

**MNE (Ministry for National Economy) Decree No 21/2017. (VIII.3.)
of the Minister for National Economy**

**regarding the mandatory substantive elements of the internal code to be prepared pursuant to
Act LIII of 2017 on Preventing and Combating Money Laundering and Terrorist Financing
and Act LII of 2017 on the Implementation of Financial and Asset-related Restrictive
Measures Ordered by the European Union and the UN Security Council**

Acting upon the authorisation set out in Section 77(1) of Act LIII of 2017 on Preventing and Combating Money Laundering and Terrorist Financing and in my competence set out in Section 90.14 of Government Decree No 152/2014. (VI. 6) on the tasks and competences of the members of the Government, as well as upon the authorisation set out in Section 17(2) of Act LII of 2017 on the Implementation of Financial and Asset-related Restrictive Measures Ordered by the European Union and the UN Security Council and in my competence specified in Section 90.1 of Government Decree No 152/2014. (VI. 6) on the tasks and competences of the members of the Government I order the following:

Section 1. The internal code specified in Section 65(1) of Act LIII of 2017 on Preventing and Combating Money Laundering and Terrorist Financing (hereinafter referred to as: “AML Act”) to be prepared by the service provider in order for the performance of the tasks required for meeting the obligations set out in the same shall contain the following mandatory substantive elements:

- a) aspects to be considered when establishing the data, facts and circumstances that indicate money laundering or terrorist financing,
- b) in regard to customer due diligence, the internal rules of procedure governing:
 - ba) identification of the customer, recording of the the customer’s risk level when establishing a business relationship, verification of the customer’s identity;
 - bb) identification of the beneficial owner;
 - bc) activities intended to identify the purpose and planned nature of the business relationship;
 - bd) the continuous monitoring of the business relationship and the transactions performed during the existence of the business relationship, including the monitoring of the risk level of the customer and the measures to be implemented in the case of change to the risk level, and the enhanced monitoring and analysis of the complex and unusual transactions and financial operations; and
 - be) the updating of data and instruments relevant to the business relationship,
- c) the data, facts and circumstances that give rise to doubt as regards to the authenticity or appropriateness of the customer identification data or the identity of the beneficial owner,
- d) the cases of simplified an enhanced customer due diligence, as well as the scope and internal rules of procedures of the measures to be taken,
- e) at service providers which intend to exercise the right set out in Section 22(1) of the AML Act, the internal rules of procedure for adopting the results of customer due diligence measures performed by another service provider,
- f) the rules and form of the internal procedure for reporting to the authority operating as financial intelligence unit, as well as the standard form for making the report set out in Section 30(1) of the AML Act to be sent to the designated person specified in Section 31(1) of the AML Act,
- g) the name, position and contact details of the designated person specified in Section 31(1) of the AML Act,
- h) the internal rules of procedure for the suspension of transactions,
- i) the internal regulations relating to the processing, retainment and protection of the data generated in connection with the customer due diligence and/or the report, as well as the employees concerned,

j) regulations relating to ensuring appropriate professional skills when hiring executive officers and employees involved in the activities falling under the scope of the AML Act and the training of employees getting in contact with customers, as well as their participation in training programmes for preventing and combating money laundering and terrorist financing,

k) the rules of procedure and conduct applicable in the course of customer due diligence for employees getting in contact with the customer,

l) presentation of the internal control and information system facilitating customer due diligence, reporting and keeping of the records,

m) for the service providers specified in Section 2 of the AML Act, the internal rules of procedure for identification of the principal and the beneficiary, checking, keeping records of and transmitting the data and detecting and managing transfers of funds received with lacking or deficient data in regards to the implementation of Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006, and

n) the name and position of the person specified in Section 3 Point 35 of the AML Act, as well as the specification of his/her competences in relation to decisions for influencing the service provider's exposure to the risk of money laundering and terrorist financing,

o) the cases and internal rules of procedure of the special customer due diligence, including the internal rules of procedure of the customer due diligence measures applicable on the basis of a risk sensitivity approach in accordance with Section 24/A (5) of the AML Act prior to establishing a correspondent relationship with a service provider established in a Member State of the European Union,

p) the internal rules of procedure governing the gathering and verification of information on the source of funds and wealth;

q) the internal rules of procedure set out for risk mitigation and risk management purposes;

r) description of the external control function used for controlling (testing) of the compliance and operation of the internal rules of procedure.

Section 1/A. The group-wide policies and procedures developed by the service providers set out in Sections 1 (1) a)-e) of the AML Act pursuant to Section 60 of the AML Act shall cover the substantive elements specified in Section 1 b), j), q) and r), in particular the detailed rules governing the intra-group distribution of information set out in Point b) and q).

Section 2. The internal code specified in Section 3(4) of Act LII of 2017 on the Implementation of Financial and Asset-related Restrictive Measures Ordered by the European Union and the UN Security Council (hereinafter referred to as: "RM Act") to be prepared by the service provider in order for the performance of the tasks required for meeting the obligations set out in the same shall contain the following mandatory substantive elements:

a) type and operation of the screening-monitoring system for the implementation of the financial and asset-related restrictive measures ordered by the European Union and the UN Security Council specified in Section 3(6) of the RM Act, as well as the internal rules of procedure of the screening performed based on the lists of persons affected by financial and asset-related restrictive measures,

b) availability of the lists of persons affected by financial and asset-related restrictive measure ordered by the European Union and the UN Security Council to be applied by the service provider;

c) the internal rules of procedure for reporting to the authority in accordance with Section 4(1) of the RM Act,

d) name, position and contact details of the person designated in accordance with Section 4(2) of the RM Act,

e) the rules of procedure and conduct to be applied by employees involved in the implementation of financial and asset-related restrictive measures ordered by the European Union and the UN Security Council, and

f) rules of operation of the internal control system related to the implementation of financial and asset-related restrictive measures ordered by the European Union and the UN Security Council.

Section 3. The service provider shall determine the scope of the measures contained in the internal code to be prepared pursuant to Section 65(1) of the AML Act based on the nature and amount of the business relationship or the transaction order and the circumstances of the customer (on a risk-sensitivity basis), using the internal risk assessment prepared in accordance with the provisions of Section 27 of the AML Act. The service provider shall demonstrate to the supervisory authorities that the scope of the measures set out in the internal code to be drawn up pursuant to Section 65 (1) of the AML Act and the identified cases pursuant to Section 1 d) have been determined on the basis of the service provider's internal risk assessment.

Section 4. The service provider shall establish the internal rules of procedure for the risk-sensitivity-based performance of the customer due diligence specified in Section 1b) based on the following risk factors:

- a) purpose of the business relationship or transaction order;
- b) nature and amount of the business relationship or transaction order;
- c) duration of the business relationship, frequency of the transaction order;
- d) direction of the business relationship or transaction order.

Section 5. The service provider shall establish the cases and internal rules of procedure of the simplified customer due diligence specified in Section 1 d) based on the factors relating to low risk listed in *Annex 1*.

Section 6. The service provider shall establish the cases and internal rules of procedure of the enhanced customer due diligence specified in Section 1 d) – unless otherwise provided for by law – based on the factors relating to higher risk listed in *Annex 2*.

Section 6/A. In order to obtain and verify information on the source of wealth, service providers shall obtain a statement on such source; provided that in the case specified in Section 9/A (2) of the AML Act, the content of such statement shall be limited exclusively to that of the mandatory substantive elements listed Annex 3; and in the case specified in Sections 16 (3) a) and 16/A (1) a) ac) of the same, such content shall be determined at least taking into account the mandatory substantive elements listed in Annex 3.

Section 7. This Decree shall enter into force on the day after its promulgation.

Section 8. This Decree serves for establishing conformity with:

a) Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No. 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC; and

b) Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU

Mihály Varga
Minister for National Economy

Annex 1 to MNE Decree No 21/2017. (VIII.3.)

Factors relating to low risk

1. Customer risk factors:

- 1.1. companies whose securities have been introduced to the stock exchange and which are subject to disclosure requirements ensuring the appropriate transparency of beneficial ownership;
- 1.2. administrative authorities and business associations in majority state ownership;
- 1.3. customers having their place of residence in a geographic area signalling low risk according to Section 3.

2. Risk factors related to products, services, transactions or service channels:

- 2.1. insurances belonging to the life insurance sector solely of a risk insurance character (for the event of death) with a low premium not having any surrender value or service triggered upon expiry;
- 2.2. pension insurances, provided that they do not include a redemption clause and the insurance policy cannot be used as a security;
- 2.3. a pension benefit scheme providing pension benefits for employees, where contributions are paid via deduction from wages and the rules of the scheme do not allow for the assignment of members' shares in the system;
- 2.4. financial products and services providing certain limited services for certain types of customers in order to improve their access to financial services for the purpose of financial integration;
- 2.5. products, in relation to which the risk related to money laundering and terrorist financing is managed via other measures such as the restriction of electronic money or the transparency of ownership (e.g. certain types of electronic money).

3. Geographical risk factors in respect of the registered office, branch or establishment and the residential address or current place of residence of customers:

- 3.1. Member States of the European Union;
- 3.2. third countries having effective systems in place in regards to combating money laundering and terrorist financing;
- 3.3. third countries in which corruption or the number of other punishable acts is low according to at least the World Bank's index evaluating countries' government systems and/or other sources, in particular the evaluation reports recognised by international organisations;
- 3.4. third countries whose regulations relating to combating money laundering and terrorist financing are in accordance with the reviewed FATF recommendations and which apply these regulations effectively.

Annex 2 to MNE Decree No 21/2017. (VIII.3.)

Factors relating to higher risk

1. Customer risk factors:
 - 1.1. the business relationship takes place in unusual circumstances;
 - 1.2. customers having their place of residence in a geographic area signalling high risk according to Section 3;
 - 1.3. trusts;
 - 1.4. companies having bearer shares or whose shareholder is represented by a nominee;
 - 1.5. undertakings processing cash operations that are considered by the supervisory authorities to be of a significant level;
 - 1.6. the company's ownership structure seems unusual or overly complex considering the nature of its business activity;
 - 1.7. customers who are nationals of third countries and who apply for residence, right of establishment or nationality in exchange for capital transfer, the purchase of immovable property or government bonds, or the acquisition of ownership shares in companies;
2. Risk factors related to products, services, transactions or delivery channels:
 - 2.1. private banking services;
 - 2.2. products and transactions where the customer was not identified;
 - 2.3. non-personal business relationships or transactions lacking certain security precautions, such as the use of electronic identification means or trust services in accordance with Regulation (EU) No. 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC, as well as the use of an ID card with a storage element and the use of a secure, protected electronic telecommunications equipment operated by the service provider, which has been pre-audited in a manner specified by the supervisory authority identified in Section 5 of the AML Act;
 - 2.4. payments received from unknown third parties or third parties not involved in the business relationship or transaction order;
 - 2.5. new products and new business practices, including (but not limited to) the use of new delivery mechanisms or new or developing technologies either for new or previously existing products;
 - 2.6. transactions involving petroleum, arms, precious metals, tobacco products, works of art and antiques, goods of archaeological, historical, cultural, religious or scientific interest or ivory and protected species;
 - 2.7. correspondent relationships which include the settlement of amounts and the execution of transactions aimed at the settlement of amounts;
3. Geographical risk factors:
 - 3.1. countries not having effective systems in place in regards to combating money laundering and terrorist financing;
 - 3.2. countries in which corruption or the number of other punishable acts is high according to at least the World Bank's index evaluating countries' government systems and/or other sources, in particular the evaluation reports recognised by international organisations;
 - 3.3. countries falling under the scope of sanctions imposed by the EU or the UN Security Council;

- 3.4. countries that are publicly known to finance or support terrorist activities or in whose territory known terrorist organisations operate.

Annex 3 to MNE Decree No 21/2017. (VIII.3.)

***Mandatory substantive elements of statements on the source of the wealth set out in
Sections 9/A (2), 16 (3) and 16/A (1) a) ac) of the AML Act***

1. For natural persons:

1.1. Identification data

1.1.1. Name and surname

1.1.2. Place and date of birth

1.1.3. Residential address or, in the absence thereof, the current place of residence

1.2. Information on the source of wealth (with a value of at least HUF 3 million, separately indicating the range categories under Sub-section 1.3., corresponding to the total value estimated by the customer for the asset groups set out in Sub-sections 1.2.1 to 1.2.7.):

1.2.1. Immovable property (even partial ownership)

1.2.2. Motor vehicle

1.2.3. Other moveable property of large value

1.2.4. Intangible and financial assets, in particular the licence to use intellectual property, rental right

1.2.5. Outstanding balance at financial institutions, securities, other liquid assets, virtual currency

1.2.6. Cash

1.2.7. Estimated market value of ownership share in a company

1.3. Range categories

1.3.1. HUF 3–30 million

1.3.2. HUF 30–100 million

1.3.3. HUF 100–300 million

1.3.4. HUF 300–1,000 million

1.3.5. HUF 1–5 billion

1.3.6. above HUF 5 billion

1.4. Statement on liabilities

Amounts owed (to financial institutions, private individuals, etc.) at the end of the calendar year preceding the statement with a value of to at least HUF 3 million; indicating the range categories corresponding to the total value, as set out in Sub-section 1.3.

1.5. Statement on income

The net amount of regular revenue (in particular income) and extraordinary revenue (in particular inheritance, winnings) exceeding HUF 3 million earned in the tax year preceding the statement, indicating the range categories corresponding to the total value, as set out in Sub-section 1.3.

2. For legal persons or organisations without legal personality

2.1. Identification data of the legal person or the organisation without legal personality:

2.1.1. Name or concise (short) name

2.1.2. Registered seat

2.1.3. Name and title of representative making the declaration

2.2. Information on the source of wealth (based on the data of the last annual financial statement published prior to the statement, with a value of at least HUF 3 million per item, indicating the range categories set out in Sub-section 2.3):

2.2.1. Intangible assets

2.2.2. Tangible assets

2.2.3. Financial investments

2.2.4. Inventories

2.2.5. Receivables

2.2.6. Securities

2.2.7. Liquid assets

2.3. Range categories

2.3.1. HUF 3–30 million

2.3.2. HUF 30–100 million

2.3.3. HUF 30–100 million

2.3.4. HUF 300–1,000 million

2.3.5. HUF 1–5 billion

2.3.6. above HUF 5 billion

2.4. Statement on liabilities (based on the data of the last annual financial statement published prior to the statement, with a value of at least HUF 3 million, indicating the range categories set out in Sub-section 2.3)”