	Q&A
Prior to submission	• Is it necessary to submit to the MNB a foundation licence application? It is not necessary to submit a foundation licence application to the MNB, since the MNB only authorises the pursuance of the collective portfolio management (investment fund manager) activity. 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 fund manager? Yes, any company established in the form of a joint stock company or branch office may become an investment fund manager. • Is it possible to submit an activity licence application in respect of an investment fund manager 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. • Is it subject to an authorisation if the investment fund manager is established through transformation? In the case of transformation it is not necessary to conduct a separate preliminary activity licensing procedure.
Application and annexes	
Application	• If any of the mandatory annexes has not been obtained, is it possible to submit it subsequently on a voluntary basis? Yes, this is possible and it is also advisable to submit it as soon as possible on a voluntary basis; however, in order to ensure the fast conclusion of the procedure all annexes should be submitted together with the application.
Memorandum of Association	• What is meant under the applicant's instrument of incorporation? In view of the fact that an investment fund manager can operate in the form of a joint stock company (or branch office), the instrument of incorporation shall mean the statutes specified in the Civil Code. • What is the mandatory content of the instrument of incorporation? In the case of supervised institutions known in the capital market – not including the stock exchange – no foundation licensing procedure is necessary, and thus the content elements of the applicant institution's instrument of incorporation are primarily defined by the relevant private law rules, namely the Civil Code and the Companies Act. Thus, according to the principal rule, those must have the content elements prescribed by the aforementioned laws, and an instrument of incorporation with the same content as that of

	the instrument of incorporation submitted to the Court of Registration should be submitted as an annex to the application during the activity licensing procedure. • Are there any special content requirements? Certain provisions of the Collective Investment Trusts Act prescribe, indirectly, requirements concerning the content of the instrument of incorporation. Based on the Civil Code, it is not necessary to set up a supervisory board; however, due to a number of provisions included in the Collective Investment Trusts Act related to such persons and also in view of the supervisory authority's recommendation on the development and operation of internal lines of defence and the governance and control functions of financial organisations, the investment fund managers must have a supervisory board. This means that the instrument of incorporation must provide for these persons as well. • What kind of activities may a investment fund manager pursue? Depending on the type of the investment fund manager (UCITS fund manager or alternative investment fund manager) and whether or not it will pursue investment services activity, it is entitled to pursue the activities specified in Sections 6-7 of the Collective Investment Trusts Act. • May the investment fund manager pursue investment services activity? Yes, within the scope stipulated in the Collective Investment Trusts Act, it may pursue certain investment services activity in possession of a supervisory licence. In this case the institution must also comply with certain provisions of the Investment Firms Act, regulated by the personal scope of the Investment Firms Act. • What is the difference between an UCITS fund manager and an alternative investment fund manager? According to the interpretative provisions of the Collective Investment Trusts Act, there are two types of investment fund managers; both of them may manage one or several investment funds as a regular economic activity, but the UCITS fund manager may manage specifically UCITS (a securities fund complying with certain conditions as regards its assets), while the alternative investment fund manager (AIFM) may manage alternative investment funds, which, in terms of its assets, may be a securities fund, real estate fund, venture capital fund or private capital fund. • Is it necessary to indicate the scope of activity in the instrument of incorporation? The MNB does not expect that the activities in the investment fund managers' instrument of

	incorporation are indicated in accordance with the terminology used in the laws applicable to the respective sectors; this must be ensured in the activity licence application and in other regulations. • Does the MNB approve the instrument of incorporation or the amendment thereof? No, there is no such licensing procedure where the MNB would approve the instrument of incorporation or any amendment thereof in the case of investment fund managers.
Start-up capital	• Does the applicant investment fund manager have to fulfil any cash contribution/contribution in kind in addition to the subscribed capital? The investment fund manager may receive the licence for investment fund management, if it has a start-up capital of at least EUR 125,000 or, in the case of real estate fund, at least EUR 300,000. The start-up capital is provided by the owners to the investment fund manager. The start-up capital shall comprise solely cash contribution. • What is meant under start-up capital? The start-up capital is the sum of the company's subscribed capital, capital reserves and retained earnings at the time of the foundation. It should be noted that in terms of the start-up capital, the Collective Investment Trusts Act makes no difference between the two types of fund managers. Pursuant to Section 2 (6) of the Collective Investment Trust Act, the capital requirement prescribed in Section 16 of the Collective Investment Trust Act shall not apply to venture capital fund managers falling within Section 2 (2) of the Collective Investment Trust Act. • If the capital requirements are not applicable, what amount should be paid? In this case the subscribed capital applicable to the corporate form shall be paid up. • If it is payable in euro, what exchange rate should be used? The amount of the start-up capital denominated in euro shall be converted into forint at the official exchange rate published by the MNB, prevailing on the last day of the calendar month preceding the issuance of the licence for the pursuance of the investment fund management activity. • Is it necessary to prove the payment of the start-up capital in accordance with the foregoing? 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. 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. 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. 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. • 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, at least in the form of a private document providing full evidence, that the 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.
Organisational and Operational Regulation (OOR)	• Do investment fund managers have an organisational and operational regulation (OOR)? Annex 2 to the Collective Investment Trusts Act provides for an operational regulation uniformly for all investment fund managers, which – contrary to its title – also outlines organisational and personnel requirements. Accordingly, the operational regulation may be regarded as OOR, although in terms of its functions it is more meaningful. • Do the operational regulations also have mandatory content elements? Annex 2 to the Collective Investment Trust Acts provides an itemised list of the mandatory content elements. • Is it necessary to indicate in it the scope of activity to be performed? It is not mandatory to indicate the scope of activity in the operational regulation, and thus it has to be stipulated at

	least in the application. If the applicant indicates in the operational regulation the activities it wishes to pursue anyway, then – based on the practical experiences – attention should be paid to ensuring that those correspond to the activities listed in the application and asked to be licensed. • Is it worth attaching anything to the operational regulation (e.g. organisation chart)? It is recommended to attach to the operational regulation the organisation chart providing a clear view of the applicant's organisational structure and operating rules. • Does the MNB approve the operational regulation or the amendment thereof? No, there is no such licensing procedure where the MNB would approve the operational regulation or any amendment thereof in the case of investment fund managers. • Are there any typical errors that should be avoided upon compiling the operational regulation? For more information on the typical errors in the operational regulation of investment fund managers click here.
Material, technical and personnel conditions	
Personnel conditions	• Is it necessary to appoint both a Board of Directors and Supervisory Board at an investment fund manager? The chief executive may replace the Board of Directors, but the investment fund manager must always have a Supervisory Board. • Is it necessary to elect a managing director? Pursuant to Section 19 (1) of the Collective Investment Trust Act, as a principal rule, the investment fund manager must have two managing directors. However, for AIFMs below the limit, as specified in Section 2 (2) of the Collective Investment Trust Act, it is sufficient to employ only one managing director However, it should be noted that investment fund managers must always engage the managing director in an employment relationship. • Is it necessary to engage persons in other positions also in an employment relationship? The Collective Investment Trust Act prescribes engagement in an employment relationship only for the managing director; persons filling other positions may be engaged in other relationship. • Who must be regarded as senior executive? According to the Collective Investment Trust Act: the managing director, the chairman and members of the Board of Directors, the chairman and members of the Supervisory Board, the branch manager and the immediate

	deputy of him or her, and all other persons specified as such by the instrument of incorporation or any other internal regulation relevant for the operation. • Who should be regarded as persons controlling the activity? The person controlling the entire activity, the person controlling the investment management activity and the trading in investment instruments and stock exchange products and the person controlling the administrative activity. • Is election/appointment of the senior executives and the persons controlling the activity subject to authorisation? According to the Collecting Investment Trust Act, such persons may be appointed as the managing director of the investment fund manager, as the member of its Board of Directors or Supervisory Board, and as persons controlling the entire activity, the investment management activity, or the trading of the investment instrument and stock exchange product, who have been notified to the Supervisory Authority prior to the anticipated date of election or appointment – in order to obtain prior authorisation – and the Supervisory Authority has provided the authorisation. According to this list, the election/appointment of the chairman of the Board of Directors, the chairman of the Supervisory Board, the person controlling the administrative activity, and the persons specified as senior executive in the investment fund manager's instrument of incorporation or any internal regulations applicable to its operation are not subject to authorisation. • If they are not subject to authorisation, is it still necessary to register these persons? In the case of the person controlling the administrative activity and the persons specified as senior executives in the investment fund manager's instrument of incorporation or any internal regulations applicable to its operation, in addition to the registration certain personnel conditions must be also proved. Any change in the person of the chairman of the Board of Directors or the chairman of the Supervisory Board only needs to be reported, but nothing else has to be proved, since they can be elected as the chairman of the board only simultaneously with or after that the MNB has authorised their election/appointment. • How can we prove the existence of management experience? With a curriculum vitae and employer's certificate. In relation to this click here to see the MNB's relevant guide.

	• How may we prove the existence of professional experience? The professional experience can be essentially proved by two instruments: the employer's certificate and the curriculum vitae. In the case of the latter it is expected that it should contain the previous workplaces in chronological order, broken down by months, indicating the positions and the brief description of those, and it should be signed by the candidate. • What should the certificate of clean record contain according to the expectations of the MNB? In the case of positions where the proof of good business reputation is a statutory requirement, the extract from the judicial record shall also confirm, in addition to the clean record, that the candidate is not under the effect of being banned from exercising his or her civil rights, and not disqualified from occupation or activity. • Is it possible to perform control functions in an outsourcing arrangement? Yes, it is possible. • Is it necessary to register the outsourcing? As a principal rule, all outsourcing agreements must be reported to the MNB. However, according to Section 2 of the Collective Investment Trust Act this is not necessary in the case of venture capital funds. • What are the expectations towards the auditor? The Collective Investment Trust Act specifies no special requirements in respect of the auditors of investment fund managers.
Material and technical conditions	• How can we confirm the fulfilment of the material and technical conditions? The MNB primarily expects a declaration, which – depending on the activity the enterprise wishes to pursue – lists the material and technical conditions. • What are the MNB's minimum requirements? Investment fund managers are required to have sufficient office space available at their disposal, as well as sufficient communications facilities (telephone, fax, Internet connection, electronic mail address; investment fund managers managing public investment funds must have their own website as well). It is important that the investment fund manager must have an electronic portfolio register system, except for the venture capital fund managers below the limit. • How can we confirm the right to possess the registered office/business site free from any restriction? E.g. with the title deed, lease or sublease contract. • Is it necessary to submit the floor plan, if the registered office is located in a larger office

	building? It is not necessary, but it is advisable to indicate where exactly the investment fund manager can be found within the office building and which premises it uses. • When the financial enterprise does not wish to fulfil any of the technical conditions (e.g. IT) on its own, is it possible to outsource it? Yes, outsourcing is permitted in accordance with the rules stipulated in Sections 40- 41 of the Collective Investment Trusts Act. Outsourcing must be reported with the exception of venture capital fund managers below the limit.
Persons acquiring qualifying holding legal origin and availability of the funds necessary for acquiring the holding (see start-up capital) methods of proving the legal origin of the funds confirming the availability (usable documents, etc.) other documents, certificates (tax, customs, social insurance certificate)	• For part of the questions and answers to those see the start-up capital section (legal origin and availability) • What counts as qualifying holding? The Collective Investment Trust Act refers to it as qualifying interest, which means the following: is a direct and indirect relationship entered into with an investment fund manager by virtue of which a) the rate of the holder's membership share or of the voting rights it can exercise in the investment fund manager is at least 10 percent, b) the holder may appoint or dismiss at least 20 percent of the members of the investment fund manager's decision-making, management or supervisory bodies, or c) pursuant to the instrument of incorporation or agreement he or she may exert dominant influence on the operation of the investment fund manager. • Is the acquisition of qualifying interest is subject to authorisation in all cases? Pursuant to the implicative rule of Section 20 of the Collective Investment Trust Act, in the case of UCITS fund managers the acquisition of qualifying interest in those is subject to the prior authorisation of the supervisory authority. However, in the case of an AIFM, the acquisition of qualifying interest should be only reported after the completion of the transaction; however, the acquirer must prove certain statutory conditions in this case as well. • May the ownership share and the voting right be separated? Does it create a qualifying holding if only one of these reaches or exceeds the limit? The voting right shall be taken into account in the same way as the ownership share. • How can the non-resident acquirers of qualifying holding comply with their obligation to submit customs, social insurance and tax clearance certificates? It is expected, without exception, that the foreign authorities issue the confirmation with proper content.

	• What documents should be used by non-resident acquirers of qualifying interest to prove the legal origin and availability of the funds? The basic logic of the rules is the same as the conditions applicable to resident applicants. It is necessary to confirm the legal origin and availability of the funds in the same way, with the proviso that the authentic translation of the foreign language documents must be attached without exception. • Is it necessary for non-residents to translate the documents into Hungarian? Yes. In the activity licensing procedures authentic, Hungarian translation must be attached without exception. • If the funds to be used for the acquisition of holding originates from inheritance/gift/division of marital estate, what documents may be acceptable for the confirmation of legal origin and availability? In respect of the giver the MNB examines whether the giver obtained the amount used for the gift legally. The realisation of the transaction, i.e. the actual transfer of the gift, must be proved in this case as well. The income certificate issued by the National Tax and Customs Administration (NTCA) is suitable for this purpose. When the funds come from inheritance, the non-appealable grant of probate must be attached. When the funds come from the division of marital estate non-appealable court judgement must be attached to the application. • If only one of the spouses intends to become the owner of the investment fund manager, but the funds to be used for this purpose is joint property, what should the other spouse do? Does she or he have to provide any document/make a declaration? Yes, in this case the other spouse must declare that he or she consents to the use of the appropriate part of the joint marital property for this purpose.
Change in the scope of activity due to the funds managed	• What should be done, if the investment fund manager wishes to manage a fund of a primary asset category that is not covered by its licence? In this case the investment fund manager must initiate a licensing procedure aimed at the expansion of its range of activity. If it wishes to manage a fund in respect of which the fund manager must prove additional licensing criteria (e.g. a venture capital fund manager also wishes to manage securities funds in the future), it must submit the instruments related to the proof of these conditions (the conditions to be proved in this case are included in a separate licensing guide). However, if it wishes to manage a fund in

	respect of which it satisfies all licensing criteria (e.g. a real estate fund manager wishes to manage venture capital fund as well in the future), it is not necessary to attach additional instruments to the application. • What should be done if the AIFM exceeds the threshold value stipulated in Section 2 (2) of the Collective Investment Trust Act? In this case the AIFM (also including the venture capital fund manager) must fully comply with the entire Collective Investment Trust Act. In view of the fact that pursuant to Section 2 (2) of the Collective Investment Trust Act the AIFM as well must hold a licence issued by the Supervisory Authority to pursue the collective portfolio management activity, it does not need to submit a licence application, but must register the changes and prove the conditions during this registration procedure (e.g. having two managing directors, elaboration of a remuneration policy, segregation of the investment management function and the risk management function, etc.). In this case, at the end of procedure the MNB acknowledges the exceeding of the limit in a notification letter rather than passing a resolution. • What should be done, if the AIFM has voluntarily submitted itself to the entirety of the Collective Investment Trust Act (and the managed assets do not exceed the threshold values), but in the future it wishes to operate as an AIFM specified in Section 2 (2) of the Collective Investment Trust Act? In this case the AIFM must submit a declaration to the MNB, in which it withdraws the voluntary submission. It is not necessary to attach any annex to the declaration. The MNB acknowledges the declaration in a notification.