

Election/appointment of the financial enterprise's senior executive

Pursuant to the provisions of Section 9 (1)a) aa) and 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 Section 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 attachments specified by the law and other documents required by the MNB.

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

The electronic form for the initiation of the authorisation procedure for the election/appointment of a senior executive of a financial undertaking is available within the *e-Administration - Authorisation* service at the institutions under the Credit Institutions Act, among the forms available for financial undertakings.

A mandatory annex to the application, the Good Business Reputation Questionnaire is available, without registration or logging in, on the ERA interface (Public Services/Forms/Select Forms/Good Business Reputation Questionnaires/Personal Licences¹), as a pdf file to be filled in, saved and validated.

The filled in and electronically signed questionnaire can be attached to the prescribed electronic form as an annex. The questionnaire is available at: <https://era.mnb.hu/ERA.WEB/PublicServices/Current?code=eraformanyomtatvany>

The website of the MNB includes information materials on electronic administration and the submission of annexes to be attached in authorisation procedures (electronic documents) at:

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

Further information on certain aspects of the authorisation procedures (e.g. ascertaining good business reputation) is available under: <https://www.mnb.hu/letoltes/tmpc812-tmp-12233381.pdf> and <https://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/engedelyezes/altalanos-informaciok>

ATTENTION! THE JOINT GUIDELINE OF THE EUROPEAN BANKING AUTHORITY AND THE EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA) NO EBA/GL/2021/06 ON THE AUTHORISATION OF SENIOR EXECUTIVES OF FINANCIAL UNDERTAKINGS WITH A BALANCE SHEET TOTAL EXCEEDING HUF 5 BILLION SHALL APPLY FROM 1 JULY 2019, TAKING INTO ACCOUNT RECOMMENDATION NO 1/2022 (I. 17.) OF THE MAGYAR NEMZETI BANK ("**RECOMMENDATION**")².

As described in point 8 of the Recommendation, the MNB expects the requirements of the Recommendation to be enforced for the financial undertakings concerned only with regard to the individual assessment of the suitability of the managing director(s), the chairman of the board of directors and the chairman of the supervisory board.

I. SENIOR EXECUTIVES

A senior executive in a financial undertaking may be elected or appointed with the prior authorisation of the MNB (*Section 15 (1) (d), Section 137 (1) of the Credit Institutions Act*).

¹ SZE_1003_v1 Questionnaire for natural persons nominated as a candidate for a senior executive's post in a financial institution

² <https://www.mnb.hu/felugyelet/felugyeleti-keretrendszer/felugyeleti-hirek/hirek-ujdontsagok/uj-mnb-ajanlas-megjelenese-11>

1.1 Senior executive

1. in the case of a financial undertaking operating in the form of a company limited by shares
 - the chairman of the Board of Directors,
 - the chairman of the Supervisory Board,
 - the managing director
2. for a financial undertaking operating in the form of a cooperative:
 - the chairman of the Board of Directors,
 - the chairman of the Supervisory Board,
 - the managing director
3. in the case of a financial undertaking operating in the form of a foundation:
 - member of the Board of Trustees,
 - the chairman of the Supervisory Board,
 - the managing director
4. for a branch:
 - the person appointed by the foreign financial institution to manage the branch office and the immediate deputy of him or her.

(Paragraph 122, Section 6 (1) c-d) and e) of the Credit Institutions Act)

1.2 Managing director

The chairman of a financial undertaking elected by the management body of the financial undertaking having governance powers and employed by the financial institution, the chief executive appointed to manage the financial institution and employed by the credit institution or financial undertaking, and all deputies of such chief executive *(Paragraph 115 of Section 6 (1) of the Credit Institutions Act)*.

The tasks of the management of a financial undertaking must be carried out by at least one managing director in the context of an employment relationship *(Section 156 (1) of the Credit Institutions Act)*.

The board of trustees of a financial undertaking operating in the form of a foundation shall include at least one member who is employed by the foundation *(Section 148 (3) of the Credit Institutions Act)*.

1.3 Rules applicable to the board of directors of a financial undertaking

Pursuant to Paragraph 123 of Section 6 (1) of the Credit Institutions Act, the management body is the **board of directors** and the supervisory board of the financial institution, as well as its executives and members, including the senior executives of a financial institution operating as a branch.

Pursuant to Paragraph 46 of Section 6 (1) of the Credit Institutions Act, the management body with governance powers is the management body with decision-making powers as defined in the articles of association or the statutes.

Only a natural person may be a member of the management body of a financial undertaking with governance powers *(Section 148 (1) of the Credit Institutions Act)*.

1.4 Rules applicable to the supervisory board of a financial undertaking

Pursuant to Paragraph 123 of Section 6 (1) of the Credit Institutions Act, the management body is the board of directors and the **supervisory board** of the financial institution, as well as its executives and members, including the senior executives of a financial institution operating as a branch.

Pursuant to Paragraph 25 of Section 6 (1) of the Credit Institutions Act, a management body with supervisory powers is a management body as defined in the articles of association or the statutes which supervises the decision-making of the management body with governance powers.

Only a natural person may be a member of the management body of a financial undertaking with supervisory powers *(Section 152 (1) of the Credit Institutions Act)*.

The management body with supervisory powers is a body consisting of not less than three and not more than nine members, and they – with the exception of the staff representatives – may not be in employment relationship with the financial institution. (*Section 152 (2) of the Credit Institutions Act*).

A supervisory board consisting of at least three members must be established to monitor the operation of the board of trustees of a financial undertaking operating in the form of a foundation. The provisions applicable to the supervisory board of a financial institution shall apply mutatis mutandis to the functioning of the supervisory board. (*Section 153 of the Credit Institutions Act*)

II. LICENSING CRITERIA

2.1 The following conditions are required for the election and appointment of the managing director and the chairman of the board of directors:

2.1.1 Reasons for exclusion

A candidate may be appointed or elected as **managing director, chairman of the board of directors or chairman of the supervisory board** if the following grounds for disqualification set out in Section 137 (4) of the Credit Institutions Act do not apply. Reasons for exclusion:

- a) a person who has (or used to have) qualifying holding or is (or used to be) a senior executive in a financial institution
 - where insolvency could be avoided only through the exceptional measures applied by the MNB,
 - or
 - which had to be liquidated due to the withdrawal of the activity licence,and whose personal responsibility for the development of this situation has been established by a final decision,
- b) has seriously or systematically violated the provisions of the Credit Institutions Act or other legislation on banking or the management of a financial institution, and this has been established by a final decision of the MNB, another authority or a court issued not more than five years ago,
- c) a criminal record,
- d) does not have a good business reputation,
- e) is barred from being employed in or engaging in any occupation or activity of an economic or financial nature. (Credit Institutions Act, Section 137 (4))

To confirm the absence of the aforementioned disqualifying reasons the candidate shall submit a declaration, which may be worded as follows:

- a detailed transfer of the wording of the law and a denial of the terms thereof,
- only indicating the respective sections and listing in detail the paragraph numbers of the Act.

It is important that the declaration includes Section 137 (4).

2.1.2 Proof of no criminal record or pending criminal proceedings

To prove the absence of criminal record pursuant to Section 137 (4) c) of the Credit Institutions Act, the applicant must submit an original, **extended official certificate of good conduct** (no criminal record, not subject to a ban of public office, not subject to a ban on occupation or activity) or a certified copy thereof, not older than 90 (ninety) days. With regard to Section 71 (4a) of the Bnyt³, the MNB also accepts the certificate of good conduct if it contains information that the candidate has no criminal record and is not under a ban from public office.

³ According to Section 71 (4a) of Act XLVII of 2009 on the Criminal Records System, the Register of Rulings by the Courts of the Member States of the European Union against Hungarian Citizens and on the Register of Biometric Data in Criminal and Law Enforcement Matters (Bnyt³), *if the applicant is prohibited from an occupation or activity, then the fact specified in Paragraph (3) (e) (the occupation or activity from which the applicant is prohibited) must be indicated in the official certificate of good conduct in the case of an application to prove the fact specified in Paragraph (3) (b) (i.e. that the applicant has no criminal record), even in the absence of such an application.*

It should be noted that in practice, due to the electronic nature of the administration, it is best practice for the above authorisation condition to be fulfilled by the applicant financial undertaking submitting an electronic certified copy of the certificate of good conduct (copy in notarial e-file supplied with a certificate of authenticity), i.e. the submission of a scanned PDF of the paper copy of the certificate of good conduct and an attached notarial clause in paper form is not acceptable.

In the procedure for the authorisation of the election or appointment of a senior executive, the natural person indicated in the application for authorisation shall declare whether criminal proceedings are pending against him/her and, if so, whether he/she has been charged with a criminal offence as defined in Article 137 (6) of the Credit Institutions Act. If the charge is likely to undermine confidence in the financial institution or the public trust in the financial intermediary system, the MNB shall suspend the procedure for the authorisation of the appointment or election until the criminal proceedings are completed. (*Section 137 (9) of the Credit Institutions Act*) ATTENTION! The declaration prescribed in Section 137 (9) of the Credit Institutions Act – with negative clearance – shall be made also in the event if there is no criminal procedure in progress against the senior executive.

In the declaration pursuant to Paragraph (9) of Section 137 of the Credit Institutions Act, the senior executive shall declare any criminal proceedings pending against him/her, and whether he/she has been charged in any of these pending criminal proceedings for the commission of an offence specified in Paragraph (6) of Section 137 of the Credit Institutions Act. If an accusation has been made, the senior executive shall attach to the declaration the instrument of accusation and a description of the act on which the accusation is based.

Pursuant to Section 137 (6) of the Credit Institutions Act, these include indictment by the public prosecutor due to criminal offence specified in Titles VII and VIII of Chapter XV and Chapters XVII and XVIII of Act IV of 1978 in force until 30 June 2013, or Chapters XXVII or XXXV to XLIII of Act C of 2012 on the Criminal Code, or when a competent authority abroad has brought a charge due to crimes against property or due to economic crime. (*Section 137 (6) of the Credit Institutions Act*). The declaration of the person concerned on criminal proceedings as defined in Section 137 (6) of the Credit Institutions Act is a mandatory annex to the application (*Section 155 (5) of the Credit Institutions Act*).

2.1.3 Good business reputation

In order to prove good business reputation under Section 139 of the Credit Institutions Act, it is necessary to submit the good business reputation form available on the MNB's website. (For access to the questionnaire and technical details of how to complete it, please refer to the introductory section.) In the case of financial undertakings with a balance sheet total of more than HUF 5 billion, the questionnaire must be completed in full by the persons in a senior executive position, and in the case of financial undertakings with a balance sheet total of less than HUF 5 billion, only the specific points indicated at the beginning of the questionnaire must be completed.

The applicant financial undertaking should note that in point 5 of the questionnaire it is necessary to indicate the positions held by the candidate in any company or other organisation, not only in the financial market field. Under the same point, the starting and ending points of the period must be indicated precisely in the line 'period of employment'.

Furthermore, the applicant financial undertaking should note that with a view to ascertaining the existence of good business reputation, the MNB may contact the competent foreign authority directly as well, and it may also make an enquiry in the database kept by the European Banking Authority of the measures taken by EEA states. In this context, for financial undertakings with a balance sheet total exceeding HUF 5 billion, the candidate shall make a declaration in point 13 of the questionnaire whether an assessment of his or her reputation has already been prepared by another competent authority before, including the name of the competent authority, the date of the assessment and the proof of the result. (*Section 139 (4) of the Credit Institutions Act*)

2.1.4 Evidence of qualifications and experience (conditions required for managing directors)

In addition to the general requirements for senior executives set out in Section 137(*Section 155 (4) a) of the Credit Institutions Act*), the **managing director** must also have

- a higher education degree (*Section 155 (4) c) ca) of the Credit Institutions Act*),
- at least **three years' professional experience** working at a financial institution, the MNB, the Hungarian Financial Supervisory Authority, or its predecessor or in public administration, or

- at least **three years' managerial experience** in another economic field (*Section 155 (4) c) cb)- cc) of the Credit Institutions Act*).

For information on how to assess whether the candidate has managerial experience, see the link below:

<https://www.mnb.hu/letoltes/tajekoztato-az-egyes-engedelyezesi-illetve-nyilvantartasba-veteli-eljarasok-soran-leg-gyakrabban-felmerulo-a-ma-gyar-nemzeti-bank-mnb-gyakorlatat-erinto-kerdesekkel-kapcsolatban-1.pdf>

Proof of the above higher education qualifications and professional experience is provided by a notarised copy of the diploma and a curriculum vitae signed by the candidate in his/her own hand (*Section 155 (5) of the Credit Institutions Act*). For the notarisation of the diploma, see section 2.1.2. for the certificate of good conduct.

The CV should include the jobs and positions held, in chronological order, together with the name and address of the employer, the function(s) held, the length of time spent in each job, and the main duties performed. If it is not clear from the CV that the applicant has management experience, the MNB may request a document from the previous employer proving the existence of management experience. It is also possible for the candidate to include references and letters of recommendation in the questionnaire.

3. Application for authorisation to elect/appoint a senior executive

The application for the authorisation of the election or appointment of a financial undertaking's senior executive must be submitted using the electronic form available within the *e-Administration – Authorisation* service at the institutions under the Credit Institutions Act. The application must be accompanied by the annexes set out in points 3.1 to 3.3 below, depending on the status the person subject to the application wishes to occupy.

The application must include a declaration containing the following:

- precise title of the candidate's position, key duties and obligations (in section I/2 of the application form);
- anticipated start date and duration of the mandate (in section I/2 of the application form);
- if the candidate is to replace another senior executive, the name of that person (in section I/2 of the application form);

For financial undertakings with a balance sheet total of more than HUF 5 billion, in addition to the above, the following must be declared or attached:

- whether the candidate has also been assessed as to whether he/she meets the requirements listed in these guidelines for previous experience and, if not, whether he/she has a mandatory training plan with an indication of the provider and the planned date of completion of the training (point III/1 of the application form)
- a declaration whether the financial undertaking has declared a conflict of interest in relation to the candidate (point III/2 of the application form)
- presentation that the candidate has sufficient time for fulfilling the mandate (in section III/3 of the application form)
- information whether the candidate has been proposed on behalf of a major shareholder (in section III/4 of the application form)
- a report containing the assessment of the candidate's suitability, or a report or document on the assessment of suitability, approved by the board of directors, the management body with supervisory powers, the nomination committee or other committee or department with internal control functions;⁴
- in the case of first election or appointment, the letter of commission, contract, offer of employment or relevant drafts

⁴ The requirements for the assessment of the suitability of candidates by credit institutions are set out in Recommendation No. 1/2022 (I. 17) of the Magyar Nemzeti Bank on the assessment of the suitability of members of the governing bodies and key management personnel. The Recommendation is available on the MNB's website at: <https://www.mnb.hu/letoltes/1-2022-alkalmazasi-ajanlas.pdf>

3.1 The application for authorisation of the election or appointment of the managing director shall be accompanied by an electronic certified copy of the following documents:

- the candidate's declarations concerning the grounds for disqualification specified in Section 137 (4) of the Credit Institutions Act and the declarations required by Section 137 (9) of the Credit Institutions Act (*Section 137 (4) and (6) and (9) of the Credit Institutions Act*),
- an original official certificate of good conduct or a certified copy thereof, issued by the authority of the country of nationality or, failing that, of residence, not older than 90 days, with the content specified in point 2.1.2 (*to certify Section 137 (4) c) of the Credit Institutions Act*),
- in the case of foreign nationals, a certified Hungarian translation of the official certificate of good conduct (*to certify the application of Section 137 (4) c) of the Credit Institutions Act*),
- a curriculum vitae signed by the candidate (*to certify Section 155 (4) c) cb)-cc) of the Credit Institutions Act*),
- a copy of a diploma certified by a notary public (*to certify Section 155 (4) c) ca) of the Credit Institutions Act*),
- the data sheet completed by the candidate certifying the existence of a good business reputation (*Section 137 (4) d) of the Credit Institutions Act, Section 139 (1) of the Credit Institutions Act*).

If there is any doubt about the authenticity or content of a public document made out abroad, the MNB will ask the customer to produce a certified public document issued abroad.

Availability of the Good Business Reputation Questionnaire:

<https://era.mnb.hu/ERA.WEB/PublicServices/Current?code=eraformanyomtatvany>

3.2 The following documents must accompany the application for authorisation to elect or appoint the chairperson of the board of directors:

- the candidate's declarations concerning the grounds for disqualification specified in Section 137 (4) of the Credit Institutions Act and the declarations required by Section 137 (9) of the Credit Institutions Act (*Section 137 (4) and (6) and (9) of the Credit Institutions Act*),
- an original official certificate of good conduct or a certified copy thereof, issued by the authority of the country of nationality or, failing that, of residence, not older than 90 days, with the content specified in point 2.1.2 (*to certify Section 137 (4) c) of the Credit Institutions Act*),
- in the case of foreign nationals, a certified Hungarian translation of the official certificate of good conduct (*to certify the application of Section 137 (4) c) of the Credit Institutions Act*),
- the data sheet completed by the candidate certifying the existence of a good business reputation (*Section 137 (4) d) of the Credit Institutions Act, Section 139 (1) of the Credit Institutions Act*).

If there is any doubt about the authenticity or content of a public document made out abroad, the MNB will ask the customer to produce a certified public document issued abroad.

The Good Business Reputation Questionnaire can be completed and downloaded from the menu below:

<https://era.mnb.hu/ERA.WEB/PublicServices/Current?code=eraformanyomtatvany>

3.3 The application for authorisation to elect or appoint the chairman of the supervisory board shall be accompanied by the following documents:

- the candidate's declarations concerning the grounds for disqualification specified in Section 137 (4) of the Credit Institutions Act and the declarations required by Section 137 (9) of the Credit Institutions Act (the content of the declaration is the same as for the election of the managing director and the chairman of the board of directors) (*Section 137 (4) and (6) and (9) of the Credit Institutions Act*),
- an original official certificate of good conduct or a certified copy thereof, issued by the authority of the country of nationality or, failing that, of residence, not older than 90 (ninety) days, with the content specified in point 2.1.2 (*to certify Section 137 (4) c) of the Credit Institutions Act*),
- in the case of foreign nationals, a certified Hungarian translation of the official certificate of good conduct (*Section 137 (4) c) of the Credit Institutions Act*),
- the data sheet completed by the candidate certifying the existence of a good business reputation (*Section 137 (4) d) of the Credit Institutions Act, Section 139 (1) of the Credit Institutions Act*).

If there is any doubt about the authenticity or content of a public document made out abroad, the MNB will ask the customer to produce a certified public document issued abroad.

The Good Business Reputation Questionnaire can be completed and downloaded from the menu below:
<https://era.mnb.hu/ERA.WEB/PublicServices/Current?code=eraformanyomtatvany>

IV. RE-ELECTION OF SENIOR EXECUTIVES

In order to be re-elected to the same financial undertaking in the same position, a senior executive shall submit only his/her declarations concerning the provisions of Article 137 (4) and Article 137 (9) of the Credit Institutions Act, a questionnaire certifying the existence of his/her good business reputation, or, if it was submitted no more than 90 (ninety) days ago (e.g. in another authorisation procedure), a declaration that the data contained in the previously submitted questionnaire have not changed, and an original official certificate of good conduct or a certified copy thereof, not more than 90 (ninety) days old, with the content of point 2.1.2.

V. MISCELLANEOUS PROVISIONS

The application for the election/appointment of senior executives shall contain a declaration that the applicant has provided the MNB with all essential facts and data necessary for issuing the authorisation (*Section 59 (2) of the MNB Act*).

If a person in a managerial position has been charged with the offences specified in Section 137 (6) of the Credit Institutions Act, and if the charge is likely to undermine confidence in the financial institution or the financial intermediary system, the MNB shall suspend the procedure for the authorisation of the appointment or election. (*Section 137 (9) of the Credit Institutions Act*).

The MNB may reject the application aimed at the authorisation of the election or appointment of the natural person if any of the disqualifying reasons specified in Section 137 (4) of the Credit Institutions Act holds true of the person proposed to be appointed (elected), or in the case of managing directors, if the proposed person does not satisfy the conditions set forth in Section 155 of the Credit Institutions Act (*Section 137 (3) of the Credit Institutions Act*).

Applicants should also refer to the following information published on the MNB website:

"Information on certain issues most frequently arising in certain authorisation and registration procedures affecting the practice of the Magyar Nemzeti Bank".

<https://www.mnb.hu/letoltes/tajekoztato-az-egyes-engedelyezesi-illetve-nyilvantartasba-veteli-eljarasok-soran-leg-gyakrabban-felmerulo-a-ma-gyar-nemzeti-bank-mnb-gyakorlatat-erinto-kerdesekkel-kapcsolatban-1.pdf>

"Establishment of good business reputation – in the procedures for the approval of the election/appointment of a senior executive (Act CCXXXVII of 2013 on Credit Institutions and Financial Undertakings, Paragraph 51 Section 6 (1), and Section 139)" <https://era.mnb.hu/ERA.WEB/PublicServices/Current?code=eraformanyomtatvany>

VI. NOTIFICATION OF THE ELECTION, APPOINTMENT, RE-ELECTION AND TERMINATION OF EMPLOYMENT OF SENIOR EXECUTIVES IN THE ERA SYSTEM

6.1 Pursuant to MNB Regulation No. 58/2015 (XII. 22.) on the obligation to report the master data of persons and entities subject to the supervision of the financial intermediary system, changes in the master data after the receipt of the decision on the authorisation/appointment/re-election of a senior executive must be reported to the MNB via the ERA system by way of an electronic form with form code KTA2, as follows:

- if the election/appointment/re-election of a senior executive has been made beforehand with effect subject to the MNB's authorisation, within 5 (five) working days of the authorisation decision becoming final,
- if the election/appointment/re-election takes place after the receipt of the MNB's authorisation decision, within 5 (five) working days after the election/appointment/re-election.

Please note that the MNB registers senior executives on the basis of the above notification. Registration is subject to the existence of an authorisation decision.

6.2 The MNB draws attention to the fact that financial undertakings are also required to notify the termination of the employment of a senior executive via the ERA system, using an electronic form with form code KTA2.

Last amendment: July 2024