

<p>Prior to submission</p>	<p>Q&A</p> <ul style="list-style-type: none"> • Is it necessary to submit to the MNB a foundation licence application? It is not necessary to submit a foundation licence application. You can obtain the licence of the supervisory authority following the registration of the company. • Does this also mean that an already established company may receive a licence to become an investment firm? Yes, any company established in the form of a joint stock company or branch office may become an investment firm. In addition, certain supervised institutions (e.g. credit institution, investment fund manager) may apply for and receive activity licence for the pursuance of investment services activity. • Is it possible to submit an activity licence application in respect of an investment firm being in the process of registration by the Court of Registration? Yes, but the company registration is an essential condition for the issuance of the activity licence. • Which are the applicable laws? From 3 January 2018, by developing the MiFID II regime, the EU legislator substantially transformed and expanded the range of EU legal norms directly applicable in the licensing procedure. In addition to the Investment Firms Act, several EU laws must be also applied, such as the MiFID II, Commission Delegated Regulation No. 2017/1946/EU (Licensing RTS) and Commission Implementing Regulation No. 2017/1944/EU (Licensing ITS).
<p>Application and annexes</p> <p>Application</p>	<ul style="list-style-type: none"> • In what form may the application be submitted? Pursuant to Section 9 (1) of Act CCXXII of 2015 on the General Rules of Electronic Administration and Trust Services (E-administration Act), the enterprises proceeding as clients in matters belonging to the tasks and competence of the MNB, including the financial organisations supervised by the MNB, and their legal representatives are obliged to use electronic administration. • So is the standard form sufficient? As one of the annexes to be attached to application form to be submitted via the ERA system, an EU application form must be attached in accordance with the Licensing ITS with the content prescribed in the Licensing RTS. - How do I know that the MNB has accepted the application? Pursuant to the Licensing ITS, the MNB is obliged to send an acknowledgement of receipt to the applicant.

Range of annexes	<ul style="list-style-type: none"> • Has the range of conditions to be satisfied on the basis of the Investment Firms Act and other laws been summarised anywhere? The guide, published on the MNB's website, entitled "Licensing the activity of investment firms" summarises the licensing criteria to be satisfied on the basis of the Hungarian and EU regulations.
Start-up capital, financial resources	<ul style="list-style-type: none"> • What amount of start-up capital do I need to prove? Pursuant to Section 13 (1) of the Investment Firms Act, as a principal rule, the investment firm must have a start-up capital of not less than EUR 730,000 for the commencement of its activity. However, pursuant to Section 13 (2) of the Investment Firms Act, if the investment firm holds no licence for the pursuance of the investment services activity stipulated Section 5 (1)c) and f), but obtains licence to pursue any (one or several) of the activities specified in Section 5 (1)a),b) and d) and a) it is entitled to manage the customers' financial instruments and funds, it must have a start-up capital not less than EUR 125,000 and b) if it is not entitled to manage the customers' financial instruments and funds, it must have a start-up capital not less than EUR 50,000. According to Section 13 (3) of the Investment Firms Act, if the investment firm obtains licence to pursue any of the investments services activities specified in Section 5 (1)a) or e) and it is not entitled to render the supplementary services specified in Section 5 (2)a) and b) and to manage the customers' financial instruments and funds, its start-up capital shall not be less than EUR 50,000 or it shall hold a professional liability insurance, covering the EEA states, with a value of minimum EUR 1 million per claim event and EUR 1.5 million in total per year. • What is the composition of the start-up capital? Pursuant to Section 4 (2)32 of the Investment Firms Act, the start-up capital is the sum of the subscribed capital at the time of the foundation, the capital reserve and the retained earnings. The requirements related to the subscribed capital of the investment firm are included in Section 15 of the Investment Firms Act. • If it is payable in euro, what exchange rate should be used? The amount of the start-up capital must be converted into forint at the official exchange rate published by the MNB on the respective day. • Is the acquisition of qualifying holding is also included in the activity licensing procedure? The activity licensing is a complex legal

procedure, in the course of which a company, which have not held a supervisory licence before, appears as a new market participant in the capital market in possession of the supervisory licence. This means that as part of the activity licensing procedure the MNB examines – even without launching a separate procedure – the acquisition of qualifying holding and the fulfilment of the conditions to be proved in the course of the authorisation of the personnel.

- Is it necessary to prove the payment of the start-up capital? If yes, how can I do this? Yes, the payment must be proved during the activity licensing procedure. When the payment is made to an account, the fact, time and completion of the payment may be proved credibly by the confirmation issued by the account-keeping institution.
- Is the confirmation of the payment alone sufficient to prove the existence of the start-up capital? Naturally, it is not. The legal origin of the paid up amount must be also proved, i.e. the fact that the amount paid up comes from a legal source.
- How can the owner prove the legal source of the funds? This also depends on whether the owner is a private individual or legal entity, and whether he wants to use his own or external (received/obtained from another person) funds.

In the case of private individuals own funds may be proved primarily by an income certificate issued by NTCA. The amounts, subject to consolidated and separate taxation (e.g. dividends), stated in the income certificate, may be taken into consideration, but the amounts reasonably necessary for covering the normal living costs (similarly to the living costs applied for the purposes of loan assessment by banks) shall be deducted from the consolidated income stated in the income certificate. The tax certificate alone is not sufficient to prove the own funds.

In the case of income from the sales of immovable or movable property, the sales contract may prove the legal origin, but it must be also proved that the sales transaction has been effectively carried out and the purchase price has been paid.

If the source of the financial resources is a transaction not for a consideration (e.g. gift), it must be proved in respect of the giver that he obtained the amount used for the gift legally. Furthermore, the realisation of the transaction, i.e. the actual transfer of the gift, must be proved in this case as well.

	<p>If the private individual wishes to provide the start-up capital from debt capital, a typical case of that is an amount coming from a loan contract. The lender may be anybody (e.g. financial institution, company, or other non-natural person or natural person). It applies to all of them that the MNB may examine and examines the legal origin of the loan at the lender as well, while the borrower must render the repayment of the loan probable.</p> <p>Legal entities may prove own funds by their balance sheet data. Essentially it is the audited balance sheet that can be accepted. Practical experiences show that that in addition to the liabilities side, the assets side must also state sufficient liquid assets (sum of cash and assets that can be promptly liquidated), which provides liquidity for the financial resources and also ensures proper liquidity during the operation.</p> <p>Legal entities may also use debt capital (typically a loan), and thus the requirements mentioned in respect of private individuals shall govern in this case as well.</p> <ul style="list-style-type: none"> • If the owner intends to use the income realised several years before the activity licensing procedure as start-up capital, how should it prove the existence thereof? If it was a one-off transaction in the past (e.g. property sales contract), the existence of the funds can be proved by the documentation of the respective transaction and the account statements containing the proceeds from the transaction. If the amount has been deposited on a custody account, the confirmation issued on that will be a suitable proof. However, if the funds have been kept on a current account, the constant existence of the funds may be proved by an account statement for the same day of each year from the year of the transaction until the submission of the activity licensing application. • What is the correct procedure, if the owner did not keep the amount underlying the legal origin on an account? In this case, the owner shall make a declaration to the effect that amount has been at his disposal since its acquisition. • What is the procedure if the funds of the owner come from several years of income or business profit? In this case the income certificate or audited balance sheet data for all years that serve as a basis for the financial resource must be presented.
<i>Material, technical and personnel conditions</i>	
Personnel conditions	<ul style="list-style-type: none"> • For the questions and answers see the Q&A entitled "Licensing of the personnel of investment firms".

<p>IT conditions, outsourcing</p>	<ul style="list-style-type: none"> • What kind of IT requirements does an investment firm have to satisfy? The guide entitled “Guide for the preparation of the IT regulations and documents of investment firms and commodity dealers” is available on the MNB’s website, which contains in detail the range of regulations to be submitted in this area and the mandatory content element of those. • Which statutory requirements does the IT system have to satisfy? In addition to the requirements set out Sections 12 and 18 of the Investment Firms Act, it must also comply with the requirements specified in Government Decree No. 42/2015. (III. 12.) on Protecting the information system of financial institutions, insurance undertakings, reinsurance undertakings, investment firms and commodity dealers and in Recommendation 7/2017 (VII.5) of the Magyar Nemzeti Bank. • What may be outsourced by an investment firm? According to the Investment Firms Act, it may outsource its investment services activity, ancillary services or any other activity or services not falling within this Act. This broad definition practically means that all tasks and services related to or necessary for the performance of the licensed services rendered by the investment firm may be outsourced. • Is it always necessary to notify the MNB of the outsourcing? Yes, by submitting a copy of the outsourcing agreement. • What should we pay attention to in an outsourcing arrangement? The outsourcing must not result in the transfer of the competence of the investment firm’s senior executives; it must not result in any change in the contractual relationship between the customer and the investment firm and must not influence the fulfilment of the investment firm’s obligations, specified in this Act, toward the customer; furthermore, it must not result in any change in the fulfilment of the conditions under this Act, necessary for obtaining the activity licence. In addition, it must be examined, without exception, whether the subject of the outsourcing is a critical or operational function. Why is it important whether the outsourcing involves a critical or operational function? When outsourcing critical or operational functions, the requirements specified in Article 31 of Commission Delegated Regulation No. 2017/565 must be fulfilled, which prescribe the satisfaction of additional requirements.
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Acquirers of qualifying holding

- For the questions and answers see the Q&A entitled "Licensing of the acquisition of qualifying holding in investment firms".