

AUTHORISATION OF THE FOUNDATION OF CREDIT INSTITUTIONS

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 applicant or their legal representatives by sending them to the delivery storage space.

For **natural persons**, electronic transactions are an optional procedural form, however, Section 58 (2) of the MNB Act provides that natural persons who are not obliged to apply electronic communication may submit their application, notification or other petition by using the prescribed electronic form introduced for the purpose of the application, notification or other petition concerned that is available in the ERA System or the ÁNYK form introduced for the purpose of the application, notification or other petition concerned available on the dedicated storage space in the Central Client Registration Database, simultaneously uploading any other documents required by the MNB. The ÁNYK forms are also available on the website of the MNB at the following path: <https://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/engedelyezes/e-ugyintezes/2018-januartol-hatalyos-szabalyok/a-termeszetes-szemelyek-elektronikus-ugyintezese-anyk>

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. The printed forms are available at: https://alk.mnb.hu/bal_menu/formanyomtatvanyok?mid=570

The website of the MNB includes information materials on electronic transactions and the submission of appendices to be attached in licensing procedures (electronic documents):

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

Further information related to certain aspects of the licensing procedures is available under the following menu item: <https://www.mnb.hu/en/supervision/licensing-and-institution-oversight/licensing-procedures/general-information>

The MNB's authorization is required the foundation of a credit institution. (*paragraph a) of Section 14 (1) of the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Banking Act)*)

I. AUTHORISATION OF ESTABLISHMENT OF CREDIT INSTITUTIONS

1.1 The applicant must enclose the following documents to the application for authorization of the establishment of a financial institution:

- the charter document that clearly defines the type and scope of activities of the financial institution to be established, please submit a list of the type and scope of activities of the financial institution in line with the terminology of the Banking Act (*paragraph a) of Section 18 (1) of the Banking Act*)
- the document that defines the proposed area of operation (nationwide or limited to a specific region), (*paragraph b) of Section 18 (1) of the Banking Act*)
- proof that the founders have effectively paid up at least fifty per cent of the initial capital specified in the Banking Act (being four billion Forints in the case of banks; in the case of specialised credit institutions the initial capital defined by the separate act applicable to them; in the case of a cooperative society, set up as a cooperative society exclusively, three hundred million Forints (*Sections (1) and (3) of the Banking Act*)) and it is available, (*paragraph c) of Section 18 (1) of the Banking Act*)

- drafts of the financial institution’s organizational and management structure, decision-making and control mechanisms, and its organizational and operational procedures, if they are not contained in the charter document in sufficient detail, *(paragraph d) of Section 18 (1) of the Banking Act)*
- if the applicant is established abroad, a statement *(statement to be made in the prescribed form or form)* concerning the applicant’s agent for service of process; such agent must be an attorney or a law firm registered in Hungary, or the applicant’s bank representative office in Hungary, *(paragraph e) of Section 18 (1) of the Banking Act)*
- in the case of credit institutions that are subject to supervision on a consolidated basis or supplementary supervision, a description of the apparatus for the conveyance of information and a statement from the persons with close links to the credit institution guaranteeing to provide the MNB with the data, facts and information that are necessary for supervising the credit institution on a consolidated basis or supplementary supervision, *(paragraph g) of Section 18 (1) of the Banking Act)*
- in the case of credit institutions that are subject to supervision on a consolidated basis or supplementary supervision, a statement from each person with close links to the credit institution containing his consent to have the personal data he has disclosed to the credit institution processed and disclosed for the purposes of supervision on a consolidated basis or supplementary supervision. *(paragraph h) of Section 18 (1) of the Banking Act)*
- a statement *(to be made by using the prescribed form or form)* on having a head office in Hungary from which governance of the financial institution takes place. *(paragraph i) of Section 18 (1) of the Banking Act)*
- a declaration by the applicant that it has disclosed to the MNB all important facts, data and information required for the authorization *(to be made by using the prescribed form or form)* (Section 59 (2) of the MNB Act)

1.2. If there is any person among the founder who/which intends to acquire a qualifying holding in the credit institution being established, the application for authorisation must, in addition to the document specified above, be accompanied by all the documents required by the Banking Act with respect to owners with a qualifying holding.

The guide titled “*Authorisation of the acquisition and increase of a qualifying holding in credit institutions*” applies to the documents to be submitted with respect to the founding persons holding a qualifying holding (not including the filling of the prescribed form or form concerning the qualifying holding and the payment of the administrative service fee), which is available at the following link: <https://www.mnb.hu/en/supervision/licensing-and-institution-oversight/licensing-procedures/licensing-subjects/authorisation-of-acquisitions>

If there is a foreign financial institution, insurance company or investment firm among the founders who proposes to acquire a qualifying holding, in addition to the above, a statement or certificate from the competent supervisory authority of the country of establishment stating that the enterprise conducts its activities in compliance with prudential regulations must also be attached to the application for authorization. *(Section 18 (4) of the Banking Act)*

1.3. Assessing the business plan and the capital

The European Banking Authority has published the Final Report on the Guidelines on a common assessment methodology for granting authorisation as a credit institution under Article 8(5) of Directive 2013/36/EU (**Guideline**) on 11 November 2021. The MNB would like to draw the applicants’ attention to the Guideline, especially on its criteria for business plan analysis (point 7), and assessing the capital requirements (point 8). The MNB follows the common assessment methodology of the Guideline, therefore it is advised that the applicants prepare the application and its annexes based on the Guideline, especially regarding the business plan and the capital.

II. ESTABLISHMENT OF A CREDIT INSTITUTION INCORPORATED AS A BRANCH

2.1 As regards the establishment of a financial institution incorporated as a branch, the following documents must be enclosed to the application for authorisation in addition to the documents listed in Point 1.1:

- the foreign financial institution’s charter document *(paragraph a) Section 19 (1) of the Banking Act),*
- the foreign financial institution’s certificate of incorporation or a certificate issued within three months in proof of the foreign financial institution being registered in the companies (trade) register *(paragraph b) Section 19 (1) of the Banking Act),*

- a copy of the authorisation issued by the competent supervisory authority of the state where the foreign financial institution is established (*paragraph c) Section 19 (1) of the Banking Act*),
- a certificate issued within 30 (thirty) days proving that the foreign financial institution participating in the foundation has no outstanding debts owed to the tax or customs authorities or the health insurance administration or pension insurance administration of competence in Hungary or in the state where the said foreign financial institution is established (*paragraph d) Section 19 (1) of the Banking Act*),
- a certificate from the competent supervisory authority of the state where established stating that the financial institution's head office from which its operations are directed is in that state (*paragraph e) Section 19 (1) of the Banking Act*),
- the audited and approved balance sheet and the profit and loss account of the founder for the previous three fiscal years (*paragraph f) Section 19 (1) of the Banking Act*),
- a statement concerning the off-balance sheet liabilities of the foreign financial institution (*in the prescribed form) (paragraph g) Section 19 (1) of the Banking Act*),
- a detailed description of the founder's ownership structure and of the circumstances under which the founder is considered to belong to the group of persons being affiliated with, furthermore the leading company's consolidated annual account for the previous year if the leading company is required to prepare a consolidated annual account (*paragraph h) Section 19 (1) of the Banking Act*),
- a statement executed in a private document representing conclusive evidence from the persons indicated in the application in which to grant consent to having the authenticity of the documents attached to the application for authorization checked by the MNB by way of addressed bodies (*paragraph i) Section 19 (1) of the Banking Act*),
- applying the terms of the Banking Act concerning financial services and financial auxiliary service, an indication of the financial services, financial auxiliary services performed by the applicant as authorized by the competent supervisory authority of the place where established, and the locations where such activities are performed (*paragraph j) Section 19 (1) of the Banking Act*),
- a description of the scope of authority of the senior executives of the branch, and a description of the applicant's bodies the approval of which is expressly required for passing certain decisions (*paragraph k) Section 19 (1) of the Banking Act*),
- a statement of the competent supervisory authority of the place where established in evidence of having no grounds for exclusion regarding the senior executive - of citizenship other than Hungarian - filling and occupying such office. (*paragraph l) of Section 19 (1) of the Banking Act*)

2.2 The MNB grants authorization of establishment for a financial institution incorporated as a branch if the conditions described above are satisfied and if:

- there is a valid and effective international cooperation agreement, based on mutual recognition of the supervisory authorities, which also covers the supervision of branches, between the MNB and the supervisory authority of the place where the applying financial institution is established (*paragraph a) of Section 19 (3) of the Banking Act*)
- the state where the applicant financial institution is established has regulations on money laundering and terrorist financing that conform to the requirements set out in Hungarian law (*paragraph b) of Section 19 (3) of the Banking Act*),
- the applying financial institution has data management regulations which satisfies the requirements set out in the relevant legislation and in directly applicable acts of the European Union (*paragraph c) of Section 19 (3) of the Banking Act*)
- the applying financial institution provides a statement declaring that it will honour without limitation the liabilities incurred by its branch under its corporate name (*paragraph d) of Section 19 (3) of the Banking Act*),
- the applying financial institution has submitted the authorization for the foundation of a branch issued by the competent supervisory authority of the place where established or its declaration of approval or acknowledgment (*paragraph e) of Section 19 (3) of the Banking Act*),
- the laws of the state where the applicant is established guarantee the prudent and safe operation of financial institutions. (*paragraph f) of Section 19 (3) of the Banking Act*)

III. THE MNB WILL REFUSE THE APPLICATION FOR ESTABLISHMENT IF THE APPLICANT:

- the applicant provides any misleading or false data during the licensing procedure,
- the financial institution proposed to be established by the applicant fails to meet the statutory provisions concerning initial capital, corporate form, company form, ownership and management bodies,

- the applicant is a non-resident and does not have an agent for service of process; or
- the person who has close links with the credit institution is established in a third country where there are legal impediments liable to prevent the effective exercise of supervision on a consolidated basis,
- there are reasonable grounds to suspect that, in connection with the activity of the applicant, money laundering or terrorist financing within the meaning of the relevant legislation is being or has been committed or attempted, or that the proposed activity could increase the risk thereof. (*Section 30 (1) of the Banking Act*)

Pursuant to Section 1 of MNB Decree 32/2023. (VII. 19.) on the administrative service fees of the Magyar Nemzeti Bank applied in certain licensing and registration procedures in the context of the supervision of the financial intermediary system and with respect to trustee enterprises, the conduct of the licensing procedure is subject to the payment,

- in the case of banks and specialised credit institutions, 1,900,000 HUF,
- in the case of cooperative credit institutions, 1,600,000 HUF,
- in the case of the branch in Hungary of a credit institution established in a third country, 1,900,000 HUF.

Further information about the administrative service fee is available in the following link:

<https://www.mnb.hu/letoltes/tajekoztatas-a-magyar-nemzeti-bank-altal-egyes-engedelyezesi-es-nyilvantartasba-veteli-eljarasokban-alkalmazott-igazgatasi-szolgalatasi-dijrol.pdf>

Should, after carefully reading this guide, any further question – related to the respective, individual case, not possible to answer in the form of consultation over the phone or in writing – arise, the MNB provides the applicant with the possibility of personal consultation. For the possibility of personal consultation, contact the secretariat of the Money and Capital Markets Licensing Department (telephone number: (Telephone: +361-489-9731; Email: ptef@mnbb.hu).

If the questions are solely of IT nature, you may also contact the Information Technology Supervision Department directly for the purpose of personal consultation (Telephone: +361-489-9780; Email: iff@mnbb.hu).

Last amendment: August 2023