

AUTHORISATION OF THE INSURANCE COMPANY'S COMPLIANCE OFFICER

Pursuant to the provisions in subparagraph aa) of paragraph a) and paragraph b) of Section 9 (1) of Act CCXXII of 2015 on the general rules of trust services and electronic transactions, Sections 17 (1) and 19 (1) of Government Decree 451/2016. (XII. 19.) on the detailed rules of electronic services, and Section 3 (1) of MNB Decree 36/2017. (XII. 27.) on the rules of electronic communication in official matters in progress before the Magyar Nemzeti Bank ("Decree"), on grounds of Section 58 (2) of Act CXXXIX of 2013 on the Magyar Nemzeti Bank ("MNB Act"), the legal representative of an economic operator or an applicant (client) obliged to apply electronic communication must submit his application, notification or other petition by using the prescribed form available in the information system ensuring the electronic transactions of the MNB ("ERA System") and introduced for the procedure related to the petition is question, in the manner and with content specified therein, simultaneously uploading the attachments specified by the law and other documents required by the MNB.

In the licensing procedures, the applications and notifications must be submitted by using the prescribed electronic form available in the *E-administration / Licensing* service on the ERA interface on the MNB's website, attaching the certified electronic copies of the appendices. The resolutions, requests for clarification, notices and other communications of the MNB are delivered to the financial organisations or their legal representatives by sending them to the delivery storage space.

The application for the authorisation of the insurer's Compliance Officer shall be submitted on electronic form BIZSZ_1015_v2 entitled "Application for the authorisation of the employment, mandate, appointment and election of the senior executive and other manager of the insurance companies" available under the Insurance market/Insurers/ Personnel authorisation menu item within the E-administration/Licensing service.

The website of the MNB includes information materials related to the electronic administration and the submission of annexes to be attached in the licensing procedure (electronic documents) at:

<https://www.mnb.hu/letoltes/tajekoztatas-az-e-ugyintezesrol-az-mnb-elotti-engedelyezesi-eljarasokban-1.pdf>

For further information related to certain aspects of the licensing procedures see the following menu item:

<https://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/engedelyezes/tajekoztatok>

II. Pursuant to Section 55 (1) f) of Act LXXXVIII of 2014 on the Business of Insurance (**Insurance Act**), in order to carry out their activity, insurance and reinsurance companies shall employ a Compliance Officer (manager in charge of compliance with statutory provisions and internal regulations), qualifying as other executive.

Insurance companies operating in the form of branch offices, except for the Hungarian branch office of third-country insurance companies, are not required to employ other executives, including the Compliance Officer. (*Section 55 (2) of the Insurance Act*) Furthermore, the provision related to the Compliance Officer – stipulated in Section 55 (1) f) and Sections 67-68 of the Insurance Act – shall not be applicable to small insurance companies, and small mutual insurance associations are not obliged to employ a Compliance Officer. (*Section 55 (2) b), Section 209 (2), Section 233 (3) of the Insurance Act*)

Other executives – including the Compliance Officer – may fill other executive position at not more than two insurers. (*Section 56 (2) of the Insurance Act*)

Until the non-appealable conclusion of the criminal proceeding, the person against whom

- a charge had been brought due to a criminal offence specified in Titles VII and VIII of Chapter XV and in Chapters XVII and XVIII of Act IV of 1978, effective until 30 June 2013, or in Chapters XXVII or XXXV-XLIII of Act C of 2012 on the Criminal Code (Criminal Code), or
- the competent authority abroad has brought a charge due to crimes that were punishable under Chapters XVII and XVIII of Act IV of 1978 until 30 June 2013, or are punishable under Chapters XXXV-XLIII of the Criminal Code, shall not be appointed or elected as other executive. (*Section 53 (4) of the Insurance Act*)

If the aforementioned circumstances arise in respect of an already employed other executive, until the non-appealable conclusion of the criminal proceeding the performance of his duties connected to his other executive position shall be suspended. *(Section 56 (1)-(2), Section 53 (4)-(5), of the Insurance Act)*

III. Pursuant to Section 56 (1) of the Insurance Act, that person may be employed as Compliance Officer who has been notified by the insurer or reinsurer to the MNB thirty days before the planned start of the employment, and the MNB authorised the employment. The following documents shall be attached to the application submitted on the form dedicated to this, also considering the relevant provisions of the Insurance Act *(Sections 55-56, Section 67 and Section 252 of the Insurance Act)*:

1. The original extract from the judicial record, not older than ninety days, or an electronic copy of it prepared by a person authorised to issue official documents or make authentic copies of such documents, which confirms that the person to be authorised (**Candidate**) has clean record, is not banned from exercising civil rights and not disqualified from occupation or activity. *(Section 67 (1) c) of the Insurance Act)*
2. The electronic copy – prepared by a person authorised to issue official documents or make authentic copies of such documents – of the documents, degree (diploma), proving the Candidate's higher education qualification in the relevant field, – in particular – economics, insurance, finances or law, shall be attached to the application. *(Section 67 (1) a) of the Insurance Act)*
3. Instruments to confirm professional practice (e.g. employer's certificate, employment contract, job description, appointment), based on which the start and end date of the professional practice can be clearly established, as well as the nature and legal relationship substantiating the practice, and the range of duties performed by the Candidate within that legal relationship. *(Section 67 (1) b) of the Insurance Act)*

Requirements related to professional practice:

- (a) professional experience of at least two years in insurance, law or economics obtained at an insurance or reinsurance company, financial supervisory authority, in the government sector in the field of finance or business management, at the trade organisation of insurance companies and insurance intermediaries, an enterprise engaged in insurance mediation or at an insurance audit firm, or
- (b) compliance or internal audit experience of at least two years obtained at regulated enterprises or at their audit company.

The end of the prescribed period of the professional experience may not be earlier than ten years before the start of the Compliance Officer's employment. *(Section 67 (2) of the Insurance Act)*

4. The filled in and signed questionnaire to confirm the professional suitability and business reliability (fit and proper requirements) of the Candidate. *(Section 67 (1) d) of the Insurance Act)*

The questionnaire form is available on the MNB's website at:

Supervision / Licensing and institution oversight / Licensing / Personal Licences / Standard forms / Good business reputation questionnaires¹

Title of the form to be used: *"Questionnaire for natural persons nominated for other senior executive position at an insurer to establish their professional suitability and business reliability specified in Section 4 (1) 90 and Section 69 of Act LXXXVIII of 2014 on the Business of Insurance²".*

¹ <https://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/engedelyezes/formanyomtatvanyok>

² https://alk.mnb.hu/bal_menu/formanyomtatvanyok/urlapok_kivalasztasa/szerkeszto?id=505&version=0&chid=15

For further information on professional suitability and business reliability ("*Fit and proper requirements (Insurance Act)*")³ see the "*Notice on the criteria of assessing good business reputation and the practical application thereof*"⁴) on the MNB's website under the following menu item:
Supervision / Licensing and institution oversight / Licensing / Notices

5. Confirmation of the employment of the Candidate in an employment relationship (e.g. employment contract, employer's certificate issued by the insurer or reinsurer). (*Section 67 (1) e) of the Insurance Act*)

6. **Declaration** of the applicant insurer or reinsurer to the effect that in respect of the Candidate it has performed the assessment of the fit and proper requirements in accordance with the laws and regulations applicable to professional suitability and business reliability. (*Section 67 (1) d), Section 252 (1) a) and c), Section 253 (1)-(2) of the Insurance Act*)

As part of this, it is necessary – among other things – **to describe the following procedures**, if any of those has been carried out in respect of the Candidate:

- description of the assessment procedures carried out by the supervisory authorities of the European Union's Member States with regard to the fit and proper requirements concerning Candidate (indicating the Member State, the name of the supervisory authority and the date of the procedure),
- if the competent authority has previously rejected the application for the authorisation procedure submitted in respect of the Candidate,
- if any authority or organisation has excluded or restricted the right of the Candidate to perform any activity or hold any office.

7. Declaration of the applicant insurance or reinsurance company to the effect that it has disclosed to the MNB all important facts, data and information required for the issuance of the authorisation. (May be provided on the application form). (*Article 59 (2) of Act CXXXIX of 2013 on the Magyar Nemzeti Bank*)

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³ <https://www.mnb.hu/letoltes/szakmai-alkalmassag-es-uzleti-megbizhatosag-3.pdf>

⁴ <http://www.mnb.hu/letoltes/tmpc812-tmp-12233381.pdf>