

LEGAL PROVISIONS AND STANDARDS PERTAINING TO SPECIFIC FINANCIAL SUBSECTORS

I. COMMON REGULATIONS

Pursuant to Section 42 of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (**Credit Institutions Act**), Section 26 of Act CCXXXV of 2013 on Certain Payment Service Providers (**Payment Service Provider Act**), Section 283 (1), Sections 286 and 423 of Act LXXXVIII of 2014 on the Business of Insurance (**Insurance Act**), Sections 171-174 of Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (**Investment Firms Act**), Sections 172-173 and Sections 177-178 of Act XVI of 2014 on Collective Investment Trusts and Their Managers, and on the Amendment of Financial Regulations (Collective Investment Trust Act) and Section 83(2) of Act CXVII of 2007 on Occupational Pension and Related Institutions (**Occupational Pension Act**), the MNB provides the following statutory information.

Financial institutions (credit institutions, financial enterprises, payment institutions and electronic money institutions), intermediaries negotiating mortgage loans, investment firms, investment fund managers, insurers and occupational pension providers with registered office in an EEA state and operating in Hungary as a branch office or cross-border service provider must pay special attention to compliance with the following legal provisions and standards:

The list of legislation set out herein is informative only. Compliance with them shall not constitute exemption from the overall obligation of financial organisations to observe all applicable Hungarian laws in their entirety while pursuing operations in Hungary.

This guide on legal provisions does not apply to activities pursued in the territory of Hungary by foreign enterprises not licensed in an EEA state. According to Hungarian law, such foreign enterprises are required to apply for an operating licence from the MNB.

Laws:

1. Act LIII of 1994 on the Enforcement of Court Decisions (**Enforcement Act**);
2. Act IV of 1978 on the Criminal Code, effective until 30 June 2013, and Act C of 2012 on the Criminal Code is effective as of 1 July 2013;
3. Act V of 2006 on Public Company Information, Company Registration and Windup Proceedings;
4. Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings;
5. Act CVIII of 2001 on Certain issues of electronic commerce services and information society services (**Electronic Commerce Act**);
6. Act XLVII of 2008 on the Prohibition of Unfair Business-to-Consumer Commercial Practices;
7. Act XLVIII of 2008 on the Basic Requirements and Certain Restrictions of Commercial Advertising Activities (**Commercial Advertising Act**);
8. Act CL of 2016 on General Public Administration Procedures (**Public Administration Procedure Act**);
9. Act LV of 2002 on Mediation;
10. Act CXXXII of 1997 on the Hungarian Branch Offices and Commercial Representative Offices of Companies Registered Abroad (**Branch Office Act**);
11. Act CXXXIX of 2013 on the Magyar Nemzeti Bank (**MNB Act**);
12. Act I of 2012 on the Labour Code (**Labour Code**);
13. Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing (**Anti-money Laundering Act**);
14. Act CXXX of 2016 on the Code of Civil Procedure (**Civil Procedure Code**);
15. Act IV of 1959 on the Civil Code, effective until 14 March 2013, and Act V of 2013 on the Civil Code effective as of 15 March 2014 (**Civil Code**);

16. Act C of 2000 on Accounting (**Accounting Act**);
17. Act CXII of 2011 on Informational Self-Determination and Freedom of Information (**Information Act**);
18. Act X of 2006 on Cooperatives;
19. Act XLV of 2004 on European Joint-Stock Companies;
20. Act CXL of 2007 on Cross-Border Mergers of Limited Liability Companies;
21. Act XXV of 2005 on Distance Marketing of Financial Sector Contracts (**Distance Marketing Act**);
22. Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices (**Unfair and Restrictive Market Practices Act**);
23. Act XLVIII of 1996 on Public Warehousing;
24. Act CLV of 1997 on Consumer Protection (**Consumer Protection Act**);
25. Act XXVIII of 2017 on International Private Law.
26. Act LIV of 2018 on the Protection of Business Secrets.

MNB Decrees:

1. MNB Decree No 42/2020 (XI. 19.) on the obligations of money and credit market institutions to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its supervisory duties;
2. MNB Decree No 43/2020 (XI. 19.) on the obligations of capital market institutions to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its supervisory duties;
3. MNB Decree No 44/2020 (XI. 20) on the obligations of the insurance market institutions to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its supervisory duties;
4. **MNB Decree No 17/2018 (VI. 29.) on the method and terms of the payment and calculation of the supervisory fee**
5. MNB Decree No 45/2020 (XI. 20.) on the obligations of funds and occupational pension provider institutions to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its supervisory duties;
6. **MNB Decree No 41/2020 (XI. 18.) on the obligations to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its basic duties;**
7. **MNB Decree No 58/2015 (XII. 22.) on the static data reporting obligation of persons and organisations under the supervision of the system of financial intermediation;**
8. **MNB Decree No 46/2018 (XII. 17.) MNB on the Detailed Rules of Forms and Methods of Complaint Processing Procedures of Financial Organisations;**
9. MNB Decree No 35/2018 (XI.13.) on the data reporting obligations to the central bank's information system in respect of certain data of credit transactions (effective from 1 December 2019);
10. MNB Decree No 47/2018 (XII. 17.) on diverging rules of compliance with obligations under certain MNB Decrees;
11. MNB Decree No 36/2017 (XII. 27.) on the Rules of electronic communication in official matters in progress before the Magyar Nemzeti Bank.

MNB recommendations:

1. Recommendation No 14/2020 (XII. 17.) of the Magyar Nemzeti Bank on Information required by financial institutions and their intermediaries on the source of funds, on the presentation of documents regarding the source of funds to verify the submitted information, on facilitating the recognition of data, facts and conditions that serve as the basis of reports, and on actions related to the reporting of deals of high risk;
2. Recommendation No 12/2020 (XI. 6.) of the Magyar Nemzeti Bank on the information security

- requirements of teleworking and remote access;
3. Recommendation No. 11/2020 (X. 20.) of the Magyar Nemzeti Bank on the conditions of managing the financial organisations' physical security and human risks;
 4. Recommendation No 9/2020 (VII. 14.) of the Magyar Nemzeti Bank to financial organisations on the application of consumer protection principles;
 5. Recommendation No 8/2020 (VI.22.) of the Magyar Nemzeti Bank on the protection of IT systems;
 6. Recommendation No 11/2019 (V. 6.) of the Magyar Nemzeti Bank on the assessment of the eligibility of the members of executive bodies and persons in key position;
 7. Recommendation No 7/2019 (IV. 1.) of the Magyar Nemzeti Bank on assessing the risk of money laundering and terrorist financing associated with financial institutions and on determining related measures;
 8. Recommendation No 4/2019 (IV. 1.) of the Magyar Nemzeti Bank on the use of social and public cloud services;
 9. Recommendation No 27/2018 (XII. 10.) of the Magyar Nemzeti Bank on setting up and using internal safeguards and on the management and control functions of financial organisations;
 10. Recommendation No 11/2018 (II. 27.) of the Magyar Nemzeti Bank on the management of risks of financial organisations related to real properties;
 11. Recommendation No 4/2017 (III. 13.) of the Magyar Nemzeti Bank on the treatment of clients with disability;
 12. Recommendation No 6/2017 (V. 30.) of the Magyar Nemzeti Bank on the restructuring process of receivables from co-financed corporate borrowers;
 13. Recommendation No 10/2016 (X. 24.) of the Magyar Nemzeti Bank to financial organisations on the application of consumer protection principles;
 14. Recommendation No 13/2015 (X. 16.) of the Magyar Nemzeti Bank on the financial organisations' complaint management procedure;
 15. Recommendation No 15/2015 of the Magyar Nemzeti Bank on the Security of Financial Services Provided over the Internet.

Additional conditions:

With regard to the issues not regulated by the Hungarian laws, based on the Directives below, the MNB may also prescribe additional conditions – for public interest – for the entity pursuing the activity:

1. Directive 2013/36/EU of the European Parliament and of the Council;
2. Directive 2014/65/EU of the European Parliament and of the Council;
3. Directive 2015/2366/EC of the European Parliament and of the Council;
4. Directive 2009/110/EC of the European Parliament and of the Council;
5. Article 146(3) of Directive 2009/110/EC of the European Parliament and of the Council;
6. Directive 2016/97/EU of the European Parliament and of the Council.

II. SECTOR-SPECIFIC REGULATIONS

2.1. Financial institutions, payment institutions and electronic money institutions

Pursuant to Section 42 of the Credit Institutions Act and Section 26 of the Payment Service Providers Act, the MNB provides the following statutory information.

Credit institutions, financial enterprises, payment institutions and electronic money institutions, with registered office in an EEA state and operating in Hungary as a branch office or cross-border service provider must pay special attention to compliance with the following legal provisions:

Laws:

1. Credit Institutions Act;
2. Payment Service Provider Act;
3. Capital Markets Act;
4. Investment Firms Act;
5. Act XXX of 1997 on Mortgage Loan Companies and on Mortgage Bonds (**Mortgage Act**);
6. Act CXIII of 1996 on Building Societies (**Building Society Act**);
7. Act LXXXV of 2009 on the Pursuit of the Business of Payment Services (**Payment Services Act**);
8. Act CXXII of 2011 on the Central Credit Information System (**CCIS Act**).
9. Act CLXII of 2009 on Consumer Credits (**Consumer Credit Act**)

The knowledge of particularly the following legal provisions is indispensable for the pursuit of business activities:

1. **Credit Institutions Act:** Section 1, Sections 4 - 5, Section 6, Section 14(4), Section 15 (4); Sections 36-42, Sections 73-74, Section 140. (1); Section 141; Sections 159 - 166; Sections 209 - 216; Section 236; Section 208(7)-(8); Section 199; Sections 268 – 284; Section 285, Section 286, Section 287, and Annex 2;
2. Act IV of 1978 on the Criminal Code, effective until 30 June 2013: Section 177/A, Section 298/D, Section 300 and Sections 303-303/C and Act C of 2012 on the Criminal Code, effective from 1 July 2013: Section 219, Sections 399-402, Section 408, Section 410 – 411, Section 413
3. **Civil Code:** Sections 6:42 – 6:48; Sections 5:86 – 5:144; Sections 6:565 – 6:578; Sections 6:221 – 6:226; Sections 6:360 – 6:365; Heading XX (Loan and account contracts)
4. **Payment Service Provider Act:** Sections 4(3)-(4)-(5); Section 71;

Government Decrees:

1. Government Decree 12/2020 (II. 7.) on the implementation of the Act on Vocational education and training (VET);
2. Government Decree 42/2015 (III. 12.) on protecting the information system of financial institutions, insurance undertakings, reinsurance undertakings, investment firms and commodity dealers;
3. Government Decree 180/2001 (X.4.) on the Dstraint of deposits and savings deposits;
4. Government Decree 82/2010 (III.25.) on calculating and announcing deposit interest rates and yields on securities;
5. Government Decree 250/2000 (XII. 24) on the special features of the annual reporting and bookkeeping obligations of credit institutions and financial enterprises;
6. Government Decree 47/1997 (III.12.) on the General Contractual Terms and Conditions of Building Societies;
7. Government Decree 297/2001 on currency exchange services;
8. Government Decree 361/2009 (XII. 30) on the Conditions of prudential lending to households and

- on the assessment of creditworthiness;
9. Government Decree 83/2010 (III. 25.) on the Definition, calculation and publication of the annual percentage rate of charge;
 10. Government Decree No 435/2016. (XII. 16.) on the detailed rules pertaining to the complaint management procedure of investment firms, payment institutions, electronic money institutions, voucher issuing undertakings, financial institutions and independent financial service intermediaries, and to their complaints management regulation.

Decrees of the Minister for National Economy:

1. Decree 41/2013 (IX.30.) of the Minister for National Economy on the calculation of capital adequacy on the financial conglomerate level;
2. Decree 3/2016. (I. 7.) of the Minister for National Economy on the rules of providing information on mortgage loans;
3. Decree 53/2016 (XII. 21.) of the Minister for National Economy on General Rules of the Obligations to provide Preliminary Information by Intermediaries of Financial Services;
4. Decree 22/2016 (VI. 29) of the Minister for National Economy on the Rules prescribing the access for persons with disability to financial services under equal opportunities.

MNB Decrees:

1. MNB Decree No 41/2020 (XI. 18.) on the obligations to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its basic duties;
2. MNB Decree No 10/2005 (VI. 11.) on the calculation, the method of allocation and placement of minimum reserves;
3. MNB Decree No 42/2020 (XI. 19.) on the obligations of money and credit market institutions to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its supervisory duties;
4. MNB Decree No 32/2014. (IX. 10.) on the Regulation of the Payment-to-Income Ratio and the Loan-to-Value Ratio;
5. MNB Decree No 39/2016 (X.11) on Prudential Requirements Relating to Non-performing Exposures and Restructured Receivables;
6. MNB Decree No 40/2016 (X.11) on the Prudential Requirements for the Rating of Customers and Counterparties, and for Collateral Valuation
7. MNB Decree No 35/2017 (XII. 14.) on Payments Services Activities.

Recommendations of the President and the Supervisory Council of the HFSA:

1. Recommendation No 2/2000 on asset and liability management at credit institutions and on the management of market risks;

MNB Recommendations:

1. Recommendation No. 13/2020 (XII.4.) of the Magyar Nemzeti Bank on the Uniform disclosure related to the temporary treatment of unrealised gain or loss on government securities measured at fair value through other comprehensive income and to the transitional rules serving the mitigation of the impact of the introduction of the IFRS 9 standard on own funds;
2. Recommendation No. 10/2020 (VIII. 6.) of the Magyar Nemzeti Bank on the Immediate crediting of the payment transaction amount to the beneficiary's payment account;
3. Recommendation No. 4/2020 (III. 24.) of the Magyar Nemzeti Bank on the Requirements pertaining to simple, transparent and standardised securitisation not qualifying as asset-backed

- commercial paper (ABCP);
4. Recommendation No. 3/2020 (III. 24.) of the Magyar Nemzeti Bank on the Requirements pertaining to simple, transparent and standardised ABCP securitisation;
 5. Recommendation No. 2/2020 (III. 24.) of the Magyar Nemzeti Bank on the Reduction of large portfolios of non-performing exposures;
 6. Recommendation No. 1/2020 (III. 4.) of the Magyar Nemzeti Bank on the Procedures related to the payment service providers' handling of money transfers with incomplete data;
 7. Recommendation No. 21/2019 (XII. 16.) of the Magyar Nemzeti Bank on the Requirements related to disclosures concerning credit institutions' non-performing exposures and restructured receivables;
 8. Recommendation No. 19/2019 (IX. 20.) of the Magyar Nemzeti Bank on the Definition of exposures of particularly high risk;
 9. Recommendation No 15/2019 (IV. 1.) of the Magyar Nemzeti Bank on the measurement, management and control of credit risk;
 10. Recommendation No 14/2019 (VII. 3) of the Magyar Nemzeti Bank on the conditions of resorting to exemption from the reserve mechanism;
 11. Recommendation No 13/2019 (VII.2.) of the Magyar Nemzeti Bank on the application of the notion of default as defined in Article 178 of Regulation 575/2013/EU;
 12. Recommendation No 11/2019 (V.6.) of the Magyar Nemzeti Bank on the assessment of the eligibility of the members of executive bodies and persons in key position;
 13. Recommendation No 9/2019 (IV. 15.) of the Magyar Nemzeti Bank on the Interest risk of variable-rate mortgage loans and on fostering the provision of information on the management thereof;
 14. Recommendation No 8/2019 (IV. 1.) of the Magyar Nemzeti Bank on currency exchange services provided by credit institutions directly or via special service intermediaries;
 15. Recommendation No 3/2019 (II. 18.) of the Magyar Nemzeti Bank on the resolution plan to be prepared by credit institutions and investment firms on a mandatory basis;
 16. Recommendation No 2/2019 (II.13) of the Magyar Nemzeti Bank on the workout activity performed vis-a-vis consumers;
 17. Recommendation No 5/2018 (II.19.) of the Magyar Nemzeti Bank on the Criteria applicable to the minimum amount of the professional liability insurance or other similar guarantees;
 18. Recommendation No 14/2018 (III. 6) of the Magyar Nemzeti Bank on the Management of risks related to encumbered assets;
 19. Recommendation No 13/2018 (III. 6.) of the Magyar Nemzeti Bank on the Remuneration policy related to the sales of retail banking products and services, and the related internal rules of procedure;
 20. Recommendation No 12/2018 (II. 27) of the Magyar Nemzeti Bank on Certain issues related to the valuation and management of real estate financing project loans;
 21. Recommendation No 11/2018 (II. 27.) of the Magyar Nemzeti Bank on the management of risks of financial organisations related to real properties;
 22. Recommendation No 28/2018 (XII. 10.) of the Magyar Nemzeti Bank on the definition of the notion of "group of connected clients" as specified in Article 4(1)39) of Regulation 575/2013/EU;
 23. Recommendation No 26/2018 (VIII.16.) of the Magyar Nemzeti Bank on the security measures related to the operational and security risks of payment services;
 24. Recommendation No 24/2018 (VII. 5.) of the Magyar Nemzeti Bank on the Granting of pawn loans directly by financial institutions or through tied agents;
 25. Recommendation No 12/2017 (XI. 6) of the Magyar Nemzeti Bank on Issues related to the application of the IFRS9 impairment requirements;
 26. Recommendation No 3/2017 (II. 9) of the Magyar Nemzeti Bank on the Application of remuneration policy;
 27. Recommendation No 4/2017 (III. 13.) of the Magyar Nemzeti Bank on the treatment of clients with disability;

28. Recommendation No 13/2017 (XI.30.) of the Magyar Nemzeti Bank on the Specific requirements pertaining to the disclosure practices of credit institutions and investment firms;
29. Recommendation No 10/2017 (VIII. 8.) of the Magyar Nemzeti Bank on Defining specialised lending exposures and speculative real property financing;
30. Recommendation No 9/2017 (VIII. 8.) of the Magyar Nemzeti Bank on the Practice of disclosure related to liquidity risk;
31. Recommendation No 8/2017 (VIII. 8.) of the Magyar Nemzeti Bank on the General requirements pertaining to the disclosure practices of credit institutions and investment firms;
32. Recommendation No 13/2016 (XII. 19.) of the Magyar Nemzeti Bank on Product oversight and governance arrangements related to retail financial market products;
33. Recommendation No 11/2016 (XII.1) of the Magyar Nemzeti Bank on the limitation of exposures to organisations performing shadow banking activity;
34. Recommendation No 1/2016 (III. 11.) of the Magyar Nemzeti Bank on the recovery of delinquent household mortgage loans;
35. Recommendation No 23/2015 (XII. 29.) of the Magyar Nemzeti Bank on measuring, managing and controlling the interest rate risk of non-trading book exposures;
36. Recommendation No 12/2015 (VIII. 24.) of the Magyar Nemzeti Bank on the Measurement, management and control of liquidity risks.

Code of conduct issued by the MNB and the Hungarian Banking Association:

Code of conduct on the fair behaviour of financial institutions providing loans to households vis-à-vis clients.

2.2 Investment firms

Pursuant to Sections 171, 172, 173, 173/A, 173/B and 174 of the Investment Firms Act, the MNB provides the following statutory information.

Investment firms with registered office in an EEA state and operating in Hungary as a branch office or cross-border service provider must pay special attention to compliance with the following legal provisions:

Laws:

1. Capital Markets Act;
2. Investment Firms Act;
3. Act XXIII of 2003 on Settlement finality in payment and securities settlement systems;
4. Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
5. Regulation (EU) No 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012.

In particular, knowledge and application of the following legal provisions is indispensable for the pursuit of business activities:

1. **Capital Markets Act:** Sections 1 – 5, Sections 58 – 62, Sections 65 – 80/A, Section 199 – 205, Sections 210 – 228, Sections 364 – 375; Section 376 and Section 404;
2. Sections 177/A, 298/D, 300, 303-303/C of Act IV of 1978 on the Criminal Code, effective until 30 June 2013, and Sections 219, 399-402, 408 and 413 of the Criminal Code, effective from 1 July

- 2013;
3. **Civil Code:** Sections 6:565-6:578;
 4. **Investment Firms Act:** Section 52, Sections 40 – 44, Section 67 – 68, Sections 70 –72, Sections 111 – 116; Sections 117-120.

Government Decrees:

1. Government Decree 22/2008 (II.7.) on the mandatory content elements of the Business Regulation of enterprises providing investment services, auxiliary investment services and commodity exchange services;
2. Government Decree 251/2000 (XII.24.) on the Special features of the annual financial statements preparation and bookkeeping obligations of investment firms;
3. Government Decree 82/2010 (III. 25.) on calculating and announcing deposit interest rates and securities' yields;
4. Government Decree 284/2001 (XII.26.) on the Method and security rules of producing and forwarding dematerialised securities, and the rules of opening and keeping securities accounts, central securities account and customer accounts;
5. Government Decree 286/2001 (XII.26.) on treasury bills;
6. Government Decree 285/2001 (XII.26.) on bonds;
7. Government Decree 287/2001 (XII.26) on the certificates of deposit;
8. Government Decree No 435/2016. (XII. 16.) on the detailed rules pertaining to the complaint management procedure of investment firms, payment institutions, electronic money institutions, voucher issuing undertakings, financial institutions and independent financial service intermediaries, and to their complaint management policies;
9. Government Decree 438/2016 on the complaints handling procedure and the detailed rules of the complaint handling regulation of the UCITS fund management company.
10. Government Decree 42/2015 (III. 12.) on protecting the information system of financial institutions, insurance undertakings, reinsurance undertakings, investment firms and commodity dealers.

Decrees of the Minister of Finance:

Decree No 6/2002 (II.20.) of the Minister of Finance on the notification obligation of investment service providers, organisations engaged in clearing house operations and the stock exchange.

Decrees of the Minister for National Economy:

1. Decree 15/2017 (VI.30.) of the Minister for National Economy on incentives related to investment services and ancillary services;
2. Decree 16/2017 (VI.30.) of the Minister for National Economy on the product approval process to be used by the investment firms.

MNB Decrees:

1. MNB Decree No 35/2017 (XII. 14.) on executing payments.
2. MNB Decree No 37/2017. (XII. 27.) on the requirements of the assessment of the knowledge and competence regarding natural persons providing investment advice or information on financial instruments, investment and ancillary services for the clients;
3. MNB Decree No 43/2020 (XI. 19.) on the obligations of capital market institutions to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its supervisory duties;

4. MNB Decree No 41/2020. (XI. 18.) on the obligations to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its basic duties;

MNB recommendations:

1. Recommendation No. 13/2020 (XII.4.) of the Magyar Nemzeti Bank on the Uniform disclosure related to the temporary treatment of unrealised gain or loss on government securities measured at fair value through other comprehensive income and to the transitional rules serving the mitigation of the impact of the introduction of the IFRS 9 standard on own funds;
2. Recommendation No. 4/2020 (III. 24.) of the Magyar Nemzeti Bank on the Requirements pertaining to simple, transparent and standardised securitisation not qualifying as asset-backed commercial paper (ABCP);
3. Recommendation No. 3/2020 (III. 24.) of the Magyar Nemzeti Bank on the Requirements pertaining to simple, transparent and standardised ABCP securitisation;
4. Recommendation No. 22/2019 (XII.17.) of the Magyar Nemzeti Bank on the Remuneration policy and practice to be applied in relation to the rendering of investment services;
5. Recommendation No. 19/2019 (IX. 20.) of the Magyar Nemzeti Bank on the Definition of exposures of particularly high risk;
6. Recommendation No. 18/2019 (VII. 5.) of the Magyar Nemzeti Bank on the Internal policies of capital market institutions related to personal transactions;
7. Recommendation No 15/2019 (IV. 1.) of the Magyar Nemzeti Bank on the measurement, management and control of credit risk;
8. Recommendation No 13/2019 (VII.2.) of the Magyar Nemzeti Bank on the application of the notion of default as defined in Article 178 of Regulation 575/2013/EU;
9. Recommendation No 12/2019 (VI. 25) of the Magyar Nemzeti Bank on money market fund stress testing scenarios;
10. Recommendation No 10/2019 (IV. 15) of the Magyar Nemzeti Bank on certain aspects of the obligation to obtain preliminary information applicable to the provision of investment services;
11. Recommendation No 11/2019 (V.6.) of the Magyar Nemzeti Bank on the assessment of the eligibility of the members of executive bodies and persons in key position;
12. Recommendation No 5/2019 (IV.1.) of the Magyar Nemzeti Bank on issuing the shares of public, open-ended real estate funds;
13. Recommendation 3/2019 (II. 18.) of the Magyar Nemzeti Bank on the resolution plan to be prepared by credit institutions and investment firms on a mandatory basis;
14. Recommendation No 1/2019 (I. 30.) of the Magyar Nemzeti Bank on the reporting of transactions, recording orders and synchronising watches;
15. Recommendation No 1/2018 (I. 3) of the Magyar Nemzeti Bank on complex debt instruments and structured deposits;
16. Recommendation No 2/2018 (I. 3) of the Magyar Nemzeti Bank on cross-selling practices;
17. Recommendation No 4/2018 (I.16.) of the Magyar Nemzeti Bank on remuneration policies to be applied by alternative investment fund managers;
18. Recommendation No 3/2018 (I.16.) of the Magyar Nemzeti Bank on the remuneration policies to be applied by UCITS fund managers;
19. Recommendation 28/2018 (XII. 10.) of the Magyar Nemzeti Bank on the definition of the notion of "group of connected clients" as specified in Article 4(1)39) of Regulation 575/2013/EU;
20. Recommendation No 25/2018 (VII. 5.) of the Magyar Nemzeti Bank on the Requirements governing the approval of capital market products;
21. Recommendation No 23/2018 (V.14.) of the Magyar Nemzeti Bank on the Executive bodies of market operators and data supplier entities;
22. Recommendation No 22/2018 (V. 14) of the Magyar Nemzeti Bank on the Setting of suspension

- mechanisms of trading venues and announcement of the discontinuance of the trading;
23. Recommendation No 16/2018 (IV. 3.) of the Magyar Nemzeti Bank on the Comprehensive risk assessment prior to the data reporting by central counterparties and trading venues;
 24. Recommendation No 15/2018 (IV. 3) of the Magyar Nemzeti Bank on the Rules and procedures of central depositories related to payment restriction procedures initiated against participants;
 25. Recommendation No 14/2018 (III. 6) of the Magyar Nemzeti Bank on the Management of risks related to encumbered assets;
 26. Recommendation No 13/2017 (XI.30.) of the Magyar Nemzeti Bank on the Specific requirement pertaining to the disclosure practices of credit institutions and investment firms;
 27. Recommendation No 10/2017 (VIII. 8.) of the Magyar Nemzeti Bank on Defining specialised lending exposures and speculative real property financing;
 28. Recommendation No 9/2017 (VIII. 8.) of the Magyar Nemzeti Bank on the Disclosure practice related to liquidity risk;
 29. Recommendation No 8/2017 (VIII. 8.) of the Magyar Nemzeti Bank on the General requirements pertaining to the disclosure practices of credit institutions and investment firms;
 30. Recommendation No 5/2017 (V. 24) of the Magyar Nemzeti Bank on Alternative performance measurement indices;
 31. Recommendation No 3/2017 (II. 9) of the Magyar Nemzeti Bank on the Application of remuneration policy;
 32. Recommendation No 11/2016 (XII.1) of the Magyar Nemzeti Bank on the limitation of exposures to organisations performing shadow banking activity;
 33. Recommendation No 7/2016 (VI. 22.) of the Magyar Nemzeti Bank on the Management of OTC derivative leveraged brokerage transactions executed with the involvement of third party;
 34. Recommendation No 12/2015 (VIII. 24.) of the Magyar Nemzeti Bank on the Measurement, management and control of liquidity risks.

2.3 Insurance undertakings, insurance intermediaries

Pursuant to Sections 283(1), 286 and 423 of Insurance Act, the MNB provides the following statutory information.

Insurance undertakings and insurance intermediaries with registered office in an EEA state and operating in Hungary as a branch office or cross-border service provider must pay special attention to compliance with the following legal provisions:

Laws:

1. Insurance Act;
2. Investment Firms Act;
3. Credit Institutions Act;
4. Reinsurance Act;
5. Motor Third-party Liability Insurance (MTPL) Act;
6. Act XXXI of 1996 on the protection against fire, technical rescue and the Fire Department;
7. Act CII of 2012 on Insurance Tax.

The knowledge of particularly the following legal provisions is indispensable for the pursuit of business activities:

1. **Insurance Act:** Sections 35 -37, Section 407, Section 383, Sections 422 – 423, Sections 279 –286, Section 121, Sections 135-159; Sections 288-290.
2. Sections 177/A, 298/D, 300, 303-303/C of Act IV of 1978 on the Criminal Code, effective until 30 June 2013, and Sections 219, 399-402, 408 and 413 of the **Criminal Code**, effective from 1 July 2013;
3. **Civil Code:** Book Six (Contract Law), Part Three (Certain Contracts), Heading XXII (Insurance

Contracts), Sections 6:439-6:490.

Government Decrees:

1. Government Decree 44/2015 (XII.1.) on the minimum content requirements of liability insurance contracts of multiple agents and brokers;
2. Government Decree 259/2011. (XII. 7.) on fire protection authority organisations, fire protection fines and compulsory accident insurance for fire protection employees;
3. Government Decree No 192/2000 (XI.24.) on the Special features of related to the obligations of insurers to prepare financial statements and bookkeeping;
4. Government Decree 437/2016 (XII. 16.) on the Detailed Rules relating to the Complaint Management Procedure and Complaint Management Regulation of Insurance Companies, Multiple Agents and Brokers;
5. Government Decree 42/2015 (III. 12.) on protecting the information system of financial institutions, insurance undertakings, reinsurance undertakings, investment firms and commodity dealers;
6. Government Decree 12/2020 (II. 7.) on the implementation of the Act on Vocational education and training (VET).

Decrees of the Minister of Finance:

Decree No 2/2019 (III. 28.) of the Minister of Finance on the form and content of customer information to be provided in respect of unit-linked life insurance products;

Decrees of the Minister for National Economy:

Decree 45/2011 (XII.21.) of the Minister for National Economy on accounting for the profit/loss of compulsory motor third party liability insurance products offered by insurers.

MNB Decrees:

1. MNB Decree No 44/2020 (XI. 20.) on the obligations of insurance market organisations to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its supervisory duties;
2. MNB Decree No 26/2013 (XII. 7.) on the rules pertaining to the announcement of the premiums of compulsory motor third-party liability insurance and the tariff for lack of coverage calculated for one calendar year, on the website of the Magyar Nemzeti Bank;
3. MNB Decree No 54/2015 (II. 21.) on the Maximum Technical Rate of Interest;

MNB recommendations:

1. Recommendation No 4/2020 (III. 24.) of the Magyar Nemzeti Bank on the Requirements pertaining to simple, transparent and standardised securitisation not qualifying as asset-backed commercial paper (ABCP);
2. Recommendation No 3/2020 (III. 24.) of the Magyar Nemzeti Bank on the Requirements pertaining to simple, transparent and standardised ABCP securitisation;
3. Recommendation No. 20/2019 (IX. 20.) of the Magyar Nemzeti Bank on the Calculation and publication of the annual cost ratio of voluntary pension funds;
4. Recommendation 17/2019 (IX. 20) of the Magyar Nemzeti Bank on the Governance system of insurers and reinsurers;
5. Recommendation No. 16/2019 (IX. 20.) of the Magyar Nemzeti Bank on the Determination of the insurance technical reserves;
6. Recommendation No. 14/2019 (VII. 3) of the Magyar Nemzeti Bank on the Conditions of resorting

- to exemption from the reserve mechanism;
7. Recommendation No 19/2018 (IV. 9.) of the Magyar Nemzeti Bank on the Recognition and valuation of assets and liabilities other than insurance technical reserves;
 8. Recommendation No 18/2018 (IV.9.) of the Magyar Nemzeti Bank on the Implementation of measures related to long-term guarantees and transitional measures;
 9. Recommendation No 17/2018 (IV. 9.) of the Magyar Nemzeti Bank on the insurers' and reinsurers' supervisory reporting and disclosure under Solvency II;
 10. Recommendation No 9/2018 (II. 21.) of the Magyar Nemzeti Bank on the Application of internal rating model;
 11. Recommendation No 8/2018 (II. 21.) of the Magyar Nemzeti Bank on the application of insurer-specific parameters;
 12. Recommendation No 7/2018 (II. 21.) of the Magyar Nemzeti Bank on the treatment of related companies – including shareholdings – by insurers and reinsurers;
 13. Recommendation No 6/2018 (II. 21.) of the Magyar Nemzeti Bank on reporting by insurers and reinsurers for financial stability purposes;
 14. Recommendation No 1/2017 (I. 12.) of the Magyar Nemzeti Bank on pension insurances;
 15. Recommendation No 8/2016 (VI. 30.) of the Magyar Nemzeti Bank on the application of the prudential and consumer protection principles regarding unit-linked life insurance policies;
 16. Recommendation No 6/2016 (VI. 14.) of the Magyar Nemzeti Bank on holding the volatility capital buffer ensuring continuous capital adequacy;
 17. Recommendation No 3/2016 (VI.6.) of the Magyar Nemzeti Bank on own risk and solvency capital valuation system;
 18. Recommendation No 22/2015 (XII. 18.) of the Magyar Nemzeti Bank on the management of market and counterparty exposures defined using the standardised approach;
 19. Recommendation No 21/2015 (XII. 8) of the Magyar Nemzeti Bank on the loss absorbing capacity of insurance technical reserves and deferred taxes;
 20. Recommendation No 20/2015 (XII. 8.) of the Magyar Nemzeti Bank on the Application of health insurance disaster risk sub-module;
 21. Recommendation No 19/2015 (XII. 8.) of the Magyar Nemzeti Bank on the classification of solvency capital;
 22. Recommendation No 18/2015 (XII. 8.) of the Magyar Nemzeti Bank on ring-fenced funds;
 23. Recommendation No 17/2015 (XII. 8.) of the Magyar Nemzeti Bank on solvency capital adequacy at group level;
 24. Recommendation No 17/2015 (XII. 8.) of the Magyar Nemzeti Bank on solvency capital adequacy at group level;
 25. Recommendation No 16/2015 (XII. 8.) of the Magyar Nemzeti Bank on the application of the look-through approach;
 26. Recommendation No 10/2015 (VII. 22) of the Magyar Nemzeti Bank on solvency capital;
 27. Recommendation No 9/2015 (VII 22.) of the Magyar Nemzeti Bank on the application of life insurance risk module;
 28. Recommendation No 8/2015 (VII. 22.) of the Magyar Nemzeti Bank on basis risk;
 29. Recommendation No 7/2015 (VII. 22.) of the Magyar Nemzeti Bank on the consideration of reinsurance agreement in the non-life disaster risk sub-module;
 30. Recommendation No 6/2015 (VII. 22) of the Magyar Nemzeti Bank on contract boundaries;
 31. Recommendation No 5/2015 (V. 05.) of the Magyar Nemzeti Bank on the electronic interfaces serving the presentation and comparison of insurance products and used during insurance mediation.

Management circulars issued by the MNB:

Management circular on the requirements related to the notification obligation of insurers selling compulsory motor third-party liability insurance to the policy registration authority (2016)

Methodological manual issued by the HFSA:

Methodological manual No 2/2006 on needs assessment and product description of life insurance;

2.4 Occupational pension provider institutions

Laws:

1. Occupational Pension Act;
2. Act LXXX of 1997 on the Eligibility for Social Security Benefits and Private Pensions and the Funding for These Services (**Social Security Act**);

Government Decrees:

1. Government Decree 399/2007 (XII.24.) on the Special features of the annual financial statements preparation and bookkeeping obligations of occupational pension provider institutions;
2. Government Decree 461/2015 (XII.29.) on the Calculation of the solvency capital requirements of occupational pension provider institutions;

MNB Decree:

MNB Decree No 40/2018. (XI. 14.) on the obligations of funds and occupational pension provider institutions to report data to the central bank's information system primarily to enable the Magyar Nemzeti Bank to carry out its supervisory duties