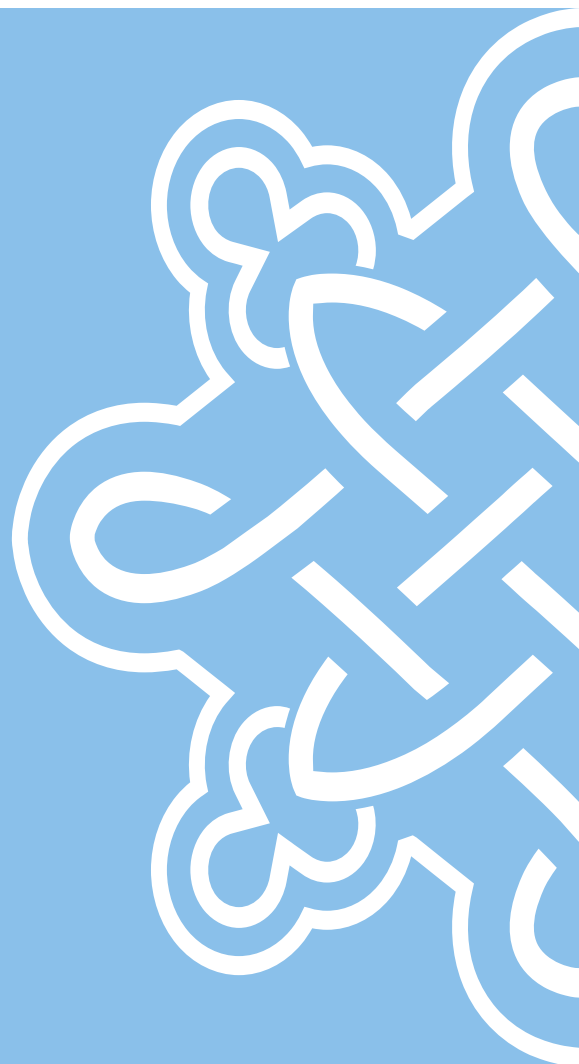




BROCHURE

ON THE BASIC INFORMATION
NECESSARY FOR CONNECTING
TO VIBER



2022

MARCH



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1 Purpose of the document

This document provides information for institutions that intend to establish direct participation in the real-time gross settlement system (VIBER) operated by the Magyar Nemzeti Bank (MNB) and, in connection with this, wish to obtain information on VIBER, the related financial infrastructures, and on the process of connecting to VIBER as a direct participant (the onboarding process).

VIBER is the central financial infrastructure of the Hungarian economy, and several ancillary financial infrastructures are connected to it to use forint settlement in central bank money. VIBER may be accessed directly or indirectly: *connecting as a direct participant* means that the institution opens a forint account directly with the MNB, while *connecting as an indirect participant* means doing so at an institution that directly participates in VIBER. The range of entities eligible for connecting as a direct participant is specified in the account management and payment services policy of the Magyar Nemzeti Bank, while the detailed description of the conditions and the onboarding process are available in the *Business Terms and Conditions for bank accounts managed by the Magyar Nemzeti Bank and for settlements in forint and foreign exchange transactions* (hereinafter: General Business Terms and Conditions of the MNB) (see Section 4.1).

The MNB supports financial innovation, therefore it facilitates connecting to VIBER as a direct participant for a wide range of institutions. Related to this, one of the key objectives of this document is providing *connecting institutions* with an easy-to-understand overview of VIBER, the financial infrastructures connected to it and the onboarding process, thereby supporting their successful operation in the Hungarian market.

Section 2 of the document presents VIBER and the financial market infrastructures connected to it. Section 3 describes the process of connecting to VIBER as a direct participant. Section 4 provides an overview of the key documents and laws determining operation in the Hungarian payment market.

For ease of reference, the table below briefly summarises which Hungarian financial infrastructures are involved in the provision of individual payment services, i.e. which infrastructures an institution may need to connect to, if it plans to provide a certain service. Later on, the document precisely defines the reasons for choosing a specific infrastructure when several of them are involved in a service.

Table 1				
Key features of the Hungarian payment infrastructures				
	VIBER	ICS IG1	ICS IG2	ICS GIROInstant
Key features of the infrastructures				
Type of infrastructure ¹	RTGS	ACH	ACH	ACH
Processing speed	instant	1 day	typically 1 hour	instant
Period for submitting orders	on business days 07:00–18:00	on business days 15:30–23:00	on business days 06:00–18:00	continuously every day
Account management for connecting institutions	X			
Infrastructures involved when a connecting institution provides a certain service				
Management of customer accounts (payment accounts)	X	X		
Individual credit transfer (initiated individually and in bulk)	X		X	X
Batch credit transfer	X		X	
Individual direct debit	X	X		
Batch direct debit	X	X		
Payment card acquiring or issuing service	X			

This document is for information only. The official presentation of the system components and processes described here is available in the General Business Terms and Conditions of the MNB.

¹ RTGS (real time gross settlement system); ACH (automated clearing house)

2 VIBER and connected financial infrastructures

VIBER is defined as follows:

- **VIBER** – A real-time gross settlement (RTGS) system for the gross settlement of domestic, large-value forint payment and settlement instructions and account transfer orders, operated by the MNB since 1999.

The financial infrastructures connected to VIBER are as follows:

- **Interbank Clearing System (ICS)** – The payment system operated by GIRO Zrt. – a subsidiary of the MNB – in its capacity as system operator, performing the clearing of – primarily – retail and corporate forint payment transactions, which includes three clearing platforms:
 - **InterGIRO1 (IG1)** – An *overnight* clearing method – available since 1994 – for clearing individual and batch credit transfers and direct debits, and for sending the related financial messages. Orders submitted on any working day to IG1 are executed on the following working day. It mostly clears batch payment orders.
 - **InterGIRO2 (IG2)** – An *intraday* clearing method – available since 2012 – for clearing individual and batch credit transfers, and for sending the related financial messages. Orders submitted on any working day to IG2 are usually executed within one hour.
 - **GIROInstant** – An *instant* clearing method – available since 2020 – for clearing individual credit transfers and for sending the related financial messages. Orders submitted to GIROInstant are executed within 5 seconds, at most. It is available 24 hours a day, year-round.
- **KELER** – The securities settlement system, operated since 1993 by KELER Zrt. (a subsidiary of the MNB) in its capacity as Hungary’s central securities depository. The cooperation of KELER and VIBER facilitates, among other things, securities settlement in central bank money on a Delivery Versus Payment (DVP) basis and securing credit lines from the MNB by pledging securities as collateral at KELER with MNB as the beneficiary.

The other financial infrastructures connected to VIBER are as follows:

- **Payment card systems** – Financial infrastructures operated by international card companies. The cooperation of the international payment card systems and VIBER facilitates the interbank settlement of forint payment transactions cleared in international payment card systems.
- **Continuous Linked Settlement (CLS)** – A financial infrastructure operated by CLS group, which facilitates the settlement of foreign exchange transactions. The cooperation between CLS and VIBER was established in 2015, and it facilitates the settlement of forint against CLS currencies² free from foreign exchange settlement risk.

² The 18 CLS currencies are as follows: AUD, CAD, CHF, DKK, EUR, GBP, HKD, HUF, ILS, JPY, KRW, MXN, NOK, NZD, SEK, SGD, USD, ZAR (2021)

- **Postal Clearing Centre (PEK)** – A system operated by Magyar Posta Zrt. (Hungary’s national postal service provider), supporting the payment services of the Magyar Posta, i.e. postal services facilitating cash deposits to payment accounts (so-called yellow and white cheque) and cash withdrawals from payment accounts. The cooperation between PEK and VIBER facilitates the interbank settlement of payments executed through the Magyar Posta.

The MNB provides the aforementioned infrastructures with settlement services in VIBER, thereby facilitating the execution of forint payment orders between the participants of the infrastructures in central bank money, i.e. free from credit and settlement risk. All this is carried out on forint bank accounts opened at the MNB.

2.1 WHAT IS THE DIFFERENCE BETWEEN VIBER AND ICS?

Payments in Hungarian forint rest on two pillars, namely VIBER and ICS. VIBER is the primary venue of *interbank* payments and one of the channels supporting the implementation of the MNB’s monetary policy, as it provides access to the MNB’s monetary policy instruments. By contrast, ICS has a central role in the execution of the payments of *households and non-financial institutions*, and accordingly, its setup supports processing the payment volumes of these actors. However, there are overlaps in the payment transactions processed by the two infrastructures, particularly since March 2020, i.e. since the introduction of ICS’ instant clearing mode (GIROInstant). Since then, instant payment is the standard form of credit transfer not only for the banking sector, but also for households and non-financial corporations. It is therefore worth clarifying which orders are cleared and settled in VIBER and which in ICS.

2.2 WHAT KIND OF ORDERS CAN BE SUBMITTED TO VIBER AND HOW DOES CLEARING AND SETTLEMENT WORK?

Three types of orders may be submitted to VIBER:

- Payment order, and within that:
 - Customer payments: orders initiated by the customers of VIBER participants
 - Bank-to-bank payments: payment orders initiated by a direct or indirect participant, or a resident or non-resident credit institution belonging to its account-holding clientele, where the beneficiary is also a direct or indirect participant, or a resident or non-resident credit institution belonging to its accounting-holding clientele.
 - Central bank operations: orders initiated by the MNB
- Settlement order: orders initiated by the infrastructures connected to VIBER.
- Instant internal transfer orders: orders submitted by GIRO Zrt., related to the liquidity management of GIROInstant (see 2.3.3)

Accordingly, VIBER participants typically play an active role in the case of *customer payments* and *bank-to-bank payments* through the initiation of orders. Since in the case of customer payments the involvement of ICS may arise, below we thoroughly examine the criteria for choosing between infrastructures (see 2.4).

Orders are cleared and settled in VIBER on a gross basis, in one step, as long as the required funds are available. In the event of insufficient funds, the payment order will be moved to a settlement queue and cancelled if it has not been settled by the end of the day. VIBER is available on working days between 7:00 and 18:00.

2.3 WHAT KIND OF ORDERS CAN BE SUBMITTED TO ICS AND HOW DOES CLEARING AND SETTLEMENT WORK?

On the different platforms of ICS, partially different types of orders may be cleared in different ways.

2.3.1 IG1 – overnight clearing:

- Credit transactions:
 - Individual credit transfer (initiated individually and in bulk)
 - Batch credit transfer
- Debit transactions:
 - Individual direct debit
 - Batch direct debit
- Letter of credit

IG1 is a clearing platform of ICS, available since 1994; accordingly, this is the oldest clearing method for payments in Hungary. After the launch of ICS' new platforms (IG2, GIROInstant) the volume of transactions gradually moved to the more recent services. However, IG1 still plays an important role, since the orders initiated by public authorities (such as official transfers, judicial transfer orders) and direct debits are still cleared here. Pursuant to the Hungarian laws, if an institution keeps payment accounts for its clients, it may not reject the execution of official transfers and judicial transfer orders, as long as the conditions specified in the relevant laws are fulfilled. Since these payment orders are cleared by IG1, when an institution keeps payment accounts, it must connect to this settlement method as well.

Orders for any specific working day (T) may be submitted to IG1 from the afternoon of the preceding working day (T-1) until early morning of the next calendar day, and the clearing takes place overnight in two cycles. The positions generated as a result of the clearing are settled by the MNB in the morning of the specified working day (T) relying on a system belonging to VIBER's IT environment. The funds necessary for the settlement are composed of the balance of the bank account as at the end of the previous working day (T-1) and the part of the intraday credit line dedicated by the VIBER participant for this purpose (see 2.6.1).

2.3.2 IG2 – intraday clearing:

- Credit transactions:
 - Individual credit transfer (initiated individually and in bulk)
 - Batch credit transfer

IG2 is a clearing platform of ICS available since 2012, where forint payment orders are cleared in cycles, usually every hour. Some retail and corporate forint transfers are still cleared here, since the switchover to instant clearing, launched in 2020, has not yet been realised in full.

IG2 facilitates hourly gross or net clearing on working days between 6:00 and 18:10. The clearing takes place in ten cycles, where GIRO Zrt. – the operator of ICS – collects the necessary funds from the participants' VIBER accounts based on the submitted orders, and then transfers them to the VIBER accounts of the respective participants based on the received orders. If sufficient funds are not available, the payment orders are rolled over to the next clearing cycle. However, if the necessary funds are not available even in the last cycle of the respective working day, the orders are rejected.

2.3.3 GIROInstant – instant clearing:

- Credit transactions:
 - Individual credit transfers (initiated individually and in batches)

GIROInstant is a clearing platform of ICS available since 2020, where forint payment orders are cleared in 5 seconds, at most. GIROInstant is available 24 hours a day, year-round, and thus it is the most modern forint clearing service. Only individual credit transfers may be submitted to GIROInstant; however, it is mandatory to execute payment orders that satisfy the conditions stipulated in MNB Decree 35/2017 (XII. 14.) on the execution of payment transactions (hereinafter: MNB Decree on payment transactions) within 5 seconds at most, which means those may only be executed through GIROInstant (see 2.4.1).

Payment orders submitted to GIROInstant are settled from prefinanced forint funds. This means that the participants of GIROInstant must place the funds for their payment orders submitted to GIROInstant on a dedicated account in advance. GIRO Zrt. performs the related liquidity management automatically during VIBER working hours by instant internal transfers (see 2.2); however, in periods outside VIBER working hours – i.e. overnight, at weekends and during bank holidays – this function is not available. Accordingly, by default, participants must prepare for these periods via prefinancing, since it is not possible to draw in additional liquidity from their VIBER accounts in these cases. However, it should be noted that the secured credit line granted by the MNB may be used in GIROInstant outside the VIBER working hours, i.e. the securities pledged with MNB as the beneficiary may provide collateral in these periods for the execution of forint turnover (see. 2.6.2).

2.3.4 Additional services related to ICS

GIRO Zrt. has additional services, closely related to ICS, two of which are worth mentioning:

- *Request to pay:* In Hungary, according to the MNB Decree on payment transactions, the payment orders initiated in response to requests to pay can only be instant transfers – i.e. processed on the instant settlement platform – contrary to e.g. the European SRTP standard, which contains no such condition. Accordingly, if a payment service provider plans to provide its clients with the option of receiving requests to pay, it must connect to the instant clearing. It should be noted that technically it is also possible to send requests to pay for amounts over HUF 10 million, i.e. requests for payments which do not have to be performed in instant clearing (see the limit applicable to instant payments in section 2.4.1). Irrespective of this, the order initiated in response to the request to pay may only be instant payment, i.e. the execution of requests to pay for amounts higher than HUF 10 million is up to the respective payment service providers³.
- *Secondary account identifier:* According to the MNB Decree on execution of payment transactions, all payment service providers must be capable of registering and cancelling secondary account identifiers (at present: telephone number, email address, tax number/tax ID) assigned by clients to their account number. In addition, no payment order may be rejected citing that the order contains the beneficiary's secondary account identifier instead of their account number. At present, technically it is only possible to initiate payments with the beneficiary's secondary account identifier in instant clearing. This is not possible in the case of orders processed in intraday (IG2) and overnight (IG1) clearing.

³ See also the description in the relevant MNB guidelines: <https://www.mnb.hu/letoltes/fizetesi-folyamatok-utmutato-20190712-en.pdf>

2.4 WHAT DETERMINES IN WHICH PAYMENT SYSTEM A SPECIFIC CREDIT OR DEBIT TRANSACTION IS CLEARED AND SETTLED?

To foster the acceleration of payments in Hungary, MNB prescribes short deadlines for the execution of two specific types of payment orders: (a) instant credit transfer and (b) credit transfer in forint, not requiring conversion and not submitted on paper. Accordingly, to process these payment orders, payment service providers operating in Hungary have a limited choice of infrastructure.

2.4.1 The five-second rule – ICS instant clearing

Regarding instant credit transfers, the most important statutory provision is the five-second execution rule, in force since 2020, specified in the MNB Decree on execution of payment transactions as follows:

Article 17 (3) In the case of instant credit transfer orders, the payer's payment service provider shall ensure that the amount of the payment transaction is credited to the account of the payee's payment service provider at the latest within five seconds following the time of receipt⁴ of the payment order as specified in Article 7 (4).

Payment service providers operating in Hungary may only comply with this requirement if they connect to the ICS' instant clearing platform operated by GIRO Zrt. As such, if an institution planning to enter the Hungarian payments market plans to process client orders that qualify – according to the MNB Decree on execution of payment transactions – as an instant credit transfer, participation in ICS is unavoidable. The question may arise why it is not possible to comply with this requirement through participation in VIBER. The answer to this is that VIBER does not operate 24/7/365, and thus the five-second execution rule, i.e. statutory compliance, cannot be ensured with VIBER.

However, it is important to clarify what exactly qualifies as instant credit transfer. The definition under the MNB Decree on execution of payment transactions is as follows:

Article 35 (1) A single credit transfer order for an amount in forint shall qualify as an instant credit transfer order if

- a) it is given to the debit of the payer's forint payment account;*
- b) its amount does not exceed 10 million forints;*
- c) it does not specify a debit date following the date of receipt by the payment service provider;*
- d) it is submitted by the payer by means of information technology, telecommunication or by other means as specified in the framework contract with the payment service provider, and is processed by the payment service provider in a way that does not require any human intervention; and*
- e) except as provided for in paragraph (2), it is not submitted in batches*

Article 35 (2) Where the payer is a consumer, single credit transfer orders submitted in batches and complying with the conditions specified in points a) – d) of paragraph (1) shall be considered an instant credit transfer order.

As can be seen, what qualifies as an instant credit transfer has been very precisely defined by the MNB in the MNB Decree on execution of payment transactions. On the other hand, this also means that when an individual forint credit transfer does not satisfy the conditions in a)-e), it is considered a simple credit transfer and as such it is not subject to the five-second rule. As such, when an individual forint credit transfer (a) is initiated to debit a non-forint account, or (b) exceeds HUF 10 million, or (c) is submitted with a later value date or (d) cannot be processed automatically, because e.g. it is submitted on paper, or (e) is submitted in bulk – except for bulks submitted by consumers (see Article 35 (2)) – it does

⁴ Article 7 (4) An instant credit transfer order shall be considered to have been received at the time when the payment order was received by the payer's payment service provider and the authentication was finished.

not qualify as instant credit transfer, and thus it is not mandatory to submit it to ICS instant clearing. It should be also noted that corporate credit transfers submitted in bulk and value-dated credit transfers may only be submitted to instant clearing with a speed of at most one transaction per second per payment service provider to which they are addressed.

2.4.2 The four-hour rule – ICS intraday clearing

On the other hand, the question arises what rule applies to the execution of credit transfers that are not subject to the five-second rule. The following rule in the MNB Decree on execution of payment transactions applies to the execution of payment transactions submitted not on paper, and is known as the four-hour rule:

Article 17 (2) In the case of payment transactions referred to in point a) of Article 16 (1), the payer's payment service provider shall ensure that the amount of the payment transaction is credited to the account of the payee's payment service provider at the latest within four hours following the time of receipt of the payment order as specified in Article 7 and the funds required for full or partial execution are available on the payer's payment account, provided that

a) the payment order is for a credit transfer other than an instant credit transfer, official transfer or a credit transfer based on remittance summons; and

b) the payer submits the payment order by means other than paper.

The four-hour rule was adopted in 2012 to foster the switchover of payment transactions from the ICS overnight clearing platform (IG1) to the intraday clearing platform (IG2). However, since the launch of instant payments in 2020, it may only be considered a secondary category of speed. Additionally, the requirement concerning the execution of payment transactions falling within the four-hour rule may be satisfied not only via the ICS intraday clearing platform, but also via ICS instant clearing or VIBER, since this rule applies to execution on working days – as specified in the MNB Decree on the execution of payment transactions – rather than to execution under a 24/7/365 regime. On the other hand, it should be noted that the fee structure of ICS and VIBER largely differ, and thus the decision on the place of clearing and settlement of payment transactions subject to the four-hour rule should be made with this in mind.

2.4.3 The 1+1-day rule

All payment transactions not mentioned before fall within the slowest category, and the rule for these transactions is the transposition of the rule specified in Article 83 of the European Payment Services Directive⁵ (PSD2) in Hungary. This is set out in the MNB Decree on execution of payment transactions as follows:

Article 17 (1) Except as provided for in paragraphs (2) and (3), the payer's payment service provider shall ensure that the amount of the payment transaction is credited to the account of the payee's payment service provider at the latest by the end of the business day following time of receipt of the payment order as specified in Article 7. For paper-based payment orders, the execution time limit shall be extended by one business day.

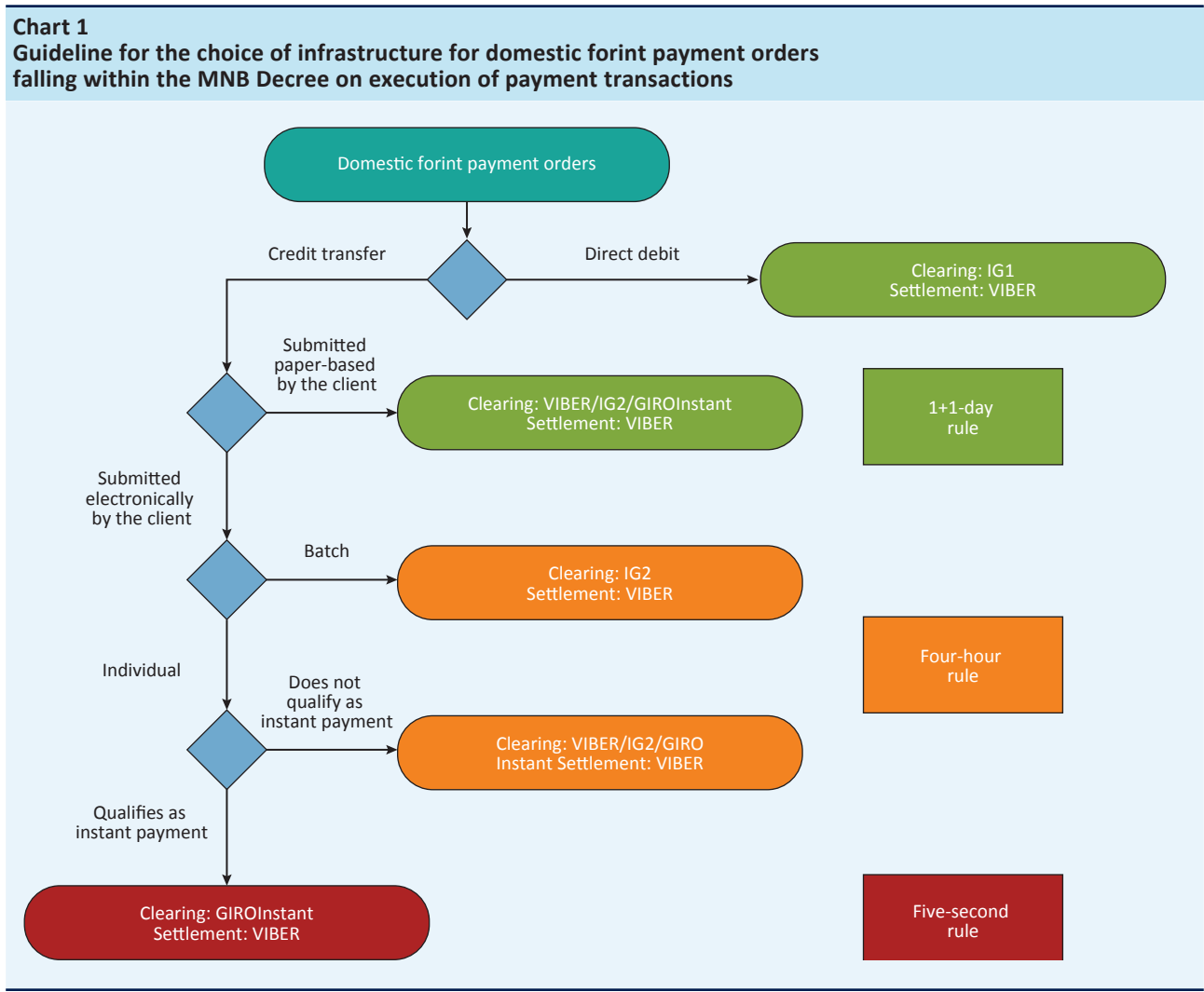
To ensure compliance with this rule when choosing the infrastructure, the type of payment orders that the individual systems are capable of processing should be taken into consideration (see 2.2. and 2.3.). At present, direct debits can only be cleared on the ICS IG1 platform, while credit transfers may be cleared through the ICS IG1 platform only based on a special agreement. Accordingly, by default the latter can be cleared either on the ICS IG2 platform or via GIROInstant.

⁵ Directive 2015/2366/EU of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (Text with EEA relevance)

2.4.4 Guideline for the choice of infrastructure for domestic forint credit transfers and direct debits

It clearly follows from the rules of the MNB Decree on execution of payment transactions presented before, which Hungarian payment infrastructure can be used for the clearing and settlement of specific payment orders. Furthermore, considering the technical attributes of the individual infrastructures – e.g. their operating hours – it may be outlined via a series of decision points which financial infrastructures must be accessed in order to enter certain submarkets of the Hungarian payment market. This document shows these decision points for domestic forint payment orders falling within the MNB Decree on execution of payment transaction, also indicating when several clearing options can be used in a legally compliant manner (see Chart 1).

It should be noted that the guideline provided here gives only a broad overview of the criteria to be assessed. It is the responsibility of the institutions planning to connect to VIBER to substantiate their business strategy regarding Hungarian payment infrastructures with an in-depth legal analysis. The MNB, in its capacity as supervisory authority, continuously monitors the compliance of payment service providers operating in Hungary, including compliance with the provisions of the MNB Decree on execution of payment transactions. Accordingly, choosing the appropriate infrastructure is of utmost importance for those newly entering the Hungarian payments market.



2.5 GENERAL INFORMATION RELATED TO ADDITIONAL ORDER TYPES

Apart from the core infrastructures (ICS, KELER), there are other infrastructures also connected to VIBER. These facilitate the processing and clearing of additional order types, thereby serving certain submarkets of the Hungarian payments market.

2.5.1 Payment card systems

In Hungary only international card companies offer payment card services. Accordingly, payment service providers without a registered office in Hungary may be familiar with the clearing and settlement processes related to these from other national markets. In the case of domestic transactions, institutions interested in Mastercard or Visa payment card issuance or acquiring in Hungary must become direct participants in VIBER and open a bank account with the MNB. In addition, the participant must also comply with a collateral placement obligation, calculated on the basis of its payment card turnover (see 2.6.3). MNB performs daily automatic payment card settlement without any active contribution by the VIBER participant. Based on the net positions generated by the aforementioned card companies, the MNB debits the account of the VIBER participant in debit position and credits the account of the VIBER participant in credit position. The legal and technical steps necessary for participating in payment card settlement are not part of the process of connecting to VIBER but may be performed in parallel. It is advisable to indicate the intention to participate in the payment card settlement process as soon as possible when setting up a direct connection to VIBER. It is also possible to participate in the payment card settlement indirectly. In this case institutions must agree on participation with a direct participant in the payment card settlement.

2.5.2 CLS

CLS is an international financial infrastructure, which facilitates the settlement of foreign exchange transactions free from foreign exchange settlement risk. VIBER performs liquidity management in connection with CLS-processed foreign exchange transactions against forint, with the active cooperation of the affected VIBER participants. Banks involved in the service execute the pay-ins prescribed by CLS on each working day between 7:00 and 9:00 a.m., thus the liquidity management related to this service is concentrated in this period. The use of the CLS service and the rendering of payment services related to CLS do not form part of the process of connecting to VIBER.

2.5.3 PEK

The Postal Clearing Centre (PEK) operated by Magyar Posta Zrt. plays a central role primarily in relation to a special postal service, namely the cash deposit to a payment account (yellow and white cheque). This payment method is most commonly used to pay public utility bills. Consequently, if a payment service provider plans to provide services to public utility companies or other issuers of bills, it may want to familiarise itself with the operation of PEK. This, however, is not part of the process of connecting to VIBER as a direct participant and has no bearing on it.

2.6 WHAT DETERMINES WHETHER A CONNECTION TO KELER SHOULD BE ALSO ESTABLISHED IN PARALLEL WITH ONE TO VIBER?

KELER Zrt. acts as the custodian of the MNB and has a key role in the operation of monetary policy instruments. The securities serving as collateral for the loans taken from the MNB must be pledged at KELER as collateral with MNB as the beneficiary⁶. There are three lending facilities that are of key importance for the execution of payments: the intraday credit line, the instant credit line and the credit line supporting card settlement.

2.6.1 Intraday credit line

The intraday credit line is available to the MNB's monetary policy counterparties, i.e. domestic credit institutions as defined in the *Terms and Conditions of the Operations of the Central Bank in Forint and Foreign Currency Markets*. The

⁶ Receivables from large corporations pledged in favour of the MNB may also serve as collateral for the credit lines provided by the MNB; however, this type of collateral is beyond the scope of this document. For the details see the MNB's relevant business terms and conditions.

MNB executes the payment orders submitted by the VIBER participant up to the intraday credit line available in VIBER even after their account balance is exhausted. Accordingly, the intraday credit line is of utmost importance for the liquidity management of VIBER participants. Furthermore, it should be noted that outside the VIBER's operating hours, the intraday credit line is divided into two parts, at the participant's discretion: a dedicated part provides surplus funds for orders submitted to IG1 (see 2.3.1), while the remaining part serves as an instant credit line after deducting the relevant lending fee (see 2.6.2). Certain VIBER participants actively use the intraday credit line, while others tend to settle their payment orders against their account balance. This is based on the individual liquidity management decision of the participant.

2.6.2 Instant credit line

The instant credit line is available to VIBER participants not qualifying as a public sector organisation subject to the prohibition of monetary financing. This means that this form of funding is available to both credit institution, and non-bank payment service providers. The instant credit line ensures that the securities portfolio pledged as collateral can support participants' liquidity management for GIROInstant even outside of VIBER's operating hours. This way it forms an additional backstop for the overnight, weekend and bank holiday periods. Pledging securities at KELER with MNB as the beneficiary in order to create the instant credit line is optional. However, as the option is available to all VIBER participants, the MNB charges the fee for the instant credit line even if the participant does not create it.

2.6.3 Collateral to support payment card settlement

Payment card issuing and acquiring service providers participate in payment card settlement. The clearing of payment card transactions is performed by international card companies, while the settlement is performed by the MNB between the VIBER accounts of issuers and acquirers. To ensure the safety of settlements, if a participant has insufficient funds the MNB grants an overnight collateralised loan, which is automatically disbursed and used for the settlement, if the participant does not provide the necessary funds for the bankcard settlement of that day by the end of the business day. The securities collateral for this loan must be pledged at KELER with MNB as the beneficiary. Those participating in bankcard settlement are obliged to place securities collateral in proportion to their payment card purchase and cash withdrawal turnover. Thus KELER participation is necessary to provide bankcard issuing or acquiring services.

Consequently, it is primarily the decision related to the three credit lines presented above, that determines whether it is necessary to establish KELER participation in parallel with VIBER participation. The decision may necessitate more detailed explanation with respect to non-bank payment service providers. Accordingly, we discuss such parties in more details in the following section (see 2.7).

2.7 ISSUES CONCERNING THE RELATIONSHIP OF NON-BANK PAYMENT SERVICE PROVIDERS WITH FINANCIAL INFRASTRUCTURES

With a view to enhancing the Hungarian payments market, the MNB decided to also provide non-bank payment service providers the opportunity of connecting to VIBER as a direct participant. This will allow credit institution and non-bank payment service providers to compete on equal terms, which will increase the competitiveness of the Hungarian payment sector in the long run. However, it should be noted that VIBER and the related infrastructures are mostly used by domestic credit institutions, and thus the service offering and the related processes have originally been developed based on the requirements of this segment. Below are a few questions that may be important for non-bank payment service providers when developing their payment service strategy in Hungary.

2.7.1 Should I connect to VIBER directly or indirectly?

You may connect to VIBER either directly or indirectly. When you connect directly, cooperation must be developed with the system operator, i.e. with the MNB, while in the case of indirect participation this is done with a direct participant, usually a domestic credit institution. Participation in the Hungarian payments system is fully feasible either way. Accordingly, the decision should be considered primarily from a business perspective, taking into account the tasks that need to be completed during the onboarding process. It should be noted that pursuing direct participation in VIBER requires you to fulfil tasks that, in the case of indirect participation, would be performed by the direct participant credit institution

through which you connect. Accordingly, connecting to VIBER as a direct participant may be more time-consuming and resource-intensive, which – on the other hand – may be offset by the business advantages from not using an intermediary.

2.7.2 I intend to establish direct participation in VIBER with an EU passport, as a cross-border service provider. What should I pay attention to?

Non-bank payment service providers with registered office in an EEA member state may render cross-border services in Hungary without a special licence, once they have been registered by the MNB at the request of the supervisory authority of their country of residence. As a result of this, they may also participate in VIBER directly. The onboarding process includes the same phases for them as for payment service providers established in Hungary. However, in their case the MNB, as the national competent authority, is entitled to contact the competent authority that licensed the payment service provider when performing due diligence (see 3.3.).

2.7.3 How can I comply with the laws regarding the protection of client funds as a VIBER participant?

PSD2 prescribes strict requirements for non-bank payment service providers with regard to the protection of client funds. The institution can comply with these regulations in several ways, one of which is the segregation of customer funds on a separate account. The MNB individually handles the connecting institutions' needs for client fund segregation during the onboarding process.

2.7.4 Should I connect to the ICS?

If the sending and receiving of payment orders, which can only be cleared in the ICS or which are cleared in the ICS according to market conventions is part of the applicant's payment strategy in Hungary, it is necessary to connect to the ICS. The exact assessment of this is the responsibility of the connecting institution, with this document providing assistance (see 2.4.). It should be noted that ICS participation is also justified when the connecting institution does not intend to participate in ICS as a sender, but receiving payment orders cleared by ICS forms part of its strategy.

GIROInstant, launched in 2020 is especially important considering that it is the only financial infrastructure that can satisfy the five-second rule prescribed by the MNB Decree on the execution of payment transactions (see 2.4.1). Thus, it is particularly important for the institution wishing to connect to VIBER as a direct participant to have a precise payment strategy concerning payments subject to instant clearing.

2.7.5 Should I connect to KELER?

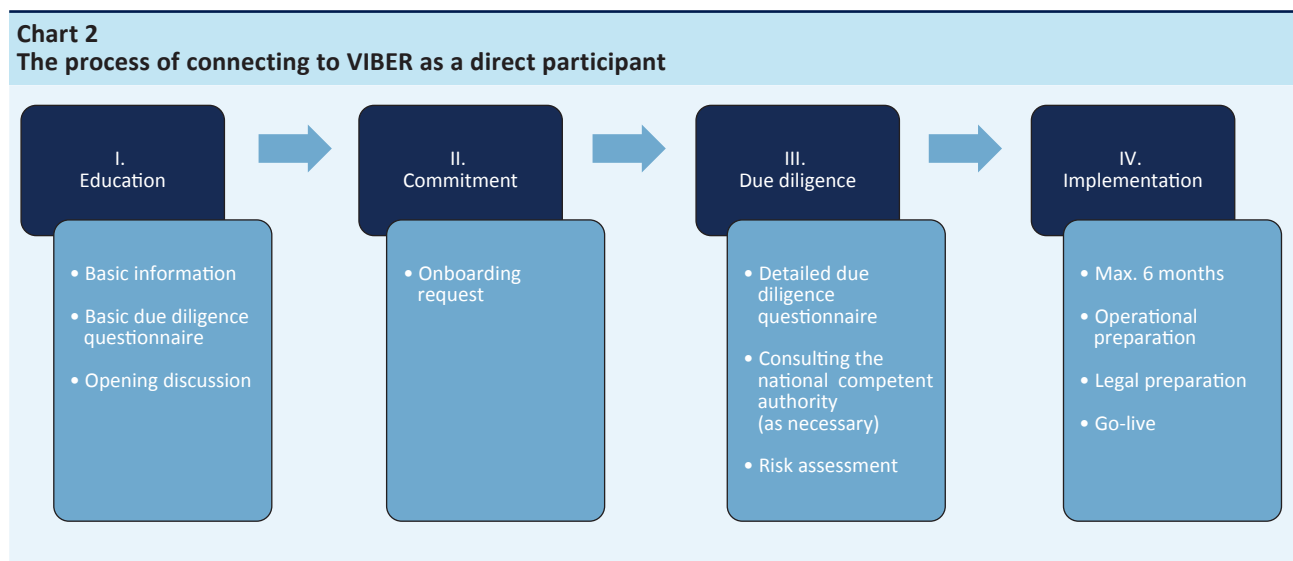
Non-bank payment service providers are not listed among the MNB's monetary counterparties, and as such the intraday credit line is not available to them (see 2.6.1). On the other hand, they are eligible for the instant credit line (see 2.6.2) and this service is available subject to pledging securities as collateral with MNB as the beneficiary, which can only be performed at KELER. Consequently, if a non-bank payment service provider wishes to offer services in Hungary that necessitate connecting to GIROInstant, and wishes to take advantage of the backstop represented by the instant credit line for liquidity management overnight, during the weekends and bank holidays, it needs to connect to KELER. For the full description of the disbursement and repayment of instant credit – and particularly the instant supplementary loan, applied due to technical reasons for non-bank payment service providers – see the MNB's General Business Terms and Conditions.

Furthermore, it should be noted that if you intend to participate in payment card settlement, connecting to KELER cannot be avoided (see 2.6.3).

Apart from the aforementioned payment considerations, securities market strategic goals may also justify KELER membership; however, that is beyond the scope of this document.

3 The Process of connecting to VIBER as a direct participant

The MNB divides the onboarding process into four phases: 1) education, 2) commitment, 3) due diligence and 4) implementation, upon the successful closing of which direct participation can go live. The process starts with a contact request from the institution interested in participating in VIBER directly, which in most cases is a simple email.



The purpose of the process is to successfully establish direct VIBER participation, and the conclusion of each phase is an important milestone. To ensure the efficiency of the process, the MNB sets a deadline for the implementation phase (IV) and if implementation fails, it applies a grace period, within which the onboarding process cannot be restarted. These deadlines can be extended at the MNB's discretion.

The MNB is committed to the successful onboarding of entities wishing to become direct VIBER participants and expects institutions starting the onboarding process to show similar commitment.

3.1 EDUCATION

The purpose of the education phase is mutual exchange of information: on the one hand, to provide the connecting institution with information about VIBER and the related financial infrastructures that will enable it to start the onboarding process, and on the other hand, to provide the MNB with the most important information about the connecting institution.

The education phase comprises three consecutive sub-processes.

3.1.1 Information-sharing

In response to the connecting institution's enquiry, the MNB provides the institution with two documents:

- this document, which presents VIBER and the financial infrastructures connected to it, the process of connecting to VIBER as a direct participant and the list of documents and laws containing the requirements related to onboarding; and
- the basic due diligence questionnaire, which assesses the legal and business data of the connecting institution.

3.1.2 Completing the basic due diligence questionnaire

As the second step of the education phase, the MNB expects the institution to complete the basic due diligence questionnaire in full and return it. Until this is completed, the MNB provides no further information to the connecting institution on the functioning of VIBER and on the onboarding process; nevertheless, the institution may collect information during this period from publicly available documents and laws.

3.1.3 Opening discussion

Following the return of the basic due diligence questionnaire, the MNB invites the connecting institution to a meeting, attended by the functional areas involved in the process on the MNB's side. The connecting institution is expected to delegate executive level representatives. The purpose of the discussion is to develop personal working relationship and to clarify any open issue arising from the basic due diligence questionnaire.

3.2 COMMITMENT

As the next step of the onboarding process, the MNB expects the connecting institution to make a formal commitment to establish a direct participation in VIBER. This means the submission of an onboarding request by a senior executive. The MNB's experts are ready to provide the connecting institution with the necessary information. A template for the onboarding request is attached hereto (see Annex).

3.3 DUE DILIGENCE

The purpose of the due diligence phase is for the MNB to ascertain that the participation of the connecting institution in VIBER is acceptable for the MNB in terms of risk. To assess this, the MNB's compliance area performs comprehensive risk assessment, based on information collected from three sources:

- from the connecting institution;
- from the national competent authority of the connecting institution, if relevant and necessary;
- from other data sources available to the MNB.

The due diligence phase starts with the MNB sending a detailed due diligence questionnaire, after receiving the signed onboarding request (see 3.2). The MNB expects the connecting institution to complete the questionnaire in full.

After returning the questionnaire, the MNB performs the detailed risk analysis within one month. This deadline is extended by one month if it is necessary to consult the national competent authority of the connecting institution. This may be necessary when based on the information provided by the connecting institution or otherwise available to the MNB, open questions remain which may influence the risk assessment of the connecting institution. Consultation with the national competent authority is conducted without the involvement of the connecting institution. However, it is advisable for the connecting institution to notify its national competent authority when submitting the onboarding request (see 3.2), that it has started establishing a direct VIBER participation, thereby supporting MNB's consultation with the institution's national competent authority.

Upon concluding the due diligence phase, the MNB informs the connecting institution on the due diligence result, permitting the institution to respond to the remaining open issues, if any. If the final assessment is positive, the institution starts the implementation phase.

3.4 IMPLEMENTATION

The purpose of the implementation phase is to ensure that the connection is prepared for live operation both from a banking operations and legal point of view. Accordingly, the implementation phase calls for a particularly active contribution by the institution. The MNB's experts will provide all the necessary support for this.

In order to increase the efficiency of the process, the MNB sets the implementation deadline in maximum 6 months, starting from the date when the MNB sends the positive due diligence result. This means that if, within 6 months, the connecting institution fails to fulfil the prescribed requirements, and its direct VIBER participation cannot go live, the MNB closes the onboarding process. Experience shows that 6 months is more than enough to fulfil the requirements as long as the connecting institution actively participates in the process. In addition, the MNB reserves the right to extend the 6-month deadline on an equitable basis.

The goal of the implementation phase is ensuring the fulfilment of the technical and other conditions for VIBER participation and the signing of the necessary contracts. Operational and IT tests between the MNB and the connecting institution in preparation of future cooperation are also an important part of the process. The criteria for direct VIBER participation are included in Section 8.2 in the MNB's General Business Terms and Conditions. The conditions listed there comprise a sequence; accordingly, if the institution is required to provide a document or certificate to prove that the conditions have been met, the MNB will draw the institution's attention to this fact.

Once the necessary conditions have been met, the go-live will be executed on the MNB's notification, which ends the onboarding process and is the start of live operation.

3.5 GRACE PERIOD

If the implementation does not succeed by the deadline specified by the MNB, a grace period shall commence, during which the institution may not restart the process. The grace period is 3 months. The purpose of this period is for both the MNB and the institution to review the causes of the failure and draw conclusions. Upon the expiry of the grace period the onboarding process may be restarted. The repeated onboarding commences from the second phase, i.e. commitment, and is subject to submitting a new onboarding request.

4 List of documents and regulations related to direct VIBER participation

In order to connect to VIBER as a direct participant successfully, it is essential that the connecting institution has a thorough understanding of the relevant payment rules and legislation. The following is a non-exhaustive list of the documents that are considered essential for connecting to VIBER as a direct participant.

4.1 POLICIES, REGULATIONS AND WEBSITES

[Account management and payment services policy of the Magyar Nemzeti Bank](#)

[Amended and consolidated BUSINESS TERMS AND CONDITIONS for bank accounts managed by the Magyar Nemzeti Bank and for settlements in forint and foreign exchange transactions](#)

[NOTICE: Fees, extra fees, commissions, postal and other costs on payment orders other than cash transactions relating to bank accounts managed by the Magyar Nemzeti Bank, and the order of discharging fees, costs and interest, as well as FX exchange rate margins](#)

[Terms and conditions for the operations of the central bank in forint and currency markets](#)

[Website of GIRO Zrt.](#)

If, in addition to establishing direct VIBER participation, the connecting institution also needs to establish GIRO participation, it should contact GIRO Zrt. GIRO Zrt. is the MNB's subsidiary. Its website contains all information needed to contact it and to establish participation.

[Website of KELER Zrt.](#)

If, in addition to establishing direct VIBER participation, the connecting institution also needs to establish KELER participation, it should contact KELER Zrt. KELER Zrt. is the MNB's subsidiary. Its website contains all information needed to contact it and to establish participation.

4.2 REGULATIONS

4.2.1 Payments

[Directive \(EU\) 2015/2366 of the European Parliament and of the Council \(PSD2\)](#)

[Decree No. 35/2017. \(XII. 14.\) of the Governor of the Magyar Nemzeti Bank on Execution of Payment Transactions](#)

[Act LXXXV of 2009 on the Pursuit of the Business of Payment Services](#)

[Act CCXXXV of 2013 on Payment Service Providers](#)

4.2.2 Settlement finality

[Directive 98/26/EC of the European Parliament and of the Council \(SFD\)](#)

[Act XXIII of 2003 on Settlement Finality in Payment and Securities Settlement Systems](#)

4.2.3 Anti-money laundering and combating the financing of terrorism

[Directive \(EU\) 2015/849 of the European Parliament and of the Council \(AMLD\)](#)

[Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing](#)

4.2.4. Other

[Act CXXXIX of 2013 on the Magyar Nemzeti Bank](#)

[Act V of 2013 on the Civil Code](#)

Annex

VIBER ONBOARDING REQUEST – TEMPLATE

On behalf of and representing *[Connecting Institution]* I hereby declare that *[Connecting Institution]* wishes to become a direct participant in the real-time gross settlement system (VIBER) operated by the Magyar Nemzeti Bank.

The *[Connecting Institution]* acknowledges that the account management and payment services policy of the Magyar Nemzeti Bank prescribes technical and other conditions with regard to establishing direct participation. The *[Connecting Institution]* acknowledges that for the fulfilment of all those conditions it is necessary that its affected organisational units actively support the onboarding process, satisfying the expectations of the Magyar Nemzeti Bank. During the onboarding process, the *[Connecting Institution]* shall make efforts to ensure efficient cooperation and information flow between the Magyar Nemzeti Bank and the *[Connecting Institution]*.

Parties stipulate that although this declaration expresses the intention of the *[Connecting Institution]* to establish direct participation, it does not qualify as a legally binding declaration either on behalf of the *[Connecting Institution]* or the Magyar Nemzeti Bank.

**BROCHURE ON THE BASIC INFORMATION
NECESSARY FOR CONNECTING TO VIBER
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