

## **Recommendation 3/2024 (V.24.) of the Magyar Nemzeti Bank**

### **the officers responsible for ensuring compliance with the fight against money laundering and terrorist financing, their duties and responsibilities, and the related internal procedures and controls**

#### **I. Purpose and scope of the recommendation**

In the context of the fight against money laundering and terrorist financing (AML/CFT), the proper, prudent and sound functioning of financial institutions is of paramount importance. The purpose of this Recommendation is to set out the expectations of the Magyar Nemzeti Bank (hereinafter: MNB) with regard to the organisational structure of financial institutions ensuring AML/CFT compliance; the role, duties and responsibilities of the officers responsible for AML/CFT tasks; and the related internal procedures, controls and processes, thereby increasing the predictability of the application of relevant legal requirements and facilitating the uniform application of the relevant legislation.

The Recommendation transposes the Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT compliance officer under Article 8 and Chapter VI of Directive (EU) 2015/849 (EBA/GL/2022/05) published by the European Banking Authority (EBA) on 14 June 2022<sup>1</sup>. This Recommendation also takes note of the following general expectations:

- a) the provisions of the Joint Guidelines of EBA and the European Securities and Markets Authority (hereinafter: ESMA) on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU (EBA/GL/2021/06, ESMA35-36-2319)<sup>2</sup> published on 2 July 2021 and the MNB Recommendation (at the time of the publication of this Recommendation) 12/2022 (VIII.11.) on the establishment and operation of internal lines of defence and the management and control functions of financial institutions [hereinafter: Recommendation 12/2022 (VIII.11.) MNB] implementing some of its provisions; and
- b) the provisions of (at the time of the publication of this Recommendation) MNB Recommendation 1/2022 (I.17.) on the assessment of the suitability of board members and key management personnel [hereinafter: MNB Recommendation 1/2022 (I.17.)], which also provides for the transposition of certain provisions of the joint EBA/ESMA Guidelines referred to in paragraph a); and
- c) the provisions of (at the time of the publication of this Recommendation) MNB Recommendation 15/2022 (IX.15.) on the assessment of the risks of money laundering and terrorist financing and the definition of related measures

and sets out additional requirements thereto. In addition, for the purposes of this Recommendation, the MNB considers the officer referred to in point 1 a) and in the absence of a body performing a management function the senior manager referred to in point 1 d) are persons occupying a key management function in accordance with point 85 of MNB Recommendation 12/2022 (VIII.11.).

The Recommendation also takes into account the provisions of Article 8(4)(a) and Article 46(4) of the Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) 648/2012 of the European Parliament and of the Council and

<sup>1</sup>See: [https://www.eba.europa.eu/sites/default/documents/files/document\\_library/Publications/Guidelines/2022/EBA-GL-2022-05%20GLs%20on%20AML%20compliance%20officers/Translations/1039070/GL%20on%20AMLCFT%20compliance%20officers%20%28EBA%20GL%202022%2005%29\\_HU\\_COR.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2022/EBA-GL-2022-05%20GLs%20on%20AML%20compliance%20officers/Translations/1039070/GL%20on%20AMLCFT%20compliance%20officers%20%28EBA%20GL%202022%2005%29_HU_COR.pdf)

<sup>2</sup>See: [https://www.eba.europa.eu/sites/default/documents/files/document\\_library/Publications/Guidelines/2021/EBA-GL-2021-06%20Joint%20EBA%20and%20ESMA%20GL%20on%20the%20assessment%20of%20sustainability/1022108/Joint%20EBA%20and%20ESMA%20GL%20on%20the%20assessment%20of%20suitability\\_HU.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2021/EBA-GL-2021-06%20Joint%20EBA%20and%20ESMA%20GL%20on%20the%20assessment%20of%20sustainability/1022108/Joint%20EBA%20and%20ESMA%20GL%20on%20the%20assessment%20of%20suitability_HU.pdf)

repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC of the European Parliament and of the Council (hereinafter: AMLD), in relation to the compliance officer at a management level and the member of the management body who is responsible for the implementation of the laws, regulations and administrative provisions necessary to comply with the AMLD.

The Recommendation is addressed to credit institutions as specified in Article 3(16) of Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing (hereinafter: AML Act) and financial service providers as specified in Article 3(28) of the AML Act (hereinafter jointly referred to as: financial institutions).

The Recommendation does not fully refer to the applicable legal provisions when setting out the principles and expectations, nevertheless, the addressees of this Recommendation are obliged to comply with the relevant legal requirements. The Recommendation is consistent with the standards that set the European framework for the functioning of financial institutions.

The Recommendation does not provide any guidance on data management and data protection matters, does not set any expectations for the processing of personal data, and the requirements of the Recommendation cannot be interpreted in any way as an authorization for processing personal data. Data processing in the context of the supervisory expectations set out in the Recommendation should be carried out in compliance with the data protection legislation in force at the time.

## II. Definitions

1. For the purposes of this Recommendation:
  - a) AML/CFT compliance officer: the term as defined in Article 3(23a) of the AML Act;
  - b) supervisory body: the management body that acts in its role of overseeing and monitoring management decision-making in a financial institution, i.e., it monitors, controls and supervises the managerial decisions made by persons who effectively direct the business of the financial institution;
  - c) management body: the management body which acts in its day-to-day management role of the financial institution, within which it is entitled to determine the strategy, objectives and overall direction of the credit institution or financial service provider and to represent the financial institution;
  - d) external service provider: the definition used in point 1 I) of MNB Recommendation 7/2020 (VI.3.) on the use of external service providers [hereinafter: MNB Recommendation 7/2020 (VI.3.)];
  - e) management bodies: the body of a financial institution which performs the management function and the supervisory function.
2. In addition to point 1, the terms used in this Recommendation shall be interpreted in accordance with the provisions of the AML Act and MNB Decree 21/2017. (VIII.3.) on the internal policies to be adopted based on Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing and Act LII of 2017 on the implementation of financial and property restrictive measures imposed by the European Union and the United Nations Security Council (hereinafter: NGM Decree).

## III. Definition of specific roles and responsibilities

### III.1 The roles and responsibilities of the management bodies in the AML/CFT framework and the role and responsibilities of the designated responsible manager

3. The management bodies are responsible for approving the overall AML/CFT strategy of the financial

institution and overseeing its implementation. To this end, in addition to the expectations set out in MNB Recommendation 12/2022 (VIII.11.), the MNB also expects that the management bodies as a whole have the knowledge, skills and experience to understand the money laundering and terrorist financing (ML/TF) risks associated with the financial institution's activities and business model, including knowledge of the legal and regulatory framework related to ML/TF prevention. For this reason, when assessing the collective fitness and propriety of the management bodies, taking into account the requirements of MNB Recommendation 1/2022 (I.17.) the financial institution should also assess whether the management bodies have demonstrated through its decisions, that it has sufficient understanding of ML/TF risks and how these decisions affect the activities of the financial institution, furthermore, it has demonstrated that it manages the risks appropriately, including through corrective measures where necessary.

### **III.1.1 The role of the supervisory body in the AML/CFT framework**

4. To ensure compliance with the requirements applicable in the context of ML/TF prevention, the supervisory body is expected to supervise and monitor the implementation of the internal management and internal control framework.

5. In addition to the requirements set out in MNB Recommendation 12/2022 (VIII.11.), the MNB considers it good practice for the financial institution's supervisory body, inter alia, that it:

- a) is informed of the results of the organisation-wide ML/TF risk assessment;
- b) monitors and oversees the adequacy and effectiveness of AML/CFT policies and procedures inter alia in respect of the ML/TF risks affecting the financial institution, and, if necessary, it initiates appropriate actions of the body performing the governance function to ensure corrective actions are taken and implemented;
- c) reviews the AML/CFT compliance officer activity report at least twice a year, and for activities which expose the financial institution to higher ML/TF risk, obtains the AML/CFT compliance officer's interim activity reports prepared on a case-by-case basis more frequently;
- d) assesses at least once a year the effective functioning of the AML/CFT compliance function, taking into account inter alia the conclusions of internal and external audits related to AML/CFT, including the adequacy of the human and technical resources assigned to the AML/CFT compliance officer.

6. The MNB considers it to be good practice for the supervisory body to monitor compliance with the requirement that the designated responsible manager - or, in the absence of a management bodies the senior manager appointed in accordance with point 12 - complies with the requirements set out in point 8 of this Recommendation in accordance with point 59d) of MNB Recommendation 1/2022 (I.17.).

7. It is expected that the body performing the oversight function has access to and takes into account data and information of sufficient detail and quality to effectively perform its AML/CFT oversight functions. In order to perform this task, it is expected as a minimum that the body performing the oversight function has timely and direct access to the AML/CFT compliance officer's activity report, the report of the internal audit function, where applicable the findings and observations of the external audit function, to the MNB's findings, to the meaningful communication conducted with the Financial Intelligence Unit, and to receive information on the supervisory actions or sanctions imposed.

### **III.1.2 The role of the management body in the AML/CFT framework**

8. In relation to the internal policies, controls and procedures referred to in Article 27(5) and Article 65 of the AML Act and Articles 3 to 6 of the NGM Decree, the MNB expects that the financial institution's management body in its management function should:

- a) implement the appropriate and effective organisational and operational structure necessary to comply with the AML/CFT strategy adopted by the management bodies, paying particular attention to allocate sufficient level of authority and human and technical resources to the AML/CFT compliance officer, including the need for a dedicated AML/CFT unit to assist the AML/CFT Compliance Officer;
- b) ensure the implementation of AML/CFT policies and procedures;
- c) review the activity report of the AML/CFT compliance officer at least twice a year in accordance with Article 63(9) of the AML Act;
- d) ensure adequate, timely and sufficiently detailed AML/CFT reporting to the MNB;
- e) where the operational functions of the AML/CFT Compliance Officer are outsourced, ensure that the operational functions of the AML/CFT Compliance Officer are outsourced in accordance with MNB Recommendation 12/2022 (VIII.11.) and, where relevant, MNB Recommendation 7/2020 (VI.3.) and MNB Recommendation 4/2019 (IV.1.) (hereinafter: Recommendation 4/2019 (IV.1.) which set out additional requirements to the general requirements of this Recommendation and ensure that the AML/CFT compliance officer receives regular reports from the external service provider to ensure that the AML/CFT compliance officer is kept informed.

### **III.1.3 Identification of the designated responsible management body member**

9. In view of the provisions of Article 63(4a) of the AML Act, in addition to the provisions of point 30 of MNB Recommendation 12/2022 (VIII.11.), as referred to in point 6, the MNB expects that the designated responsible manager (i.e. compliance manager) appointed from among the members of the management body acting in its management function:

- a) as set out in point 59(d) of MNB Recommendation 1/2022 (I.17.) has sufficient knowledge, skills and experience to identify, assess, manage and mitigate ML/TF risks to the financial institution and to implement AML/CFT policies, controls and procedures, with a good understanding of the financial institution's business model and the sector in which the financial institution operates, and the extent to which this business model exposes the financial institution to ML/TF risks;
- b) be informed in a timely manner of the decisions that may affect the risks to which the financial institution is exposed to; and
- c) commit sufficient time and resources to the efficient performance of AML/CFT tasks in accordance with point 58(c) of MNB Recommendation 12/2022 (VIII.11.).

10. Without prejudice to the overall and collective responsibility of the management body, it is expected that, upon selecting the designated responsible manager, the financial institution identifies and considers possible conflicts of interest with the other tasks and responsibilities of the designated responsible manager, and takes the steps necessary to avoid or to mitigate them.

11. The designated responsible manager is expected to report about his/her tasks as referred to in Section III.2. and to regularly inform, where necessary and without undue delay, the supervisory body.

#### **III.1.4 Identification of a designated responsible manager where no management body is in place**

12. In accordance with point 30 of MNB Recommendation 12/2022 (VIII.11.), the MNB considers it good practice to entrust the tasks to be performed by the designated responsible manager to a senior manager of the financial institution who meets the requirements set out in point 9 as well as the conflict of interest criteria set out in point 10.

13. In the absence of the management body the duties and responsibilities of the designated responsible manager described in this Recommendation are also applicable to the senior manager, provided that his/her appointment takes place in the absence of a management body, as referred to in the definition in point 1 a). In such a case, the tasks to be performed by the designated responsible manager for the body which carries out the management function are to be performed by the senior manager for the senior management of the financial institution.

#### **III.2 Tasks and role of the designated responsible manager**

14. In addition to fulfilling his/her responsibilities under the AML Act, the designated responsible manager is expected to ensure that the entirety of the management bodies are aware of the impact of ML/TF risks on the risk profile of the financial institution. The responsibilities of the designated senior manager for the implementation of the AML/CFT legal provisions and supervisory requirements, and in particular for the implementation of the internal procedures, controls and processes referred to in Article 27(5) and 65 of the AML Act and Article 3 to 6 of the NGM Decree, in relation to the mitigation and effective management of ML/TF risks, are expected to include at least the following:

- a) ensuring that AML/CFT policies, procedures and internal control measures are adequate and proportionate, taking into account the characteristics of the financial institution and the ML/TF risks to which it is exposed;
- b) as referred to in Section III.3.1. assessing jointly with the management bodies whether it would be appropriate to appoint a separate AML/CFT compliance officer at management level;
- c) supporting the management bodies in assessing the need for a dedicated AML/CFT unit to assist the AML/CFT compliance officer in the discharge of his/her responsibilities, taking into account the scale and complexity of the financial institution's operations and its exposure to ML/TF risks. It is expected that the staff within this unit should possess the adequate expertise, skills and knowledge to assist the AML/CFT compliance officer, as detailed in Section III.3.3.7, in the performance of their duties, and it is recommended that the AML/CFT compliance officer should be involved in the recruitment process;
- d) ensuring that the management bodies receive regular reports from the AML/CFT compliance officer, and sufficiently comprehensive and timely information and data on ML/TF risks and AML/CFT compliance necessary to enable the management bodies to fulfil their roles and responsibilities. In relation to this information, and without prejudice to the confidentiality of notifications of transactions under Article 30(1) of the AML Act, the MNB expects that this information cover the financial institution's liaisons with the MNB and its' communications with the Financial Intelligence Unit, as well as the MNB's findings against the financial institution in relation to ML/TF, including any measures or sanctions imposed;
- e) informing the management bodies of any serious or significant AML/CFT issues and breaches and

recommending actions to remedy them; and

f) ensuring that the AML/CFT compliance officer:

fa) has direct access to all information necessary to perform his/her tasks;

fb) has sufficient human and technical resources and tools to be able to adequately perform the tasks assigned to him/her; and

fc) is well informed of the AML/CFT-related incidents and shortcomings identified by the internal control systems and by the MNB and, in the case of groups, foreign supervisory authorities.

15. The MNB considers it good practice for the designated responsible manager to act as the main contact point for the AML/CFT compliance officer within the management bodies. In this context, it is expected that the designated responsible manager will ensure that the AML/CFT compliance officer's concerns about AML/CFT are adequately addressed within the financial institution and, where this is not possible, that the management body or, where appropriate, senior management, with the governance function, gives due consideration to these concerns. Where the management body in its management function or senior management where applicable decide not to follow the recommendation of the AML/CFT compliance officer, the MNB expects that it will provide adequate justification and record its decision with respect to the risks and concerns raised by the AML/CFT compliance officer.

16. In addition to the requirements indicated in point 24 c), the MNB expects the designated responsible manager to ensure that the financial institution's internal control and information system, internal policies, internal risk assessment, and procedures and records for combating ML/FT are accessible, applicable, effective, and understandable to all relevant employees, and that they generally ensure compliance with the provisions of the AML Act and other legislation issued on the basis of the AML Act, and, in particular, its internal rules pursuant to Article 65 of the AML Act, including consistency, continuous monitoring and auditability.

### **III.3 The AML/CFT compliance officer<sup>3</sup>**

17. When deciding whether to appoint an AML/CFT compliance officer in the internal regulations defined in Article 65 of the AML Act, the management bodies should take into account based on the criteria set out in Section III.3.1. the scale and complexity of the financial institution's operations, its exposure to ML/TF risk and the requirements set out in Section V.5. of MNB Recommendation 12/2022 (VIII.11.).

18. The MNB expects the AML/CFT compliance officer to be appointed at management level in the financial institution and to have sufficient authority to propose, on his/her own initiative to the management bodies performing the supervisory and governance functions, measures necessary or appropriate to ensure the adequacy and effectiveness of internal AML/CFT measures.

19. Where an AML/CFT compliance officer is appointed, the management bodies should determine whether that role will be carried out on a full-time basis or whether it will be performed by a senior employee or officer in addition to his or her existing responsibilities within the financial institution.

20. Where the responsibilities of the AML/CFT compliance officer are delegated to an officer or employee who also performs other duties or functions within the financial institution, the management bodies should identify and consider possible conflicts of interest and take the steps necessary to avoid or, if that is not

<sup>3</sup> As the AML/CFT compliance officer is considered by the MNB to be a key function holder, he/she is also subject to the supervisory expectations applicable to key function holders.

possible, manage these. The management bodies should ensure that this person can also devote sufficient time to perform the functions of AML/CFT compliance officer.

21. As the AML/CFT compliance officer is expected to be available to the MNB and the Financial Intelligence Unit upon request, if the head office, branch or establishment of the financial institution is located in Hungary, it is necessary that the AML/CFT compliance officer is appointed locally and performs his/her work in Hungary.

22. The AML/CFT compliance officer appointed in Hungary may be assigned to work in other jurisdictions as well if this is proportionate to the ML/TF risks of the financial institution and if the national law of the host jurisdiction so permits. In such cases, the financial institution is expected to have the necessary systems and controls in place to ensure that the AML/CFT compliance officer has access to all information and systems necessary to perform his/her duties and is available to the Financial Intelligence Unit and to the MNB without delay. In such cases, the financial institution is also expected to be able to demonstrate to the MNB, upon request that the measures it has put in place in this regard are adequate and effective.

23. It is expected that the AML/CFT compliance officer is able to assign and delegate his/her tasks to other officers and employees acting under his/her direction and supervision as necessary, but even in such cases it is expected that the AML/CFT compliance officer retains the ultimate responsibility for the performance of the tasks.

24. As explained in Section III.3.3.4, the AML/CFT compliance officer is part of the second line of defence, and as such is part of an independent function, where the following conditions are expected to be met:

- a) The AML/CFT compliance officer is independent of the business lines or units he/she controls and is not subordinate to any persons responsible for the management of any of these business lines or units.
- b) The financial institution has established internal procedures in accordance with Article 65 of the AML Act and Article 3 to 6 of the NGM Decree to ensure that the AML/CFT compliance officer has at all times unrestricted and direct access to the information necessary for the performance of his/her duties. MNB considers it good practice that the decision on which information he/she needs to access in this regard should be the AML/CFT compliance officer's alone.
- c) As referred to in point 16, in the event of a significant incident, the AML/CFT compliance officer is expected to be able to report to and have direct access to the supervisory body or, if there are no management bodies, to the senior management.

### **III.3.1 Proportionality criteria for the appointment of a separate AML/CFT compliance officer**

25. The MNB expects the financial institution to appoint an AML/CFT compliance officer, unless it is a sole trader or has very few employees, taking into account the criteria of scale referred to in point 10 of MNB Recommendation 12/2022 (VIII.11.), or an appointment is not made for the reasons set out in point 26.

26. If the management bodies decide not to appoint a separate AML/CFT compliance officer, the underlying reasons should be justified and documented, and explicitly refer to at least the following criteria:

- a) the nature of the financial institution's business and the ML/TF risks associated therewith, taking into account its geographical exposure, customer base, distribution channels and product and services offered;
- b) the size of its operations in Hungary, the number of its customers, the number and volume of its transactions and the number of its full-time equivalent employees;
- c) the legal form of the financial institution, including whether the financial institution part of a group.

27. Where a separate AML/CFT compliance officer is not appointed, the MNB expects the financial institution

to ensure that the AML/CFT compliance officer's functions are either performed entirely by the designated responsible manager, or that the operational functions are outsourced, taking into account the provisions of Section III.5, or that some of the functions to be performed by the AML/CFT compliance officer are performed by the designated responsible manager, as required by this Recommendation, while other functions are outsourced, as provided for in Section III.5.

28. The MNB expects that the AML/CFT compliance officer may only act on behalf of different entities only if these entities are part of the same group.

29. If the AML/CFT compliance officer acts on behalf of two or more entities within the group or has been assigned other tasks, the MNB expects the financial institution to ensure that these multiple appointments allow the AML/CFT compliance officer to effectively perform his/her functions.

### **III.3.2 Compliance criteria for the AML/CFT compliance officer**

30. The MNB considers it good practice for a financial institution that in order to meet the requirements set out in MNB Recommendation 1/2022 (I.17.) concerning the assessment of the suitability of persons for key management positions and taking into account the requirements therein, to assess prior to the appointment the AML/CFT compliance officer's:

- a) suitability to perform the role, including the candidate's good business reputation and integrity, knowledge, skills and experience, and time dedicated to perform his/her role effectively and independently;
- b) appropriate AML/CFT skills and expertise, including knowledge of the applicable AML/CFT legal and regulatory AML/CFT framework, and the implementation of AML/CFT procedures, controls and procedures;
- c) relevant experience regarding the identification, assessment and management of the ML/TF risks; and
- d) sufficient knowledge and understanding of the ML/TF risks associated with the business model of the financial institution to perform his/her function effectively.

31. With a view to point 27, the MNB considers it good practice for financial institutions to ensure that the AML/CFT compliance function is available and operational as part of the overall business continuity management on an ongoing basis. As part of this, it should cater for the possibility that the AML/CFT compliance officer terminates his/her employment by the institution, is permanently absent or his/her integrity is called into question. It is necessary to ensure that a person with appropriate skills and expertise is available to take over the responsibilities of the AML/CFT compliance officer in such cases.

### **III.3.3 Tasks and role of the AML/CFT compliance officer**

32. The MNB expects that the role, duties and responsibilities of the AML/CFT compliance officer are clearly defined and documented.

#### **III.3.3.1 Development of the risk assessment framework**

33. For the risk assessment conducted in line with the criteria referred to and detailed in Article 27(1)-(2) of the AML Act, the MNB expects the AML/CFT compliance officer to develop and maintain an ML/TF risk assessment framework covering the financial institution as a whole, as well as for the assessment of individual ML/TF risks in line with the MNB Recommendation 15/2022 (IX.15.).



34. The MNB expects the AML/CFT compliance officer to report to the management bodies via the designated responsible manager on the results of the financial institution-wide and individual ML/TF risk assessment. If the AML/CFT compliance officer deems it necessary, he/she may also send the report directly to the management bodies, thereby fulfilling his/her reporting obligations under this point.

35. The MNB expects the AML/CFT compliance officer to present a proposal to the management bodies on measures to mitigate the risks identified in the risk assessment, as referred to in point 33. In the context of measures to mitigate ML/TF risk, as set out in point 190(g) of the MNB Recommendation 12/2022 (VIII.11.), the MNB recommends that the launch of a new product or service or a significant changes to existing ones, the development of a new market or the undertaking of new activities should not be initiated until the adequate resources to understand and manage the associated ML/TF risks available and effectively implemented.

### **III.3.3.2 Development of policies and procedures**

36. As required by Article 65 of the AML Act, the AML/CFT compliance officer is expected to ensure that adequate policies and procedures are put in place, kept up to date and implemented effectively on an ongoing basis. Policies and procedures should be commensurate with the ML/TF risks that the financial institution has identified. The AML/CFT compliance officer should at least:

- a) sets out the AML/CFT policies and procedures to be adopted by the financial institution as well as the control mechanisms and systems in accordance with and Article 27(5) and 65 of the AML Act, and Article 3 to 6 of the NGM Decree;
- b) ensure that the financial institution effectively implements AML/CFT policies and procedures as set out in Section III.3.3.4;
- c) ensure that the financial institution regularly reviews its AML/CFT policies and procedures and modifies or updates them as necessary;
- d) propose how to address the changes in the legal or regulatory requirements or in ML/TF risks as well as how to best address deficiencies or shortcomings identified through monitoring or supervisory activities.

37. The MNB is of the opinion that - without prejudice to the provisions of the NGM Decree - the policies controls and procedures referred to in Article 27(5) and 65 of the AML Act and Articles 3 to 6 of the NGM Decree should include at least the following:

- a) business-wide and individual ML/TF risk assessment methodology;
- b) customer due diligence, including that required by MNB Recommendation 15/2022 (IX.15.) and the customer onboarding process described in Section III.3.3.3 in particular for high-risk customers;
- c) internal reporting (analysis of unusual transactions) and the submission of reports on transactions to the Financial Intelligence Unit as defined in Article 30(1) of the AML Act;
- d) record keeping; and
- e) the provisions for monitoring AML/CFT compliance as set out in Section 3.3.3.4.

### **III.3.3.3. High risk customers**

38. The MNB expects that the AML/CFT compliance officer should be consulted before the management of the financial institution makes a final decision on the admission of new high-risk customers or the maintenance of business relationships with high-risk customers in accordance with the financial institution's internal risk-based AML/CFT policies, and in particular in situations where the approval of the designated responsible

manager is explicitly required by the AML Act or by the MNB Decree. If the designated responsible manager decides not to follow the advice of the AML/CFT compliance officer, the MNB expects the financial institution to duly record the designated responsible manager's decision, including how it proposes to mitigate the risks raised by the AML/CFT compliance officer.

#### **III.3.3.4 Monitoring compliance**

39. The MNB expects the AML/CFT compliance officer to monitor, as a second line of defence, whether the measures, policies, controls and procedures implemented by the financial institution comply with the AML/CFT obligations of the financial institution. As part of this, the AML/CFT compliance officer is also expected to monitor the effective application of AML/CFT controls applied by business lines and internal units, (the first line of defence).

40. The MNB expects the AML/CFT compliance officer should ensure that the AML/CFT framework is updated where necessary, and in any case when deficiencies are detected, new risks emerge or the relevant legal or regulatory framework has changed.

41. The AML/CFT compliance officer is required to recommend corrective measures to the management bodies to address any deficiencies identified in the AML/CFT framework of the financial institution, including those identified by the MNB or the internal or external audit function.

#### **III.3.3.5 Reporting to the management bodies**

42. The MNB considers it good practice for the AML/CFT compliance officer to advise the management bodies on the measures to be taken to ensure compliance with applicable laws and supervisory requirements and to assess the potential impact of changes in the legal or regulatory environment on the activities and compliance framework of the financial institution.

43. The MNB expects the AML/CFT compliance officer to bring the attention of the designated responsible manager to the following:

- a) the areas where the operation of the AML/CFT controls should be implemented or improved;
- b) appropriate improvements suggested in relation to paragraph a) above;
- c) the level of exposure to ML/TF risks and its report on the current status of the measures taken or recommended to reduce and effectively manage these risks, including their development or improvement;
- d) if the human and technical resources allocated to the AML/CFT compliance function are insufficient and should be reinforced.

44. For the purposes of Article 63(7) of the AML Act<sup>4</sup>, the MNB expects the AML/CFT compliance officer to prepare an activity report on an *ad-hoc* basis depending on developments, in addition to the activity report that is required at least twice a year<sup>5</sup>. The content and frequency of the activity report is expected to be proportionate to the scale and nature of the financial institution's activities. The activity report may be based on information contained in reports sent to the competent authorities. In the context of the application of

<sup>4</sup> See the provisions of Article 20 (4) of Act CXI of 2023 amending Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing and Certain Related Acts.

<sup>5</sup>For the annual report to be prepared by the group's AML/CFT compliance officer, see also the additional requirements in point 76.

Article 63(8) of the AML Act<sup>6</sup>, it is expected that the activity report should contain at least the following:

*I. on ML/TF risk assessment:*

- a) a summary of the main findings of the business-wide ML/TF risk assessment for the financial institution and information on whether the MNB has required the submission of an ML/TF risk assessment for the year under review<sup>7</sup>;
- b) a description of any changes related to the method used by the financial institution to assess the individual customer risk profile, highlighting how such change is aligned to the financial institution's business-wide ML/TF risk assessment;
- c) the classification of customers by risk category, including the number of the customers files by risk categories for whom the customer due diligence reviews and updates as required by the AML Act are outstanding;
- d) information and statistical data on:
  - da) the number of unusual transactions detected;
  - db) the number of unusual transactions analysed;
  - dc) the number of transactions or activities reported to the Financial Intelligence Unit in accordance with Article 30 and 31 of the AML Act (distinguished by country of operation);
  - dd) the number of customer relationships terminated by the financial institution due to AML/CFT concerns;
  - de) the number of requests for information received from the Financial Intelligence Unit, courts and law enforcement agencies;
  - df) the number of requests for information received from the Financial Intelligence Unit, courts and law enforcement agencies responded on and after the applicable deadline;
  - dg) the data provided in the feedback of the Financial Intelligence Unit;

*II. On resources:*

- e) a brief description of the AML/CFT organisational structure and, where appropriate, of any significant changes made in the last year and of the underlying reasoning;
- f) a brief description of the human and technical resources allocated by the financial institution to the AML/CFT compliance function;
- g) a list of the AML/CFT processes outsourced with a description of the oversight performed by the financial institution on those activities;

*III. On policies and procedures:*

- h) a summary of important measures and procedures adopted during the reporting period of the year concerned, including a brief description of recommendations, problems, shortcomings and irregularities identified during the reporting period;
- i) a description of the compliance monitoring actions undertaken to assess the application of the financial institution's AML/CFT policies, controls and procedures by the financial institution's employees, agents,

<sup>6</sup>See the provisions of Article 20 (4) of Act CXI of 2023 amending Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing and Certain Related Acts.

<sup>7</sup>See also MNB Recommendation 15/2022 (IX.15).

distributors and external service providers, and the adequacy of the monitoring tools used by the financial institution for AML/CFT purposes;

- j) a description of the AML/CFT training activities completed and of the training plan for the next year;
- k) the AML/CFT compliance officer's activity plan for the subsequent year;
- l) the findings of internal and external audits relevant to AML/CFT and any progress made by the financial institution to address these findings;
- m) the supervisory activities carried out by the MNB, including communication with the financial institution, reports submitted, breaches identified and sanctions imposed, together with how the financial institution intends to remedy the breaches identified and the current status of corrective actions, without prejudice to any other periodical reports that may be required in case of supervisory activities or remedial actions.

The financial institution is expected to be prepared to share a copy of the activity report referred to in this point with the competent authority.

### **III.3.3.6 Reporting to the Financial Intelligence Unit pursuant to Article 30 and 31 of the AML Act**

45. The MNB expects the AML/CFT compliance officer to ensure that in connection with the reporting obligations under Article 30 and 31 of the AML Act, the employees who will be involved in the performance of this task have the skills, knowledge and competence to perform this task. Due consideration should be given to the sensitivity and confidentiality of the information that may be disclosed and the non-disclosure obligations that the financial institution has to adhere to.

46. It is expected that the AML/CFT Compliance officer will ensure that when a report is made to the Financial Intelligence Unit by designated persons as defined in Article 31 of the AML Act, the information contained in the report is transmitted in an efficient manner, in a format and by means that are consistent with the requirements of the Financial Intelligence Unit. As part of his/her role under that provision, the AML/CFT compliance officer should:

- a) understand the functioning and design of the transaction monitoring system, including the scenarios and internal procedures for managing ML/TF risks to the financial institution and for handling alerts;
- b) receive reports from employees, agents or distributors of the financial institution or otherwise generated by the financial institution's system, of knowledge or suspicion of ML/TF, or that a person may have been, is, or may be connected with ML/TF;
- c) ensure that these reports are considered promptly to determine whether there is knowledge or suspicion that funds are proceeds of criminal activity including ML/TF, or whether a person may have been, is, or may relate to ML/TF. The AML/CFT compliance officer should also determine, document and implement a prioritisation process for the internal reports received so that internal reports concerning especially high-risk situations are treated with the necessary urgency;
- d) while assessing the reports received, keep a record of all evaluations carried out as well as any subsequent feedback received from the financial information unit to improve the detection of future suspicious transactions; defined in Article 30(1) of the AML Act;
- e) ensure, in the context of compliance with Article 30 and 31 of the AML Act, that the knowledge of ML/TF or a person's connection with ML/TF and any data, facts or circumstances relating thereto are promptly reported to the Financial Intelligence Unit, submitting with the report such facts, events or information and documentation as necessary to substantiate the suspicion or instances of reasonable grounds to suspect ML/TF;
- f) ensure a prompt and exhaustive response to any requests for information made by the Financial

Intelligence Unit as provided for in Article 42 of the AML Act, in such a way that responses to such requests are prepared, as far as possible, by the department that sends the reports provided for in Article 30 of the AML Act, in order to ensure efficiency; and

- g) regularly consider the reason why alerts of unusual activity or transactions were not escalated as internal report to determine whether there are any issues that need to be addressed to ensure effective detection of unusual activities or transactions.

47. The AML/CFT compliance officer is expected to ensure that the internal control functions of the financial institution enable it to comply with any guidance provided by the Financial Intelligence Unit.

48. The MNB expects financial institutions to draw the attention of their managers and employees to the prohibition of disclosure as set out in Articles 54-55 of the AML Act, i.e. the prohibition of informing the customer or third parties that an ML/TF analysis is ongoing or may be started. In this context, the MNB is of the opinion that access to this information should be accessed on an absolute need to know basis in order that the persons accessing the information are able to perform their duties, as provided for in Article 54 of the AML Act. Accordingly, the MNB considers it to be good practice for the AML/CFT compliance officer to decide to whom information on reports submitted to the Financial Intelligence Unit and requests for information received from the Financial Intelligence Unit is disclosed within the financial institution. Such reporting should be kept confidential, and the MNB considers it good practice to protect the identity of the persons involved in the preparation and transmission of the report through a privacy policy.

### **III.3.3.7 Training and awareness**

49. In accordance with the obligation under Article 64 of AML Act and in accordance with the detailed rules for the development and operation of the screening system pursuant to the Act on the implementation of the Act on the prevention and prevention of money laundering and terrorist financing, and the Act on the implementation of the financial and property restrictive measures ordered by the European Union and the United Nations Security Council, 26/2020. (VIII.25.) MNB Regulation<sup>8</sup> [hereinafter: MNB Regulation 26/2020 (VIII.25.)], the AML/CFT compliance officer is required to adequately train and inform employees about ML/TF risks affecting the financial institution, including ML/TF methods, trends and typologies, as well as of the risk-based approach implemented by the financial institution to mitigate these risks as required by MNB Recommendation 15/2022 (IX.15.). This information may take various forms such as corporate letters, intranet publications, or it may be disseminated at meetings.

50. The MNB expects the AML/CFT compliance officer to oversee the preparation and implementation of an ongoing AML/CFT training programme. In cooperation with the human resources department of the financial institution, an annual plan of training and education of the staff should be documented. It is also required to be included in the activity report submitted to the management bodies under point 44.

51. The AML/CFT Compliance officer is expected to ensure that the internal reporting procedures adopted by the financial institution are brought to the attention of all staff.

52. In addition to the general education, referred to in Article 64(1) of the AML Act and Article 46 of MNB Regulation 26/2020 (VIII.25.), the AML/CFT compliance officer is expected to assess the specific training needs within the financial institution and ensure that persons exposed to different levels of ML/FT risks receive appropriate theoretical and practical training, such as:

- a) persons in contact with customers or tasked with carrying out their transactions (employees, agents and

<sup>8</sup> At the time of issuing this Recommendation, MNB Regulation 26/2026 (VIII.25.) is under revision, so the rules of the successor MNB Regulation will apply in fulfilling this requirement.

distributors);

- b) persons responsible for developing procedures or internal tools applicable to activities that may be sensitive to ML/TF risk.

53. The content of specific training programmes delivered to persons with different levels of exposure to ML/TF risks should be adjusted on a risk sensitive basis, taking into account the provisions of MNB Recommendation 15/2022 (IX.15).

54. It is expected that the AML/CFT compliance officer should determine indicators of assessment to check the effectiveness of the training provided.

55. Where a financial institution adopts a training and awareness-raising programme developed abroad, for example by its registered office or parent company, the AML/CFT compliance officer should ensure that this programme is adapted to the legal and supervisory requirements applicable in Hungary and to the ML/TF typology and specific activities of the financial institution.

56. Where certain training activities are outsourced to an external service provider in accordance with the requirements of MNB Recommendations 7/2020 (VI.3.) and 4/2019 (IV.1.), the AML/CFT Compliance officer is expected to ensure that:

- a) the external provider has the required AML/CFT knowledge to guarantee the quality of the training to be provided;
- b) that the outsourcing agreement sets out the management conditions for outsourcing and that they are complied with; and
- c) to adapt the content of this training to the specificities of the financial institution.

#### **III.4 The relationship between the AML/CFT compliance function and the other functions**

57. The independent AML/CFT compliance function is expected to operate as part of the financial institution's second line of defence.

58. Where the AML/CFT compliance function is different from the general compliance function, the MNB expects that, in addition to the requirements of MNB Recommendation 12/2022 (VIII.11.) on a transparent and documented decision-making process and a clear allocation of responsibilities and competences within the internal control functions, the financial institution should also take into account the requirements set out in this Section.

59. The MNB expects that the external audit function referred to in Article 27(5) of the AML Act should not be combined with the AML/CFT compliance function.

60. The MNB expects that the risk control function and the risk management committee, if established, operating in compliance with MNB Recommendation 12/2022 (VIII.11.), should have access to information and data on AML/CFT compliance.

61. It is expected that the head of the risk control function and, where relevant, in the light of point 102 of MNB Recommendation 12/2022 (VIII.11.), the chief risk officer, the head of the bank security or fraud unit and the AML/CFT compliance officer should cooperate in particular, in the exchange of information. In addition, the AML/CFT compliance officer is expected to support the risk control function in defining an AML/CFT methodology consistent with the risk management strategy of the financial institution.

### III.5 Outsourcing the operational functions of the AML/CFT compliance officer

62. The MNB expects, in view of and in addition to the provisions of MNB Recommendation 7/2020 (VI. 3.) and MNB Recommendation 4/2019 (IV.1.), that financial institutions should consider the following key principles when outsourcing the operational functions of the AML/CFT compliance officer:

- a) The ultimate responsibility for compliance with legal and regulatory obligations - whether or not specific functions are outsourced - rests in all respects with the outsourcing financial institution.
- b) It is expected that the outsourcing contract should set out the conditions of management of outsourcing and that they would be respected. To this end, without prejudice to the principle in paragraph a), the rights and obligations of the outsourcing financial institution and the external service provider should be clearly allocated and set out in a written agreement. In defining the obligations of the parties, the external service provider performing the outsourced tasks should be expected to have direct access to all the information necessary for their performance, i.e. to provide or to make available for the financial institution the data and information necessary for the performance of its tasks, in a manner that enables the external service provider to provide a timely, complete and high quality service to the financial institution. This expectation also includes the provision of timely and exhaustive information to the external service provider on AML/CFT related events and deficiencies identified by the internal control systems of the financial institution and by the MNB and, in the case of groups, by foreign supervisory authorities.
- c) The financial institution relying on an outsourcing agreement should remain accountable for monitoring and overseeing the quality of the services it provides to its customers, as set out in MNB Recommendation 7/2020 (VI.3.). For this reason, the financial institution is expected to carry out regular checks on the external service provider to verify that the external service provider is effectively implementing the measures and procedures set out in the outsourcing contract. The frequency of such checks should be determined considering the nature of the outsourced tasks and the risk profile of the outsourcing financial institution.
- d) It is expected that the financial institution will make sure before outsourcing that:
  - da) the external service provider has the necessary AML/CFT expertise and sector-specific knowledge of the outsourcing financial institution to perform the outsourced task, on the basis of which it can provide a service that is fully adapted to the operational characteristics of the outsourcing financial institution, taking into account the outsourcing financial institution's operating model and risk appetite;
  - db) whether the external service provider has the human and technical resources to ensure the timely provision and high quality of the service, enabling it to provide each of the financial institutions it serves with a service that ensures that the financial institution that has engaged it can comply with its AML/CFT obligations and supervisory requirements as if it were performing the task itself;
  - dc) where the external service provider provides services for AML/CFT compliance to more than one customer at the same time, whether it has adequate procedures, organisational and technical guarantees to ensure that data and information that is obtained or has at its disposal in course of performing tasks for different customers cannot become known to its customers who are not entitled to know it;
  - dd) the external service provider can ensure, taking into account the data protection requirements of MNB Recommendation 7/2020 (VI.3.), at least the same level of data protection compliance to protect personal data that is disclosed or available to it in the course of providing the

- AML/CFT compliance service as if the task were performed by the financial institution itself;
- de) whether the external service provider understands Hungarian and can provide the AML/CFT services outsourced to it in Hungarian in order to ensure the ability to properly interpret and apply the applicable legal provisions and the internal documents of the financial institution;
  - df) the external service provider is fully available in person to the supervisor for the exercise of its functions and powers, including the requirement for easy and quick access to the external service provider's AML/CFT premises to ensure that the supervisor can monitor and follow up the financial institution's compliance with all its obligations. In order to ensure this, it is expected that the country or countries where the AML/CFT service is to be provided and the data necessary for the performance of AML/CFT functions are stored, managed and processed are not located in a third country.
- e) Intra-group outsourcing is subject to the same requirements as outsourcing outside the group, provided that it does not conflict with the local regulation relevant for the group member, taking into account the provisions of point 5 of MNB Recommendation 7/2020 (VI.3.).
- f) The outsourcing of certain AML/CFT functions should not result in the delegation of responsibilities of the management bodies, i.e. the MNB is of the view that strategic decisions related to AML/CFT cannot be outsourced. These decisions include in particular:
- fa) approval of an financial institution-wide ML/TF risk assessment;
  - fb) the decision to establish a business relationship<sup>9</sup>;
  - fc) the decision on the internal organisation of the AML/CFT framework of the financial institution;
  - fd) the adoption of internal AML/CFT policies and procedures;
  - fe) the approval of the methodology used to determine the ML/TF risk presented by a given business relationship and the assignment of the risk profile;
  - ff) the approval of the criteria used by the financial institution to detect suspicious or unusual transactions for its ongoing monitoring and reporting;
  - fg) except in the case of outsourcing to a group member established in Hungary, the obligation to report suspicious activities;
  - (fh) monitoring the services provided by the external service provider for quality assurance purposes.
- g) The ultimate responsibility for the decision to report suspicious transactions to the Financial Intelligence Unit, including the situations where the identification and reporting of suspicious transactions is outsourced, taking into account the general requirements and expectations for outsourcing, is borne by the outsourcing financial institution.
63. The MNB expects financial institutions to follow the outsourcing process set out in MNB Recommendation 7/2020 (VI.3.) when outsourcing the operational functions of the AML/CFT compliance officer to an external service provider. This includes the identification and assessment of the relevant risks of the outsourcing arrangement, the justification of the decision to outsource in light of the objectives pursued (whether it aims to ensure an optimal allocation of AML/CFT resources within the group or to apply proportionality criteria), undertaking due diligence on the prospective

<sup>9</sup> In accordance with the provisions of Article 24 (2) of the AML Act. See the provisions of Article 11 of Act CXI of 2023 amending Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing and Certain Related Acts.



external service provider and defining the outsourcing arrangement in a written contract.

64. If the financial institution outsources exclusively the tasks related to the AML/CFT compliance function, the MNB expects the following tasks to be assigned to the AML/CFT compliance officer:
- a) monitoring the performance of the external service provider to ensure that outsourcing effectively enables the financial institution to comply with all its legal and regulatory AML/CFT obligations;
  - b) carrying out a regular control of compliance by the external service provider with the commitments arising from the outsourcing agreement. In line with the documented analysis, the regular control should ensure that the AML/CFT compliance function is provided with the means to test and monitor regularly and occasionally compliance of the outsourcing financial institution with its obligations. With regard to customer data, the AML/CFT compliance officer of the outsourcing financial institution and the MNB should be granted access rights to the systems/databases of the external service provider;
  - c) reporting on outsourcing to the management bodies as part of the AML/CFT compliance officer activity report or whenever circumstances require, in particular so that any necessary remediation measures are implemented as soon as possible.
65. In the MNB's view, the AML/CFT compliance officer may perform this function within a group, considering the scale of the group, if the outsourcing financial institution does not have its own officers or employees outside the management bodies. In such cases, the MNB considers it good practice to designate as AML/CFT compliance officer the AML/CFT compliance officer of a financial institution within the group that has practical experience or knowledge of the type of activities or transactions carried out by the financial institution.
66. In cases where a financial institution uses intra-group outsourcing, the MNB expects it to take the necessary measures to identify and manage any potential conflicts of interest arising from such outsourcing arrangements. The parent entity of the group:
- a) ensure that an inventory of cases of intra-group AML/CFT outsourcing, in order to determine which function relates to which legal entity, is established in the concerned entities and regularly made available for its consultation; and
  - b) ensure that intra-group outsourcing does not compromise the AML/CFT obligations of subsidiaries, branches or other establishments.
67. The MNB expects that the tasks and responsibilities related to AML/CFT should not be outsourced by the financial institution to either the group member established in a third country or an external service provider. located in such a country.

### **III.6 Organisation of the AML/CFT compliance function at group level**

#### **III.6.1 General provisions specific to AML/CFT groups**

68. The financial institution is expected to adapt its internal control framework for AML/CFT risks to its business activities, their complexity and the associated risks, taking into account the requirements of Section V.5 of MNB Recommendation 12/2022 (VIII.11.).
69. In the case of a financial institution subject to consolidated supervision under sectoral legislation (hereinafter: the 'managing financial institution'), it is expected to ensure that the managing financial institution is able to assess the group-wide ML/TF risk profile in accordance with MNB Recommendation 15/2022 (IX.15.).

70. The managing financial institution is expected to ensure that appropriate information flows between (i) the business lines and the AML/CFT compliance function and (ii) the compliance function, where these are separate functions, and (iii) the heads of the internal control departments and the financial institution's management bodies at group level.

### **III.6.2 Role of the management bodies in respect of AML/CFT at group level**

71. The management bodies of the managing financial institution is expected to perform at least the following functions:
- a) in order to have cartography of the ML/TF risks to which each group member is exposed, ensure that group members perform their own business-wide ML/TF risk assessments in a coordinated way and on the basis of a common methodology, yet reflecting their own specificities, in accordance with Article 27 (1) and (2) of the AML Act and MNB Recommendation 15/2022 (IX.15.);;
  - b) when it receives information from the designated responsible manager of the management bodies of the managing financial institution, or from the senior management of the managing financial institution, or directly from the AML/CFT compliance officer of the managing financial institution, about supervisory activities or deficiencies identified by the competent authority in relation to a group member, ensure that the group member concerned takes the necessary corrective measures in a timely and effective manner.

### **III.6.3 Organisational requirements at group level**

72. The MNB expects that, in implementing the group-wide policies and procedures referred to in Article 60 to 62 of the AML Act any conflict of interest between the parent financial institution as the managing financial institution and the other members of the group or individual group members, i.e. the business area generating ML/TF risk, such as the trading function, should not compromise compliance with AML/CFT requirements and that any conflicts of interest should be addressed.
73. It is expected that the managing financial institution:
- a) designate a member of its management bodies or a senior manager responsible for the implementation of group-level AML/CFT requirements and expectations by the managing financial institution and a group-level AML/CFT compliance officer to carry out the responsibilities under point 75;
  - b) ensure that the internal management and control of AML/CTF within the group is based on the same principles, if they do not conflict with the local rules applicable to a group member, including systems and procedures for AML/CFT purposes;
  - c) establish a group-wide organisational and operational coordination structure in which the group AML/CFT management has sufficient decision-making power to effectively manage and prevent ML/TF risks, in accordance with the proportionality principle and applicable legislation and supervisory requirements;
  - d) its management bodies approve group-wide AML/CFT policies and procedures and ensure that they are consistent with the structure of the group and the size and characteristics of the financial institution in the group, and ensure that the AML/CFT policies and procedures of group members are consistent with group-wide AML/CFT policies and procedures, provided that this does not conflict with local regulation applicable to a group member;
  - e) establish group-level AML/CFT control mechanisms; and

- f) regularly evaluate the effectiveness of group-level AML/CFT policies and procedures.
74. The group AML/CFT compliance officer is expected to cooperate fully with the AML/CFT Compliance officer of the members of the group.
75. The group AML/CFT compliance officer is expected to perform at least the following tasks:
- a) coordinate a comprehensive assessment of ML/TF risks by group members at local level and organise the aggregation of the results in order to obtain a good understanding of the nature, intensity and location of ML/TF risks affecting the group as a whole;
  - b) draft a group-wide ML/TF risk assessment. In this respect, the group-wide ML/TF risk management system of the managing financial institution should take into account both the individual risks of the group members and their potential interactions that may have a significant impact on the group-wide risk exposure. In this respect, particular attention should be paid to the risks to which third country group members are exposed, in particular if they are located in countries with high ML/TF risk;
  - c) define group-wide AML/CFT standards and ensure that the local policies and procedures of group members comply with the AML/CFT legislation and supervisory expectations applicable to them and that the standards applied by group members are consistent with the group-wide standards;
  - d) coordinate the activities of the AML/CFT compliance officer of the team members to ensure that they perform their tasks in a consistent manner;
  - e) monitor the compliance of third country group members with the group-wide AML/CFT policies defined by the managing financial institution, in particular for third countries where the requirements for ML/TF risk prevention are less stringent than the group-wide policy<sup>10</sup>;
  - f) define group-wide AML/CFT policies, procedures and measures, in accordance with the applicable legal and regulatory framework, with particular regard to data protection and the sharing of information within the group for AML/CFT purposes; and
  - g) ensure that group members have adequate procedures in place for reporting transactions as referred to in Article 30(1) of the AML Act, and share information, including information that a transaction has been reported to the local Financial Intelligence Unit, without prejudice to the applicable confidentiality rules.
76. The MNB expects the group AML/CFT compliance officer to prepare an activity report at least twice a year and present it to the management bodies of the managing financial institution. In addition to the information referred to in point 44, the report of the group AML/CFT compliance officer submitted by the AML/CFT compliance officer of the group members should include at least the following information:
- a) statistics consolidated at group level, especially on ML/TF risk exposure and the data, facts and circumstances underlying the report pursuant to Article 30 of the AML Act;
  - b) monitoring of inherent ML/TF risks that have occurred in group members and analysing the potential impact of residual risks;
  - c) a supervisory review, internal or external audit of group members, addressing any serious

<sup>10</sup> See also Commission Delegated Regulation (EU) 2019/758 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council with regard to regulatory technical standards for the minimum action and the type of additional measures credit and financial institutions must take to mitigate money laundering and terrorist financing risk in certain third countries and the Joint ESA Regulatory Technical Standards on the implementation of group-wide AML/CFT policies in third countries of 6 December 2017: JC 2017 25.

deficiencies in the AML/CFT policies and procedures of group members and any actions or recommendations for corrective measures; and

d) information on the managing and supervision of group members, in particular group members operating in high-risk third countries. The group member's AML/CFT compliance officer is expected to report directly to the group-level AML/CFT compliance officer.

77. In the interests of proportionality, the managing financial institution is expected to establish a committee responsible for AML/CFT compliance issues at group level.

#### **IV. Closing provisions**

78. This Recommendation is issued in accordance with Article 13(2)i) of the Act CXXXIX of 2013 on the Magyar Nemzeti Bank, with no binding force on the financial institution. The content of the Recommendation issued by the MNB expresses the requirements imposed by legislation, the principles and methods proposed to be applied based on the MNB's enforcement practice, market standards and conventions.

79. The MNB monitors and assesses compliance with the Recommendation during its audit and monitoring activities among the financial institutions it supervises.

80. The MNB emphasizes that the financial institution may make the content of this Recommendation part of their policies. In this case, the financial institution is entitled to indicate that the relevant provisions of its rules comply with the Recommendation issued by the MNB. If the financial institution wishes to include only certain parts of the Recommendation in its policies, it should avoid referring to the Recommendation and should only do in respect of the parts taken from the Recommendation.

81. The MNB expects the relevant financial institutions to apply this Recommendation from 1 July 2024.

Dr. György Matolcsy sk.  
President of the Central Bank of Hungary