

## Authorisation of the transfer of contract portfolio and receivables portfolio

Pursuant to the provisions of Section 9(1) a) aa) an b) of Act CCXXII of 2015 on the General rules of trust services and electronic transactions, Sections 17 (1) and 19 (1) of Government Decree 451/2016. (XII. 19.) on the Detailed rules of electronic services, and Section 3 (1) of MNB Decree 36/2017. (XII. 27.) on the Rules of electronic communication in official matters in progress before the Magyar Nemzeti Bank (“Decree”), **the legal representative of the enterprise and the applicant (client) obliged**, pursuant to Article 58(2) of Act CXXXIX Of 2013 on the Magyar Nemzeti Bank (MNB Act), to apply electronic communication, shall submit its application, notification or other petition by using the prescribed form available in the information system supporting the electronic administration of the MNB (“ERA System”) and introduced for the procedure related to the submission in question, in the manner and with content specified therein, simultaneously uploading the annexes specified by the law and other documents required by the MNB.

In the licensing procedures, the applications and notifications must be submitted by using the prescribed electronic form available in the *E-administration / Licensing* service on the ERA interface on the MNB's website, attaching the certified electronic copies of the appendices. The resolutions, requests for clarification, notices and other communications of the MNB are delivered to the applicant or their legal representatives by sending them to the delivery storage space.

The electronic form necessary for initiating the procedure aimed at the authorisation of the contract portfolio and receivables portfolio is available within the *E-administration / Licensing* service among the forms dedicated to credit institutions falling within the Credit Institutions Act.

The website of the MNB includes information materials related to the electronic administration and the submission of annexes to be attached in the licensing procedure (electronic documents) at:

<https://www.mnb.hu/letoltes/tajekoztatas-az-e-ugyintezesrol-az-mnb-elotti-engedelyezesi-eljarasokban-1.pdf>

For further information related to licensing procedures see the following menu item:

<https://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/engedelyezes/altalanos-informaciok> and <https://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/engedelyezes/tajekoztatok>

The financial institution withdrawing from the contract and the financial institution entering the contract **may agree** to transfer – subject to the MNB’s authorisation – the entirety of the rights due to and the obligations binding the transferor stemming from the contract portfolio that includes at least twenty contracts aimed at the rendering of financial services stipulated in Section 3 (1) b)-c) and l) of Act XXXVII of 2013 on Credit Institutions and Financial Enterprises (**Credit Institutions Act**) or principal receivables or leasing fee receivables of at least ten billion forints, in accordance with the provisions of Section 17/A(1) of the Credit Institutions Act.

**IMPORTANT NOTICE!** Pursuant to Section 17/A (1) of the Credit Institutions Act referred to above, when transferring the portfolio, the provisions of Act V of 2013 on the Civil Code (**Civil Code**) related to the transfer of contracts shall be applied except that upon the transfer the collaterals securing the contract shall not lapse and the legal declaration of the party remaining in the contract is not necessary for the transfer. According to the same paragraph, the MNB’s authorisation shall not substitute the authorisation of the Hungarian Competition Authority under Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices.

**In the procedure aiming the authorisation of the transfer of the credit institutions' contract portfolio and receivables portfolio the following documents should be submitted** (Section 17/A (2) of the Credit Institutions Act):

**1)** application for the transfer of the contract portfolio and receivables portfolio (on electronic form) (Sections 17 (1) and (11) of the Credit Institutions Act),

**2)** depending on the type of the recipient financial institution:

**2a) if the recipient of the portfolio is a credit institution:**

aa) the transferor financial institution's and the recipient credit institution's legal declaration aimed at the transfer,

ab) the specification of the contracts to be transferred and the collaterals securing them,

ac) the date of and consideration for the transfer of the contract portfolio,

ad) the book value of the contract portfolio to be transferred, stated in the books of the transferor financial institution, as well as the impairment and provisions related to the contract portfolio,

ae) the data serving the identification of the parties remaining in the contract,

af) confirmation that the recipient credit institution has the minimum own funds to cover the risks attached to the contract portfolio to be taken over,

ag) the business plan of the recipient credit institution prepared in consideration of the contract portfolio to be taken over;

**2b) if the recipient of the portfolio is a financial enterprise:**

ba) the transferor financial institution's and the recipient financial enterprise's legal declaration aimed at the transfer,

bb) the specification of the contracts to be transferred and the collaterals securing them,

bc) the date of and the consideration for the transfer of the contract portfolio,

bd) the book value of the contract portfolio to be transferred, stated in the books of the transferor financial institution, as well as the impairment and provisions related to the contract portfolio,

be) the data serving the identification of the parties remaining in the contract,

bf) the business plan of the recipient financial enterprise related to the contract portfolio to be taken over;

**2c) if the recipient is a financial enterprise subject to consolidated supervision:**

in addition to the items listed in point b), a confirmation issued by the parent company is also necessary, according to which the enterprises subject to consolidated supervision do have the own funds necessary for covering the additional risks arising at the level of the consolidated supervision;

**3)** the draft notification to be sent to the clients by the financial institution transferring the contract portfolio on its intention to transfer the contract portfolio. Section 17/A (4) of the Credit Institutions Act prescribes that the financial institution transferring the contract portfolio must notify by post all clients concerned of its intention to transfer the contract portfolio at least thirty days before the date of the transfer authorised by the MNB. Simultaneously with the notification, the transferor financial institution shall inform the client of the amendment of certain conditions of the contract that will be necessary in connection with the transfer after the authorised date of the transfer. The unilateral amendment of the contractual conditions related to the transfer shall not be unfavourable for the client in respect of the interest, fee and costs. In accordance with Section 17/A (5) of the Credit Institutions Act, in the draft notification clients shall be reminded that until the date authorised by the MNB for the transfer they are entitled to cancel the contract in writing free of charge, in the absence of which it shall be considered that they acknowledged the fact of the transfer and the amendment of the contractual conditions in connection with this. Upon cancelling the contract, the outstanding obligations of the client shall become due in lump sum, to be paid until the last day of the notice period specified in the contract, at the latest;

**4)** Applicant's declaration to the effect that it has disclosed to the MNB all important facts, data and information required for the issuance of the authorisation. (In the prescribed electronic form.) (Article 59 (2) of the MNB Act)

Pursuant to Section 17/A (3) of the Credit Institutions Act, the MNB shall deny the authorisation of the transfer, if the recipient is unable to prove that it is able to satisfy all conditions in respect of the contract

portfolio to be taken over that ensure that the transfer does not jeopardise the fulfilment of the obligations undertaken by the transferor financial institution in the contracts to be transferred.

Pursuant to Section 17/A (6) of the Credit Institutions Act, simultaneously with the transfer of the contract portfolio – from the date authorised by the MNB for the transfer – the rights and obligations stemming from the agreements securing the contracts, particularly the rights and obligations stemming from lien, surety, security deposit contracts and option, assignment and guarantee contracts used as collateral, shall devolve upon the recipient. The provision shall also apply to the data requests and verification rights due to the transferor financial institution prior to the transfer. The transferor and recipient financial institutions shall jointly notify the obligors of the agreement securing the contract on the devolution of the rights and obligations.

Pursuant to Section 17/A (7) of the Credit Institutions Act, the provisions stipulated in Section 17/A (6) of the same shall apply to the payment account held at the transferor financial institution by the party remaining in the contract in terms of the sums recovered by way of collection and direct debits – in connection with a contract transferred – upon the exercise of rights and obligations conferred under collection and offsetting orders, with the proviso that the transferor financial institution shall execute collection and debit orders in accordance with the agreement concluded with the recipient financial institution, or following the instructions given by the recipient financial institution, and shall forward the funds thus collected to the recipient financial institution.

Section 17/A (8) of the Credit Institutions Act prescribes that the transferor must disclose to the recipient information about payment orders, transfer of funds by court order and order to transfer funds existing in connection with the clients' and other obligors' any payment account opened or maintained by the transferor, including any other account transaction immediately upon gaining knowledge thereof.

Section 17/A (9) of the Credit Institutions Act provides that the contracts assigning receivables from insurance and other legal relationships, connected to the contracts that form part of the transferred contract portfolio, and created to serve as collateral, as well as other beneficiary positions shall also belong to the transferred contract portfolio.

Section 17/A (10) of the Credit Institutions Act states that the costs and fees incurred in connection with the transfer of contracts shall not be charged to the clients.

Section 17/A (11) of the Credit Institutions Act also provides the parties with the opportunity to transfer **receivables from contracts already cancelled or expired**, which no longer can be transferred to the recipients as a contract portfolio only as receivables. **If the transferor and the recipient agree on this**, and would also like to link to this the possibility of the automatic devolution of collaterals **the transaction shall be subject to the MNB's authorisation** and all rules prescribed by the Credit Institutions Act for the transfer of the contract portfolio shall be applicable. Accordingly, among other things, a limit applies to the receivables portfolio that may be transferred and only receivables from the specified financial services may be transferred. The documents to be attached to the application for the authorisation of the transfer of receivables portfolio are those specified in Article 17/A (2) of the Credit Institutions Act, except that contracts and contract portfolio shall be construed as receivables and receivables portfolio, respectively.

**IMPORTANT NOTICE!** If a transferor institution wishes to transfer both a contract portfolio and a receivables portfolio in a single transaction, the conditions stipulated in Section 17/A (1) of the Credit Institutions Act (at least twenty contracts or outstanding principal or leasing fee receivable of at least ten billion forints) must be satisfied separately by the individual portfolios.

If the parties have no intention to benefit from the right of the devolution of collaterals, then based on individual agreement – as before – it is still possible to transfer the receivables portfolio, without the MNB's authorisation, to an institution entitled to this.

In addition to the foregoing, applicants must also take into consideration the following information published on the MNB's website under Supervision/Licensing and institution oversight/Authorisation/Frequently asked questions:

“Information on questions most frequently arising in certain licensing and registration procedures affecting the practice of the Magyar Nemzeti Bank (MNB)”

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