

Amendment of the scope of activity of a financial enterprise

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 amending the scope of financial activities is available within the *E-administration / Licensing* service among the forms dedicated to financial enterprises 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>

Please note it also qualifies as an expansion of the financial enterprise’s scope of activities when in addition to performing the activities authorised for it previously it wishes to perform new financial service activities.

In accordance with the foregoing, if the financial enterprise wishes to pursue activities falling within the scope of Section 7 (3) b)-n) of the Credit Institutions Act, not subject to authorisation, it does not qualify as the expansion of its scope of activities. However, we call your attention to that financial enterprises are not entitled to pursue the activities defined in paragraphs a) and d) and paragraph a) of Section 3 (2) of the Credit Institutions Act.

Pursuant to Section 20 (3) of the Credit Institutions Act, when an already operating financial enterprise wishes to expand its scope of activity with financial services, the proof of the existence of the personnel and material conditions necessary for the performance of the activity shall be attached to the application for the **authorisation (on e-form)** together with the items specified in Section 20 (2) d)-f), h) and k)-m) of the Credit Institutions Act – unless those have been submitted previously – as follows.

1) The Accounting Policy and its mandatory annexes (the already existing internal regulations affected by the application for the expansion of the scope of activity shall be modified to the extent necessary for the requested expansion of the scope of activity):

- chart of accounts and system of accounts,
- policy on the evaluation of assets and liabilities,
- cash management regulations,
- client and counterparty rating regulations,
- risk assumption regulations,
- Impairment loss and provisioning policy,
- regulations pertaining to the calculation of prime cost (Cost Calculation Regulations),
- Inventory and stocktaking policy of assets and liabilities,
- Transaction rating and assessment policy,
- Collateral evaluation policy,
- regulation on the rules pertaining to the management, record-keeping and accounting as well as the audit of documents and printed forms of strict accountability (*Section 3(5) of Government Decree 250/2000 (XII. 24.) on the*

special provisions regarding the annual reporting and bookkeeping obligations of credit institutions and financial enterprises (Government Decree),

Policy on the accounting and record keeping of futures, option and swap transactions, identification and separate treatment of hedging transactions (*Section 3 (7) of Government Decree*). The policy should be prepared before the Company enters into such transactions.

☐ if the applicant is a financial institution qualifying as a parent company, the regulations pertaining to the compilation of the consolidated annual accounts. (*Section 3 (9) of Government Decree*).

Please note that in accordance with the provisions of Section 3 (3) of the Government Decree, in the regulations pertaining to the valuation of assets and liabilities, under the title of “Special valuation requirements” the following must be stated:

- ☐ the accounting requirements related to client and counterparty rating,
- ☐ the accounting requirements related to collateral valuation,
- ☐ the accounting requirements related to asset valuation,
- ☐ the accounting requirements related to impairment and provisioning.

The internal regulations shall be prepared in all cases in accordance with the provisions of Section 14 of Act C of 2000 on Accounting and Section 3 of the Government Decree applicable to the activities.

2) Declaration on the existence of the personnel, material and technical conditions, including computers and office equipment, necessary for the new activity to be authorised (*Section 67 (1) c) and d) of the Credit Institutions Act*).

3) Medium-term – three-year – business plan, presenting the balance sheet, profit and loss, and cash flow in figures, and a description of the anticipated development of the financial enterprise’s activity in view of expanding its scope of activities. When preparing the business plan please also take account of the provisions of Supervisory Methodological Notes No. 4/2005. (*Section 18 (1) f) and Section 20 (2) d) of the Credit Institutions Act*) as well as the methodological manual of the above-mentioned reference number, available at Supervision/Regulation/Tools of supervisory regulation/Methodological manuals site)

4) Business Policy and General Contractual Terms and Conditions – If the financial enterprise intends to expand its scope of activities with several activities, these documents must be prepared by activity type. The contract templates and collateral contracts to be used shall be also attached to the Business Policy and the General Contractual Terms and Conditions. When preparing the Business Policy and the General Contractual Terms and Conditions, and particularly upon the elaboration of the content elements of those, special attention should be paid to the rules prescribed by the Credit Institutions Act and to be applied on a mandatory basis as well as to other effective laws (e.g. Act V of 2013 on the Civil Code, consumer protection provisions, etc.) [*Section 18 (1) f), Section 20 (2) e) and Sections 276-284 of the Credit Institutions Act*]

The rules on complaints handling must be developed in accordance with the complaints management policy [*Section 288 of the Credit Institutions Act, Government Decree 435/2016. (XII.16.)*] on the detailed rules of the complaints management procedure and the complaints management policy of investment businesses, payment institutions, electronic money institutions, issuers of credit tokens, financial institutions and independent financial services intermediaries (“**Government Decree**”), and the contact person in consumer protection matters must also be named in the Business Code (*Section 288 (5) of the Credit Institutions Act*).

The Company must draw up its Complaints Management Policy based on MNB Decree 28/2014. (VII. 23.) on the complaints management procedure of financial institutions and Recommendation 13/2015. (X. 16.) of the Magyar Nemzeti Bank on the complaints management procedure of financial institutions.

A declaration as to when the financial enterprise intends to start its activity. (*Section 18 (1) f) and Section 20 (2) f) of the Credit Institutions Act*) (*declaration to be made on e-form*)

6) A statement that it is prepared to comply with data disclosure obligations as prescribed by or under the relevant legislation. (*Section 18 (1) f) and Section 20 (2) h) of the Credit Institutions Act*) (*declaration to be made on e-form*)

7) Declaration to the effect that the applicant has disclosed to the MNB all important facts, data and information required for the issuance of the authorisation. (*Section 59 (2) of the MNB Act*) (*declaration to be made on e-form*)

It should be noted that according to Section 20 (3) of the Credit Institutions Act the submission of the documents necessary for conducting the authorisation procedure may be waived if those have already been submitted earlier. In view of this, of the documents listed in Section 18 (3) of the Credit Institutions Act, the MNB forbears from prescribing the submission of the document containing the results of the test runs of the computer programmes used for the data supply, specified in point h), and the declaration on the accession to the central credit information system acknowledged by the MNB, specified in point l), since an already operating financial enterprise has already submitted these to the MNB.

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 MNB”.***

Should, after carefully reading this guide, any further question – related to the respective, individual case, not possible to answer in the form of consultation over the phone or in writing – arise, the MNB provides the applicant with the possibility of personal consultation. For the possibility of personal consultation, contact the secretariat of the Money and Capital Markets Licensing Department (Telephone number: +361-489-9731; Email: ptef@mnbb.hu).

If the questions are solely of IT nature, you may also contact the Information Technology Supervision Department directly for the purpose of personal consultation (Telephone number: +361-489-9780; Email: iff@mnbb.hu).

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