyright. These legal relationships shall be reported prior to their establishment.

(6) Members of the Monetary Council of the MNB shall submit their reports and statements pursuant to Article 57 and Paragraphs (4)-(5) of Article 58 to the President of the Republic.

(7) In respect of members of the Monetary Council of the MNB the conflict of interest provisions set forth in Paragraph (1) of Article 57 shall also apply for a period of six months following termination of the employment relationship.

## Declaration of Wealth

Article 58/A (1) The Governor and Deputy Governors of the MNB, as well as the members of the Monetary Council defined in Point *c*) of Paragraph (4) of Article 49 and the members of the Supervisory Board shall declare their wealth in the same way, with the same data contents and frequency as members of parliament. The annual declaration of wealth shall reflect the status on December 31 preceding the year when the obligation falls due. The declaration of wealth due upon appointment or dismissal shall reflect the status on the day of the appointment or dismissal. The person obliged to make this declaration shall enclose the declaration of his/her spouse or common-law spouse living in the same household, as well as that of his/her children (dependents), with the same contents as the declaration of wealth of members of parliament. The declaration of wealth - except that of the dependents - is public, and an exact copy of it shall be made public by the Speaker of Parliament on the website of the Parliament.

(2)

(3) These declarations of wealth shall be registered by the Parliamentary Committee on Immunity, Conflicts and Mandate Inspection. The rules related to the declaration of wealth of members of parliament and to the proceeding related to their declaration of wealth shall apply - with the discrepancies listed in this Article - to the declaration of wealth of the Governor, Deputy Governors of the MNB, as well as the members of the Monetary Council defined in Point *c*) of Paragraph (4) of Article 49 and the members of the Supervisory Board, and to the proceeding related to their declarations of wealth. Anybody may initiate the proceeding related to the declaration of wealth with the Speaker of Parliament.

(4)

Article 58/B The provisions of Paragraphs (1), (3)-(6), (9)-(10) and (13) of Article 57 and Paragraph (7) of Article 58 shall be applied to the members of the Supervisory Board.

## Auditor

Article 59 The auditor of the MNB may be appointed for a maximum term of five years. Following expiration of said term the same auditor may not be reappointed within five years.

## Chapter V

### MISCELLANEOUS PROVISIONS

#### Authorisations

Article 60 (1) The Governor of the Magyar Nemzeti Bank shall be authorised to regulate in a decree

- a) the base rate,
- b) the minimum reserve ratio,
- c) the calculation, the method of allocation and placement of the minimum central bank reserves, and the measures to be taken in case of non-performance,
- d) the issue, denomination, distinguishing features and withdrawal of banknotes and coins (including the commemorative banknotes and coins),
- e) the technical and other tasks relating to the protection against counterfeiting of the Hungarian and foreign legal tender, determined in Paragraph (1) of Article 31/A,
- f) the conditions for giving permission to prepare imitations of legal tender in circulation and the requirements for the production, registration, safekeeping and destruction of such imitations,
- g) the regulations relating to reproductions of euro, including medals and tokens similar to euro coins - with the exception of the rules on sanctions - with due consideration of Council Regulation (EC) No 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins, and
- h) the scope of information to be provided and the scope of the providers for the central bank information system as well as the method and deadline of data submission.
- i) the amount of the administrative service fee charged for the proceedings of the MNB opened on request - other than the proceedings for licensing the provision of auxiliary financial services under the Act on Credit Institutions within the framework of the licensing authority of the MNB, and for the withdrawal of such licences, and the proceedings for the designation granted under Act XXIII of 2003 on Settlement Finality in Payment and Securities Settlement Systems - and the regulations relating to the payment of such fees.

(2) The Governor of the MNB shall be authorised to, within the scope of its tasks set forth in Paragraph (5) of Article 4 and Paragraph (3) of Article 26 of the MNB Act, regulate in a Decree

- a) the rules of the execution of payment orders in payment transactions, as well as the rules of payment methods,
- b) the conditions for cash handling,
- c) the rules of money processing activity, and
- d) the detailed rules of carrying out services set forth in Point b) of Paragraph (2) of Article 3 of the Act on Credit Institutions.

(3) The Governor of the MNB shall be authorised to, within the scope of its tasks set forth in Paragraph (5) of Article 4 and Paragraphs (1)-(2) of Article 27 of the MNB Act, regulate in a Decree

- a) the content and form requirements for the General Business Terms and Conditions of the entities engaged in the activity of operating the payment system under the Act on Credit Institutions and the requirements for the regulations required for the provision of their activity;
- b) the form and content requirements for the business terms and conditions of the entity performing the clearing house activity under the Capital Markets Act, and
- ba) the rules governing the establishment and termination of client relationships,

- bb)* the financial and technical conditions to be satisfied by the clients,
- bc)* clearing and settlement procedures,
- bd)* the rules governing risk management,
- be)* the rules governing the creation and use of statutory collateral,
- bf)* the rules governing the assumption of obligation related to the clearing of stock exchange transactions,
- bg)* the rules governing the establishment, use and management of guarantee funds,
- bh)* the fundamental principles of setting the fees charged for the services rendered to clients;
- c) in the case of the central depository
  - ca)* the rules governing the establishment and termination of client relationships,
  - cb)* the financial and technical conditions to be satisfied by the clients,
  - cc)* the fundamental principles of setting the fees charged by the central depository for services rendered to clients,
  - cd)* the rules governing risk management;
- d) in the case of an entity acting as a central counterparty
  - da)* the rules governing the establishment and termination of client relationships,
  - db)* the financial and technical conditions to be satisfied by the clients,
  - dc)* the rules governing the assumption of obligation related to the settlement of stock exchange transactions,
  - dd)* the rules governing risk management,
  - de)* the rules governing the creation and use of statutory collateral,
  - df)* the rules governing the establishment, use and management of guarantee funds, and
  - dg)* the fundamental principles of setting the fees charged for the services rendered to clients.

(4) The Minister responsible for justice affairs need not be consulted in the case of a decree of the Governor of the MNB.

(5) The Decree issued on the basis of Point *a)* of Paragraph (1) or, in extraordinary circumstances, Point *b)* of Paragraph (1) may also enter into force on the day of its publication or at a date following its publication, as specified in the Decree.

(6)

(7) The decree issued on the basis of Point *c)* of Paragraph (1) shall be announced 15 days prior to coming into effect.

(8)

Article 60/A (1) In the interests of maintaining the stability of the financial intermediary system, the Governor of the MNB may submit a proposal either to the Government to adopt a legal regulation or to propose new legislation, or to a member of the Government to adopt a legal regulation. The Governor of the MNB may decide to make his proposal in public.

(2) In response to the proposal defined in Paragraph (1), the minister responsible for the regulation of the money, capital and insurance markets or a member of the Government shall inform the Governor of the MNB of the start of the procedure for the adoption of a legal instrument or for a legislative initiative within 15 working days - in public if the proposal has been made in public - or, in the case of a regulation to be set out in law, of the deadline for submitting such to Parliament, and, in the case of a regulation to be set out in a decree, of the deadline for the promulgation of such; or in the absence of such, of the reasons for his decision.

(3) If the deadline set in accordance with Paragraph (2) passes without any action having been taken, the addressee of the initiative shall promptly inform the Governor of the MNB of the reasons for the delay - in public if the proposal has been made in public - and, with his agreement, of the new deadline set for submitting such to Parliament or for the promulgation of such.

Article 61 (1) The MNB shall be entitled to keep forint and foreign exchange accounts for

*a)* payment service providers defined in Point 22 of Paragraph 2 of Act LXXXV of 2009 on Payment Services,

*b)* organisations pursuing clearing house activity as defined in the Capital Markets Act,

*c)* organisations engaged in the activity of operating the payment system as defined in the Act on Credit Institutions,

*d)* organisations pursuing money processing activities,

*e)* the central securities depository,

*f)* the National Deposit Insurance Fund,

g) the Investor Protection Fund,  
h) any other domestic organisations in respect of performing the basic tasks as defined in Article 4 (1), (4), (5) and (7),

i) foreign organisations in respect of performing the basic tasks as defined in Article 4 (1), (4), (5) and (7), as well as the fulfilment of obligations arising from international agreements.

(2) In the course of performing the tasks included in Paragraphs (1)-(7) of Article 4, the MNB may conduct any other transactions in forint, foreign exchange and precious metals included in the range of financial service and auxiliary financial service activities.

(3) In the course of performing the tasks described in Paragraphs (1) and (7) of Article 4, the MNB may perform the auxiliary investment service activity as set forth in Points *a*) and *b*) of Paragraph (2) of Article 5 of the Investment Services Act.

Article 62 (1) Based on claims arising in connection with its central banking tasks, the MNB shall be entitled to a statutory lien on the assets of a domestic debtor, regardless of the legal grounds upon which title to such assets was acquired. Based on the statutory lien the MNB shall satisfy its claims in the most suitable manner from the assets subject to lien, without the need for court proceedings. These provisions shall also be appropriately applied to satisfaction from collateral security provided to the MNB.

(2) In respect of liens or collateral security for the benefit of the MNB - accrued in relation to the performance of its central banking tasks - the provisions of Act XLIX of 1991 on Bankruptcy Proceedings, Liquidation Proceedings and Voluntary Dissolution on the restriction of direct enforcement of such collateral claims shall not be applied.

(3) The provisions of Paragraphs (1) and (2) shall be applied in relation to the collaterals provided to a central bank of another Member State of the European Union or to the European Central Bank, in connection with carrying out their central banking tasks.

(4) The MNB shall satisfy its receivables from activities described in Article 7 against credit institutions to the debit of the accounts kept for credit institutions - in the order preceding the execution of administrative transfers and transfers pursuant to court order.

Article 63 In respect of legal proceedings, domestic legal action against the MNB may only be initiated at the seat of the MNB. This provision shall not apply in respect of legal actions arising from employment relationships.

Article 64 The books of the MNB and the excerpts from such books, signed on behalf of the MNB, shall have power of evidence as official public documents.

## Income Regulation of the MNB

Article 65 (1) Based on a Shareholder Resolution, the MNB shall pay dividends either from its annual net profit in the reference year or from its accumulated profit reserve. This dividend payment obligation shall be discharged within 8 days of the Shareholder Resolution on the relevant annual financial statements pursuant to Point *b*) of Article 46/A.

(2) The MNB shall not pay interim dividend.

(3) To the extent that the losses incurred in the year under review exceed the balance of the accumulated profit reserve, the difference shall be paid directly by the central budget to the credit of the accumulated profit reserve within 8 days of the Shareholder Resolution on the relevant annual financial statements pursuant to Point *b*) of Article 46/A.

## **Chapter VI**

### **APPROXIMATION TO THE LAWS OF THE EUROPEAN COMMUNITIES**

Article 66

## **Chapter VII**

### **CLOSING PROVISIONS**

Article 67 (1) Tasks for the MNB may be established

*a)* by law, in relation to money circulation and the licensing of auxiliary financial services within its authority, and

*b)* by this Act, with regard to the ones not listed in Point *a)*.

(2) The tasks set forth in Paragraph (1) shall be harmonised with the central banking tasks and responsibilities of the MNB as set forth in this Act.

Article 67/A

Article 68

Article 69 (1) With the exceptions named under Paragraphs (2) and (3), the MNB may not hold ownership interests in any foreign or domestic business entity.

(2) The MNB may obtain ownership interests in organisations established

*a)* in connection with its activity,

*b)* for the activity of operating the payment system, and

*c)* for performing stock exchange, clearing house, central depository and central counterparty activities.

(3) Paragraph (1) shall not apply to the acquisition, through the operations accomplished in the course of performing its tasks set forth in Paragraphs (1) and (7) of Article 4 of this Act, of equity securities admitted to trading on regulated markets, with the provision that the MNB may not acquire a qualified interest in the issuer. The MNB may not, within the scope of its tasks specified in Paragraphs (1) and (7) of Article 4 acquire equity securities directly from the issuer.

Article 70 Provisions of the Act on Business Associations shall apply to the MNB, with due consideration of the derogations set forth in this Act.

Article 71 (1) The terms and conditions of loans extended by the MNB to the central budget prior to the entry into force of this Act shall reflect market conditions.

(2) A portion of privatisation revenues at least equal to the amount of the credit the MNB has extended for the sale of state property shall be utilised for the reduction of government debt vis-à-vis the MNB.

(3) On an exceptional basis, in emergencies jeopardising the stability of the financial system as a whole and the smooth circulation of money and observing the prohibition of monetary financing as set forth in Paragraph (1) of Article 16, the MNB may grant a loan to the National Deposit Insurance Fund at the request of the latter; the maturity of such loans shall not exceed three months.

Article 71/A Central bank inspection shall extend to the compliance with the stipulations of the laws on money circulation, certain conditions of carrying out financial and auxiliary financial services falling under the licensing authority of the MNB, as well as to the stipulations of the central bank decrees issued before 1 May 2004 and still effective at the time of carrying out the inspected transaction or when the inspected event took place or the inspected status existed.

Article 72 (1) This Act shall enter into force on the eighth day following its promulgation, with due consideration of the exceptions set forth in Paragraph (2).

(2) Article 17 and Paragraph (4) of Article 65 shall enter into force on 1 January 2002 and 1 January 2003, respectively.

(3) In respect of determining the profit or loss of the MNB for 2001, the provisions of Paragraphs (1) and (2) of Article 20 of the MNB Act in force on 1 January 2001 shall be applied, while in respect of the determination of advance dividend payment obligations for 2002, Paragraph (4) of Article 78 of the MNB Act in force on 1 January 2001 shall be applied. The provisions of Paragraphs (4)-(5) of Article 17 of this Act shall be applied in respect of discharging payment obligations related to equalisation reserves.

(4)

Article 73 (1) The provisions of the Act on the General Rules of Administrative Proceedings and Services pertaining to electronic communication shall not apply to the regulatory proceedings of the MNB before 30 June 2011. This Paragraph shall be repealed as of 1 July 2011.

(2) Any infringement that was committed before 1 October 2009 shall be sanctioned according to the regulations in effect at the time it was committed.

Article 74

Article 75