

Acquisition of qualifying holding in insurance companies

	Q&A
Prior to submission	<ul style="list-style-type: none"><li data-bbox="858 284 1433 347">• Is it possible to consult the MNB prior to submitting the application?<p data-bbox="906 383 1433 477"><i>Yes, it is possible to conduct personal consultations prior to submitting the application.</i></p><li data-bbox="858 517 1433 602">• Is the acquisition of qualifying holding in an insurance or reinsurance company subject to authorisation?<p data-bbox="895 642 1433 1059"><i>The acquisition of an indirect or direct qualifying holding affecting the joint stock company or cooperative society, or the increase thereof by a specific rate, as well as the exercise of controlling interest over the operation of the insurance or reinsurance company – as specified in Section 6 (1)18 of the Credit Institutions Act – are subject to the prior authorisation of the MNB, and any agreement providing benefits related to and exceeding the ratio of the ownership right and voting right may only be concluded subject to the authorisation of the MNB.</i></p><li data-bbox="858 1099 1433 1162">• What rate of acquisition is subject to authorisation?<p data-bbox="906 1198 1433 1485"><i>In respect of the acquisition of ownership share and voting right, the Insurance Act defines four levels where there is an obligation to obtain authorisation. The first such level is the minimal degree – included in the definition of qualifying holding – (representing an ownership share or voting right of 10 percent), followed by the limits of 20, 33 and 50 percent of the ownership share or the voting right.</i></p><li data-bbox="858 1525 1433 1619">• Is it also necessary to obtain the MNB's authorisation for the acquisition of a share reaching the next level (limit)?<p data-bbox="906 1655 1433 1874"><i>Yes. The supervisory authorisation must be obtained upon the acquisition of any ownership share that reaches the next level (limit), irrespectively of whether or not the applicant has already a (smaller than the one included in the application) share in the insurance or reinsurance company.</i></p><li data-bbox="858 1915 1433 2036">• Is it also necessary to conduct a new authorisation procedure upon the repeated increasing of the already authorised share reaching the 50 percent limit?

No. If a person holds – with the MNB’s approval – an ownership share or voting right reaching or exceeding fifty percent, the increasing of that is not subject to repeated authorisation.

- **How should the rate of the indirect holding be calculated?**

The method of calculating the indirect holding is specified in Annex 5 to the Insurance Act: according to this, for the purposes of the calculation the voting rights shall be taken into consideration in the same way as the ownership shares, and – in the case of natural persons – the ownership share held or voting rights exercised by the close relatives must be added. Considering the foregoing, the ratio of an indirect holding shall be determined by multiplying the ownership share in an intermediary company by the ownership or voting right held by such intermediary company in the original company. However, it is not necessary to take into consideration an indirect holding through an intermediary company if the sum of the direct and indirect ownership share in the intermediary company does not reach the rate of the qualifying holding.

When determining the rate of the qualifying holding – based on the implicative rule of the Insurance Act – the provisions of Section 37/A (2)-(6) of the Investment Firms Act may also govern. These provisions contain requirements related to the calculation of the voting right, define the range of voting rights (exercisable by the person wishing to acquire qualifying holding or by other person related to the first) to be taken into consideration for the purposes of the calculation. The Investment Firms Act also stipulates, among other things, as a general rule that upon calculating the voting right in connection with determining the rate of the qualifying holding, all such shares must be taken into consideration to which, based on the provisions of the company’s articles of association, a voting right is attached, irrespective of the requirements related to the restriction of the exercise of the voting right.

- **How long is the administration deadline in the authorisation procedure applicable to the acquisition of qualifying holding?**

The Insurance Act determines special deadlines and rules in respect of the MNB’s procedure related to the acquisition of qualifying holding.

	<p><i>Within two working days from the submission of the application and the annexes, the Supervisory Authority confirms the receipt thereof and provides information on the end date of the administration deadline. This date may be calculated on the basis of the fifty working days – specified in Section 260 (2) of the Insurance Act – allowed for the completion of the assessment; however, if any call for supplementation is issued in the procedure, the actual expiry of the administration deadline changes accordingly.</i></p> <p><i>The call for providing the missing information, if any, necessary for making the decision, is issued by the MNB within forty-five working days from the receipt of the application, and the administration deadline is suspended until the date of complying with the call and providing the missing information. The applicant has 20 working days – or the applicants registered in a third country, or not falling within the supervision according to the national laws of Member States on the transposition of the financial directives specified in Section 260 (6) of the Insurance Act, have 30 working days – to comply with the call for supplementation.</i></p> <ul style="list-style-type: none"> • Is it necessary to pay any administrative service fee for the procedure? <p><i>Yes. Pursuant to Section 14 (3)-(4) and 20 (1) of MNB Decree 14/2015. (V. 13.) on the Administrative service fee charged for certain licensing and registration proceedings carried out by the Magyar Nemzeti Bank within the framework of the supervision of the financial intermediary system and in respect of fiduciary companies, simultaneously with the launch of the authorisation procedure an administrative service fee of HUF 300,000 shall be paid for the procedure aimed at the authorisation of the acquisition of qualifying holding in insurance or reinsurance joint stock companies and cooperative societies (in the case of acquiring qualifying holding due to a change beyond the control of the applicant – e.g. inheritance or succession – HUF 200,000) to the MNB’s account no. 19017004- 01673000- 30900007 and the document confirming this shall be attached as annex to the application for the start of the procedure.</i></p>
<p>Application and annexes</p>	<p>IMPORTANT NOTICE! Prior to submitting the application you are kindly advised to read the general Q&A on the MNB’s website on the</p>

	Supervision/Licensing and Institution oversight/ Licensing/General information tab!
	<ul style="list-style-type: none"> <li data-bbox="858 264 1422 324">• What form should I use for the submission of the application? <p data-bbox="906 360 1422 712"><i>For the submission of the application for the authorisation of the acquisition of qualifying holding in insurance companies non-natural person applicants and applicants acting through a legal representative, should use form no. BIZR_1006_v1 entitled “Application for the authorisation of the acquisition and increasing of qualifying holding in insurance companies”, available under the Activity licences menu item within the E-administration/Licensing service.</i></p> <p data-bbox="906 748 1422 1263"><i>For natural persons electronic administration is an optional form of procedure; however, pursuant to Article 58 (2) of the MNB Act, natural persons not subject to mandatory electronic communication may also submit their application, notification or other submission on the electronic form, available in the ERA system, dedicated to the respective application, notification or other submission, or on the ÁNYK (General Form Filling Framework) form, dedicated to the respective application, notification or other submission, available in the storage space within the Central Client Registration database, simultaneously uploading the additional documents prescribed by the MNB.</i></p> <p data-bbox="906 1299 1422 1458"><i>Natural persons continue to be entitled to submit applications in hard copy by using the printed forms available on the website of the MNB, attaching the appendices specified by law.</i></p> <ul style="list-style-type: none"> <li data-bbox="858 1494 1422 1585">• What kind of documents may be used for proving the legal origin and availability of the financial resources? <p data-bbox="898 1621 1422 1944"><i>The applicant must prove the legal origin of the financial resources necessary for acquiring the qualifying holding or controlling interest. In practice, in the case of companies, this is primarily the annual accounts. If at the time of initiating the authorisation procedure the audited balance sheet cannot be deemed current due to the lapse of time, an unaudited interim balance sheet, supported by the current trial balance, should be submitted.</i></p>

Natural persons should submit the tax or income certificate (the tax return on its own is not sufficient to prove own resources).

*If the financial resources are provided by other means, the related documents must be submitted to the MNB. Accordingly, if the purchase price of the shares is financed **from a loan**, the loan contract must be submitted, based on which **the funds available to the lender may also be examined**. In addition, it must be also rendered probable that the applicant is able to repay the loan. If the repayment of the loan will take place from the profit of the supervised institution, it also may be necessary to submit the business plan of the insurer – irrespective of the rate of the shareholding – to assess the probability of the repayment.*

- ***What are the basic rules of confirming the availability of the funds?***

In addition to the legal origin of the financial resources, the availability of those must be also proved: in the case of direct acquisition of a holding, a confirmation must be attached according to which the applicant has placed the monetary part of the capital necessary for the acquisition of the holding with a credit institution registered in one of the member states.

- ***Are there any special rules when the applicant is an investment fund? In respect of whom do we have to prove compliance with the authorisation criteria?***

When the applicant is a closed-end capital fund or other similar fund – since the capital fund includes collective assets – in the authorisation procedure it is necessary to inspect the financial resources in respect of the capital fund, and the compliance with other conditions (good business reputation, clean record and disqualification declaration of senior executives) in respect of the manager of the capital fund.

If according to the management regulation of the capital fund the investors have a say in the investments of the capital fund, i.e. they dispose as owners, it is necessary to examine the statutory conditions of the acquisition also in respect of the investors (if their share reaches or exceed the statutory limit subject to authorisation). If the management regulation does not permit the investors to define the types

of investments carried out by the capital fund, the authorisation procedure does not cover the investors.

When a capital fund acquires a holding, not only the capital fund will qualify as applicant, but also the capital fund manager – due to the exercise of voting rights – and thus it will be also subject to the rules applicable to this authorisation procedure.

If the fund is active, the annual report of the fund should be submitted. If it is a newly established fund, the amounts provided to the fund by the investors contributing to the fund will be examined.

- **What additional documents should be submitted in the case of insurance or reinsurance companies subject to group or supplementary supervision?**

If the respective insurance or reinsurance company is subject or will be subject to group or supplementary supervision, in connection with this the declaration, specified in Section 238 g) and h) of the Insurance Act – which also must be submitted in the licensing procedure aimed at the foundation of the insurance company – must be attached.

To this end, the rules pertaining to the transfer of information related to the group or supplementary supervision must be presented, which may also take place by submitting the regulation describing the information system, suitable to provide the data and information necessary for the supervision – also mentioned in Section 332 (7) of the Insurance Act – and the related internal audit system.

In addition, it is also necessary to attach the declaration of the persons with close links to the institution to be founded to the effect that the insurance or reinsurance company will provide the MNB with the data, facts and information necessary for the group or supplementary supervision.

The declaration of the natural person with close links to the institution to be founded, containing his or her consent to the processing and forwarding of his or her personal data, also belongs to the documents to be submitted for the purposes of performing the group or supplementary supervision.

- **What is the definition of close links?**

Close links – in view of the references included in the Insurance Act and in the Credit Institutions Act – shall mean the term defined in Article 4 (1) 38 of Regulation 575/2013/EU of the European Parliament and of the Council of 26 June 2016 on prudential requirements for credit institutions and investment firms (CRR). Close links shall include, for example, when two persons are linked through a permanent link to the same third person by a control relationship.