

Government Decree 227/2006 (XI. 20.) Korm.

on Money Transmission Services and Electronic Payment Instruments

Pursuant to the authorization conferred in Paragraphs a)-b) of Subsection (1) of Section 235 of Act CXII of 1996 on Credit Institutions and Financial Enterprises (hereinafter referred to as "CIFE"), in Paragraph g) of Subsection (1) of Section 451 of Act CXX of 2001 on the Capital Market (hereinafter referred to as "CMA"), in Paragraph e) of Subsection (1) of Section 53 of Act CI of 2003 on Postal Services (hereinafter referred to as "Postal Act"), and in Paragraph a) of Subsection (2) of Section 124 of Act XXXVIII of 1992 on Public Finances (hereinafter referred to as "PFA"), the Government has adopted the following decree:

Chapter I

GENERAL PROVISIONS

Scope

Section 1.

This decree shall apply to:

- a) organizations engaged in financial service activities as defined in Paragraphs d)-e) of Subsection (1) of Section 3 of the CIFE, apart from any services relating to checks, including - unless otherwise provided by law or government decree - the Magyar Nemzeti Bank (hereinafter referred to as "MNB") and - unless otherwise provided by regulations - the Hungarian State Treasury (hereinafter referred to as "Treasury");
- b) payment or cash withdrawal transactions executed with electronic payment instruments, including transactions with electronic payment instruments which are not executed electronically;
- c) specialized credit institutions issuing electronic money on the basis of Act XXXV of 2004 on Specialized Credit Institutions Issuing Electronic Money Instruments, as regards Section 19 of this Decree;
- d) organizations providing postal intermediary financial services in accordance with Paragraph d) of Subsection (1) of Section 4 of the Postal Act, as regards Chapter IV of this Decree;
- e) unless otherwise provided by law or a government decree, to organizations authorized to keep client accounts under Point 102 of Subsection (1) of Section 5 of the Capital Market Act as regards Subsections (4)-(5) of Section 3 and Sections 4-5 of this Decree, and in connection with Section 7 of this Decree as regards the client accounts; and
- f) the persons to whom the services referred to in Paragraphs a)-e) are provided (hereinafter referred to as "client").

Interpretative provisions

Section 2.

For the purposes of this Decree:

- 1) 'electronic payment instrument' means a remote access payment instrument and electronic money instrument;

2) 'electronic money instrument' means the payment instrument specified in Point 5.3 of Chapter I of Schedule No. 2 to the CIFE;

3) 'value date' means the date used by the credit institution with regard to payment transactions as relevant from the point of view of calculating the interest rate;

4) 'payment order' means the transaction defined in the decree of the Governor of the MNB on money transmission transactions;

5) 'payment transaction' means a payment made by using any of the payment methods defined in the decree of the Governor of the MNB on money transmission transactions;

6) 'credit institution' means a credit institution as defined in Subsection (1) of Section 5 of the CIFE, including the Hungarian branches of foreign credit institutions, excluding the specialized credit institutions issuing electronic money instruments as defined in Act XXXV of 2004 on Specialized Credit Institutions Issuing Electronic Money Instruments, and - unless otherwise provided by law or government decree - the MNB and - unless otherwise provided by regulations - the Treasury;

7) 'institution' means a credit institution as defined in Point 6 and any legal person other than a credit institution that engages in the business of cross-border credit transfers between EEA Member States pursuant to Point 31 of Section 3 of the Postal Act, and branches of one credit institution situated in different Member States which participate in the execution of transfers between EEA Member States shall be regarded as separate institutions for the purposes of these transfers;

8) 'reference interest rate' means:

8.1 as relating to Hungary, an interest rate representing compensation under Subsection (2) of Section 301 or Subsection (2) of Section 301/A of Act IV of 1959 on the Civil Code of the Republic of Hungary (hereinafter referred to as "Civil Code");

8.2 as relating to other EEA Member States, an interest rate representing compensation and established in accordance with the rules laid down by the EEA Member State in which the institution which must pay the compensation to the customer is situated;

9) 'beneficiary' means the client to whom the sum of the payment order is to be credited to an account over which he has the right of disposition (on which he has access to the funds) or to whom the cash must be paid out, where in these cases the beneficiary and the originator may be one and the same person;

10) 'intermediary institution' means an institution which is neither that of the originator nor that of the beneficiary and which participates in the execution of a cross-border credit transfer;

11) 'date of acceptance' means the date defined in the decree of the Governor of the MNB on money transmission transactions;

12) 'originator' means the client who give an order to execute a payment order for the beneficiary;

13) 'laws and regulations for money transmission' means this Decree as well as the decree of the Governor of the MNB on money transmission transactions;

14) 'financial institution' means a credit institution defined in Point 6 and a financial corporation as defined in Section 6 of the CIFE;

15) 'person having the right of disposition' means the account holder, the person entitled to act on his behalf pursuant to a legal regulation, as well as other persons authorized by such persons or by a legal regulation to dispose of the account;

16) 'EEA Member State' means States who are parties to the Agreement on the European Economic Area;

17) 'transfer between EEA Member States' means a payment transaction executed by order of the originator via an institution that is situated in any EEA Member State to a destination in another EEA Member State where the funds are made available to the beneficiary;

18) 'cross-border credit transfer order' means an unconditional instruction in any form, given directly by an originator to an institution that orders the transaction of a cross-border credit transfer;

19) account:

19.1 'bank account' means an account opened pursuant to a bank account agreement as defined in Section 529 of the Civil Code, which, irrespective of its name and currency, serves the purpose of recording and handling the cash receivables and payables of the account holders, and to the debit or credit of which any mode of payment defined in laws and regulations for money transmission can be executed, unless otherwise provided in a legal regulation;

19.2 'domestic bank account' means a bank account opened and operated in the territory of the Republic of Hungary;

19.3 'treasury account' means the account kept by the Treasury in connection with its duties relating to financial transactions as laid down in regulations;

19.4 'business account' means the domestic bank account that the account holder opens or has opened, pursuant to an obligation set out in an act of Parliament or government decree, to execute his money transmission transactions relating to his entrepreneurial activities as defined in Point 28 of Section 178 of Act XCII of 2003 on the Rules of Taxation (hereinafter referred to as "RTA"), including foreign currency accounts opened prior to 1 January 2002 pursuant to Sections 48 and 50 of Act XCV of 1995 on Foreign Exchange, as well as the budgetary settlement accounts of local governments or local minority governments as regulated in Subsection (2) of Section 103 of Government Decree No. 217/1998 (XII.30.) Korm. on the Operation of the Public Finance System, and furthermore, the business accounts of foreign companies opened in accordance with Subsection (3) of Section 9 of the RTA as well as bank accounts opened expressly as accounts for money transmission purposes in accordance with the instructions of the account holder;

19.5 'client account' means the account defined in Point 102 of Subsection (1) of Section 5 of the CMA;

20) 'account holder' means a party concluding an agreement with an account keeper, as well as an institution for which the account keeper keeps an account pursuant to a legal regulation;

21) 'account keeper' means a credit institution defined in Point 6 or a legal person authorized by an act of Parliament to keep client accounts;

22) 'remote access payment instrument' means an electronic payment instrument enabling the holder to access funds held on his/her account at a credit institution, or of the use of credit facilities provided by the credit institution, which usually requires a personal identification code and/or any other similar proof of identity. This includes, in particular, bank cards and other instruments providing facilities for disposing of the credit balance of the account by means of phone- and home-banking applications;

23) 'court bailiff' means the persons and bodies defined in Paragraphs a)-d) of Subsection (1) of Section 225 of Act LIII of 1994 on Judicial Enforcement (hereinafter referred to as "JEA"), the tax administrator referred to in Section 144 of the RTA, and the persons and bodies defined in Section 131 of Act CXL of 2004 on the General Rules of Administrative Proceedings and Services (hereinafter referred to as "APA").

Chapter II

BANK ACCOUNTS

Opening a Bank Account

Section 3.

(1) Unless otherwise provided in an act of Parliament or government decree, resident legal persons and business associations lacking the legal status of a legal person shall keep all their monetary assets in a business account, with the exception of funds kept on hand for cash transactions, and execute their financial transactions through such business account, and enter into a bank account contract for this purpose. This provision shall also apply to natural persons, including private entrepreneurs, who are subject to value added tax payment obligation in connection with being engaged in some form of business activity.

(2) The entities liable to open a business account which are undergoing bankruptcy or liquidation proceeding may have only one business account during the bankruptcy or liquidation proceedings and execute their money transmission transactions through such account. To this end, following the date of publication of the ruling on the moratorium in bankruptcy proceedings and the date of publication of the ruling adopted for the opening of liquidation proceedings in the Company Gazette all bank account contracts, other than the business account selected, shall be terminated with immediate effect and on the day of termination of these bank accounts all funds from all other bank accounts shall be transferred.

(3) A credit institution may open a business account if:

a) a legal person or business association lacking the legal status of a legal person already entered into the registry required for the establishment of legal person or business association lacking the legal status of a legal person (hereinafter referred to as "register") and has certified, with a document obtained from the body maintaining such register not more than thirty days ago, that it has been admitted into the register and has disclosed its tax identification number and statistical code;

b) a legal person or business association lacking the legal status of a legal person pending registration has submitted a duplicate copy of its charter (articles of association), and - if it is liable to registration and the opening of a business account is not a precondition to the submission of the application for registration - has attached a duplicate copy of the certificate issued by the competent court of registry upon the submission of the application for registration;

c) a private individual liable to pay value added tax or a private entrepreneur liable to pay value added tax has submitted a duplicate copy of the document proving his registration at the Tax and Financial Control Administration; a private entrepreneur has attached a duplicate copy of his private entrepreneur's license and any other license required for the pursuit of the activity concerned;

d) an organization not obliged to open a business account has presented the documents or instruments concerning its establishment or registration, as appropriate for the legal form of the organization.

(4) The credit institution shall terminate a business account in due observation of what is contained in Subsection (7) of Section 8 with immediate effect if the organization that is required to open a business account fails to provide proof within ninety days of opening the account of having been admitted to the register by way of a document obtained from the body maintaining such register not more than 30 days ago.

(5) If a business account is opened pursuant to Paragraph b) of Subsection (3):

a) for a business association or for a co-operative, no payment orders shall be executed to the debit or, with the exception of the founding capital, to the credit of such account until the account holder certifies that the application for registration has been submitted and until he discloses his tax identification number and statistical code;

b) for other legal persons established by virtue of registration, payment orders may be executed to the debit or, with the exception of the founding capital, to the credit of such account exclusively following the presentation of proof of registration even if the other conditions specified in Paragraph a) are satisfied.

(6) The credit institution shall keep the documents submitted for opening the bank account, or copies thereof, throughout the life of the account and for at least ten years after its termination.

Disposal of the Bank Account

Section 4.

(1) Natural person account holders may dispose of a bank account in the manner specified in the bank account agreement, individually or jointly, or alternately with another person.

(2) For disposition over the bank account held by a business association with or without legal personality, the use - to the letter - of the full or abbreviated name (corporate name) registered, or pending registration, as well as the signature(s) of the person(s) designated by the account holders as having the right of disposition over the bank account shall be required. Other organizations defined in the RTA may dispose of their bank accounts in the manner specified in their charter or, in the absence thereof, in the bank account agreement.

(3) The right of disposition of a person authorized to dispose of the account by the account holder or by a person entitled, by virtue of a legal regulation, to act on his behalf, may be recalled or, in the cases and in the manner defined in the bank account agreement, restricted.

(4) Disposal of the bank account may be executed, in the cases and in the manner defined in the bank account agreement, in writing or, using a telecommunications device, verbally or electronically. Signatures may be substituted for by electronic coding in the manner defined in a separate agreement, if the credit institution and the account holder have a connection for electronic data transmission with each other.

(5) The credit institution shall proceed with due care and diligence to assure that the right of disposition is exercised only by the account holder and the persons he has authorized.

(6) In the course of exercising the right of disposition, the credit institution shall verify, with due care and diligence, that the signature on the order (including the electronic code) is identical with the specimen signature (electronic code) of the person authorized to dispose of the account.

(7) Credit institutions shall adopt regulations for the internal procedures of notification, registration and verification of signatures.

Notification of the Persons Having the Right of Disposition Over the Account

Section 5.

(1) The person specified by the account holder if a natural person, or if an organization by virtue of the legal regulation applicable to the legal form of the organization, to represent the organization (for the purposes of this Section hereinafter referred to as "executive"), shall notify in writing or in the form of an electronic document according to Subsection (1) of Section 210 of the CIFE, in the manner specified by the credit institution (for the purposes of this Section hereinafter referred to as

"notification") the person having the right of disposition over the account. The account keeping credit institution shall not investigate as to whether the person notified by the account holder or by the executive as having the right of disposition over the bank account satisfies the conditions set out in other legal regulations.

(2) The executive may exercise his right of notification and of disposition if he provides reliable evidence (e.g. by an application for registration or amendment notification stamped by the competent court of registry, and with a signature registration card) his election (appointment) and his signature, taking into consideration the special provisions applicable to the legal form of the organization. The credit institution shall not be held liable for any damage the account holder may sustain if the amendment notification is rejected subsequently. If the appointment of an executive is terminated, the right of disposition of signatories notified by him shall remain effective until such time when a new or different executive orders otherwise.

(3) If, in accordance with the legal regulation governing the legal form of the account holder organization, the organization has more than one executive vested with individual power of representation, notification by any of the executives shall be deemed valid. If one or more of the executives have exclusive competence for notification pursuant to the charter of the account holder organization or pursuant to the decision of the supreme body of such organization, notification by such persons shall be valid. If more than one conflicting notification is submitted, the most recent one shall be regarded as valid. In the case of joint power of representation the executives shall file the notification jointly.

(4) If the authority of the person submitting a notification to do so is disputed, the credit institution shall regard him as being authorized to represent the firm for purposes of notification as long as he is authorized to represent the firm under the legal regulations governing the registration of the organization.

Restriction of the Right of Disposition

Section 6.

(1) Account holders shall have free disposition of their bank accounts, with the exceptions provided for in Subsections (2)-(3) of this Section and in Sections 7-8.

(2) Funds tied up for a specified purpose and removed from the free disposition of the account holder (including, in particular, funds tied up for caution money, and funds tied up in collateral for orders for the purchase of investment instruments under Section 82 of the CMA) shall be used exclusively for such specified purpose while they are kept tied up.

(3) Without the order of the account holder, or in spite of his instructions to the contrary, the account may be debited exclusively in the following cases:

- a) correction of an erroneous entry of the account keeping credit institution on the bank account;
- b) direct collection order submitted in accordance with an act of Parliament or government decree (statutory direct collection);
- c) direct collection order submitted pursuant to the notification of the obligor to the credit institution (letter of authorization) (direct collection based on authorization);
- d) execution of a remittance summons under the JEA;
- e) direct collection order submitted pursuant to a bill of exchange (bill collection);
- f) enforcement of a claim due, which originated as a result of financial services the account keeper has performed on behalf of the account holder, or of investment services performed pursuant to an agreement with the client.

(4) Unless otherwise provided by an act of Parliament or government decree, direct collection orders under Paragraph b) of Subsection (3) may be submitted to the debit of business accounts only.

(5) Credit institutions may enforce their claims under Paragraph f) of Subsection (3) after the claims referred to in Subsection (1) of Section 8 are satisfied, before the publication of the ruling on the moratorium and before the first day following publication of the ruling adopted for the opening of liquidation proceedings, or before the publication of the commencement of the debt settlement procedure.

Rules Governing the Execution of Payment Orders in the Case of Account Holders Under Bankruptcy Proceedings, Debt Settlement Procedures, Liquidation Proceedings and Dissolution Proceedings

Section 7.

(1) In the case of bankruptcy proceedings, the credit institution may execute inter-account settlement transactions to the debit of the account holder under bankruptcy proceedings exclusively by way of a credit transfer, from the date of publication of the decision on the moratorium as defined in Section 11 of the Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings (hereinafter referred to as "Bankruptcy Act") until the ruling terminating bankruptcy proceedings is presented. During the moratorium, credit institutions shall be obliged to accept and execute direct collection orders submitted in accordance with enforceable court or administrative decisions in order to satisfy claims defined under Subsection (1) of Section 12 of the Bankruptcy Act

(2) Account holders undergoing bankruptcy proceedings shall notify the credit institution, on or before the day of publication of the ruling on the moratorium, concerning:

a) the ceiling (limit) of payment orders which can be executed subject to the approval of the appointed receiver in bankruptcy; and

b) the verified signature (e.g. by a notary public) of the receiver.

(3) During the moratorium, the credit institution may execute orders exceeding the ceiling specified in accordance with Paragraph a) of Subsection (2) only with the consent of the receiver.

(4) Prior to their execution, the credit institution shall present to the receiver for approval the direct collection orders submitted to the debit of the account holder under bankruptcy proceedings between the date of publication of the ruling on the moratorium and the time when the ruling terminating bankruptcy proceedings is presented, and exceeding the ceiling notified pursuant to Paragraph a) of Subsection (2). This provision shall not apply to direct collection orders submitted pursuant to enforceable court or administrative decisions referred to in Subsection (1).

(5) Following the publication of the ruling for the opening of a debt settlement procedure, in accordance with Subsection (5) of Section 10 of Act XXV of 1996 on the Debt Consolidation of Local Governments, credit institutions may execute payment orders payable from the account only pursuant to orders signed by the trustee.

(6) Account holders under debt settlement proceedings shall notify the credit institutions keeping their own accounts and those of any budgetary institutions under their supervisions of the verified signature (e.g. by a notary public) of the trustee within eight days following the date of publication of the ruling on the opening of the debt settlement proceedings.

(7) The beneficiary of the direct collection order shall, prior to their submission, send the collection orders submitted during the debt settlement proceedings against the account holder under debt settlement proceedings or any body governed by public law under its supervision to the trustee for countersigning.

(8) Receivers may exercise their right of approval as defined in Subsection (3), and trustees may exercise their right of countersigning as defined in Subsection (5), by affixing their signature, notified in accordance with Paragraph b) of Subsection (2) and Subsection (6), respectively, on the payment order (indicating the word "countersigned").

(9) Account holders under bankruptcy proceedings shall present to the credit institution without delay the final and enforceable court decision on the extension of the moratorium and on the conclusion of the bankruptcy procedure. Account holders under debt settlement proceedings shall present to the credit institutions mentioned in Paragraph (6) without delay the final and enforceable court decision on the termination of the bankruptcy procedure.

(10) When a temporary administrator within the meaning of Section 24/A of the Bankruptcy Act is appointed, the account holder shall, upon the commencement of the activities of such temporary administrator as defined in Subsection (3) of Section 24/A of the Bankruptcy Act, notify the credit institution of the verified signature (e.g. by a notary public) of the temporary administrator.

(11) Temporary administrators may exercise their right of approval as defined in the Bankruptcy Act by affixing their signature, notified in accordance with Subsection (10), on the payment order (indicating the word "countersigned").

(12) Following receipt of the ruling for the opening of liquidation proceedings, orders for disposition of an account holder under liquidation procedure shall be accepted exclusively from the liquidator.

(13) As of the time of publication of the ruling for the opening of liquidation proceedings the credit institution shall affix to the name of the account holder the extension "felszámolás alatt" (under liquidation) or the abbreviated form "f.a." to the account itself. The signatories notified by the certified liquidator may dispose of the account by indicating the name of the account holder with the indication "under liquidation".

(14) Following receipt of the notification provided for in Paragraph f) of Subsection (3) of Section 102 of Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings, orders for disposition of an account holder under dissolution shall be accepted exclusively from the receiver or from the person notified by him as having the right of disposition. Any keeper of client accounts where an account holder under dissolution procedure does not have a bank account shall observe this provision upon publication of the court ruling for dissolution in the Company Gazette.

(15) At the time of being notified concerning the opening of dissolution proceedings in accordance with Subsection (14), the account keeping credit institution shall attach the extension 'u.d.' to the name of the account. The receiver or the person notified by him may dispose of the account by indicating the name of the account holder with the extension "végelszámolás alatt" (under dissolution).

Chapter III

QUEUING OF PAYMENT ORDERS

Section 8.

(1) The credit institution shall queue the following payment orders that cannot be satisfied wholly or partly due to the lack of sufficient funds (priority payment orders) until the funds necessary for satisfaction are available, for a maximum of 35 days, unless instructed by the beneficiary to have them returned immediately, as per the following:

- a) corrections on the account of erroneous entries made by the account keeping credit institution;

b) statutory direct collection orders and remittance summons, including:

ba) enforceable direct collection order submitted by the body authorizing enforcement under Subsection (1) of Section 133 of the APA, or by the tax authority referred to in the RTA pursuant to Section 144 of the RTA and Section 82/A of the JEA, and remittance summons issued by the court (Section 80 of the JEA);

bb) in the cases specified in an act of Parliament or government decree, direct collection order submitted by the beneficiary to collect his claim, which is based on an enforcement order other than the ones specified in point ba);

bc) direct collection order other than those specified in Subparagraphs ba)-bb) and submitted in accordance with an act of Parliament or government decree, excluding collection orders based on a letter of authorization or bill of exchange;

c) claims submitted by the Treasury originating in advances extended in the context of the net financing of local governments.

(2) The list in Subsection (1) shall also constitute an order of execution. Among orders under the same Paragraph, other than the Subparagraphs in Paragraph b) of Subsection (1), the order of execution shall be determined by the date of arrival.

(3) In respect of orders under Subparagraph ba) of Paragraph b) of Subsection (1) and remittance summons, the credit institution shall proceed in accordance with Sections 79/A-79/E and Section 82/A of the JEA.

(4) For the purposes of executing the instructions (orders) in accordance with Paragraph a), Subparagraphs bb)-bc) of Paragraph b) and Paragraph c) of Subsection (1), the business accounts of an account holder kept at one and the same credit institution shall be deemed to be a single bank account.

(5) In the process of transacting the payment orders specified in Subparagraph bc) of Paragraph b) and Paragraph c) of Subsection (1), if funds on the account specified in the order were not available to cover the amount in full and the credit institution keeps a business account for the benefit of the account holder both in Forints and in foreign currency, first the Forint accounts of the account holder then his bank accounts in foreign currencies shall be taken into consideration. In the case of translation between currencies, the buying foreign exchange rate quoted by the debiting credit institution, effective on the date of debiting the bank account, shall be applied.

(6) In the process of transacting the payment orders specified in Subparagraph bb) of Paragraph b) of Subsection (1), if the obligor has such business account, the business accounts maintained in the same foreign currency as the one indicated in the payment order shall be taken into consideration. If the obligor does not have a business account in that currency, or if funds on the account of the same currency were not available to cover the amount in full, first the Forint accounts then the bank accounts in foreign currencies shall be taken into consideration. In the case of translation between currencies, the buying foreign exchange rate quoted by the debiting credit institution, effective on the date of debiting the bank account, shall be applied. If the payment order is for a currency that is not listed by the debiting credit institution, it shall be transacted in Forints. Translation to Forints shall be carried out at the exchange rate quoted by MNB for the day of the transaction.

(7) If an application for the closing of the bank account is lodged during the term of the queuing as defined in Subsection (1), or if the bank account agreement is terminated by the credit institution due to any serious violation of the agreement by the account holder, the bank account may not be closed before the day following the expiry of the term of queuing. Direct collection orders received by the credit institution following the acceptance of the application for the closing of the bank account or upon termination by the credit institution with immediate effect may be queued until the date of closing of the bank account at the latest; the credit institution shall notify the submitter of the direct

collection order to this effect without delay, not to exceed five business days, after the acceptance of the order.

(8) In respect of direct collection orders and remittance summons, partial payment shall be executed to the extent of the funds available.

(9) In the absence of an agreement between the account holder and the credit institution to the contrary, the credit institution shall execute the payment orders to be debited to the bank account from the line of credit provided for that bank account. Prior to the execution of priority payment orders, other debit orders and bank card payments may not be honored as payable to the debit of the credit line.

Chapter IV

special provisions for transfers between EEA Member States

Section 9.

The provisions of this Chapter shall apply to transfers between EEA Member States, not including the transactions originated by financial institutions, investment firms or insurance companies, payable up to 50,000 Euro or its equivalent in another currency of the EEA Member States.

Section 10.

(1) Unless there is an agreement between the parties to the contrary or a legal regulation provides otherwise, the costs of cross-border credit transfer between EEA Member States shall be covered by the originator and the beneficiary to the extent charged by their respective institutions.

(2) The institution shall execute the credit transfer within the time limit specified in the agreement and for the fees and charges stated in advance, apart from the exchange rate applied where required for the credit transfer.

(3) Unless the originator gives instructions otherwise, the sum of the credit transfer shall be remitted to the beneficiary in full, without any deduction. The beneficiary's institution shall inform the beneficiary if the originator specified that the fee and costs of the credit transfer are to be borne wholly or partly by the beneficiary.

(4) The originator's institution shall, at the originator's request, credit, at its own cost, the amount deducted in spite of the instruction specified in Subsection (3) to the beneficiary unless the originator requests that the amount be credited to him.

(5) Any intermediary institution which has made a deduction despite the instruction specified in Subsection (3) shall credit the amount deducted, at its own costs, to the originator's institution or, if the originator's institution so requests, to the beneficiary of the credit transfer.

(6) The beneficiary's institution shall, at its own cost, credit the amount deducted in spite of the instruction specified in Subsection (3) to the beneficiary.

Section 11.

(1) The originator's institution shall pay compensation to the originator where the agreed time limit is not complied with or, in the absence of any such time limit, at the end of the fifth banking day following the date of acceptance of the cross-border credit transfer order between EEA Member States, if the funds have not been credited to the account of the beneficiary's institution.

(2) Compensation shall comprise the payment of interest calculated by applying the reference rate of interest to the amount of the credit transfer for the period from the end of the agreed time limit or, in the absence of such time limit, the end of the fifth banking day following the date of acceptance of the cross-border credit transfer between EEA Member States to the date on which the funds are credited to the account of the beneficiary's institution.

(3) Where a cross-border credit transfer between EEA Member States is not transacted within the time limit agreed or, in the absence of any such time limit, before the end of the fifth banking day following the date of acceptance of the credit transfer between EEA Member States and this is attributable to an intermediary institution, that institution shall be required to compensate the originator's institution as provided for in Subsection (2).

(4) The beneficiary's institution shall pay compensation to the beneficiary where the agreed time limit is not complied with or, in the absence of any such time limit, by the end of the banking day following the date when the amount of the cross-border credit transfer order between EEA Member States is credited to the bank account of the beneficiary's institution or the date when the institution was notified of the transfer, whichever is later, if the funds have not been credited to the beneficiary's bank account.

(5) The compensation referred to in Subsection (4) shall comprise the payment of interest calculated by applying the reference rate of interest to the amount of the credit transfer for the period from the end of the agreed time limit or, in the absence of such time limit, from the end of the banking day following the date when the funds are credited to the account of the beneficiary's institution to the date on which the funds are credited to the beneficiary's bank account.

(6) No compensation shall be payable where the originator's institution or the beneficiary's institution can establish that the delay is attributable to the originator or to the beneficiary.

(7) Within the meaning of this Chapter, for the purposes of the calculation of banking days the days when any institution participating in the transaction is not open for business shall not be treated as banking days.

Section 12.

(1) If, after a cross-border credit transfer order has been accepted by the originator's institution, the relevant amounts are not credited to the account of the beneficiary's institution, the originator's institution shall credit to the account of the originator or make available to the originator, within fourteen banking days following the documented date of receipt of the originator's request, the amount of the cross-border credit transfer up to 12,500 Euro, plus interest calculated by applying the reference interest rate to the amount of the credit transfer for the period between the date of the credit transfer order and the date of the credit, and the charges relating to the cross-border credit transfer paid by the originator. The originator's institution shall be released from this obligation if the funds corresponding to the cross-border credit transfer have in the meantime been credited to the account of the beneficiary's institution.

(2) The request of the originator referred to in Subsection (1) may not be presented before the expiry of the agreed time limit or, in the absence of any such time limit, as of the sixth banking day following the banking day after the date of acceptance of the credit transfer order.

(3) In accordance with Subsection (1), the intermediary institution shall be required to refund the amount of the credit transfer up to the equivalent of 12,500 Euro, including the related costs and interest, to the institution which instructed it to carry out the order, if having accepted the order for cross-border credit transfer between EEA Member States, however, the funds have not been credited to the bank account of the beneficiary's institution, unless the credit transfer was not completed because of errors or omissions in the instructions given by that institution. In the latter

case, the intermediary institution shall take prompt measures to have the amount of the transfer refunded.

(4) If the cross-border credit transfer between EEA Member States was not completed because of the actions or omissions of an intermediary institution chosen by the beneficiary's institution, the beneficiary's institution shall be obliged to credit the funds, or make the funds available, to the beneficiary up to 12,500 Euro, as well as the interest specified in Subsection (1).

(5) The originator or the beneficiary shall refund the equivalent of 12,500 Euro transferred in accordance with Subsections (1) and (4) without delay, within maximum two banking days to their respective institution, if the original amount of transfer is credited to the beneficiary's account following the transaction.

(6) If the cross-border credit transfer between EEA Member States was not completed because of an error or omission in the instructions given by the originator to his institution or because of the actions or omissions of an intermediary institution expressly chosen by the originator, the originator's institution and the other institutions involved shall, in this case as well, take prompt measures to have the amount of the transfer refunded, within maximum two banking days. Where the amount has been recovered by the originator's institution, it shall be obliged to credit it to the originator without delay, within maximum two banking business days. When the refunded funds are credited, the institutions are not obliged in this case to refund the charges and interest accruing to the originator pursuant to Subsection (1). Such institutions can deduct from the amount of the refund the costs arising from the recovery, if specified.

Section 13.

Institutions participating in the execution of a cross-border credit transfer order between EEA Member States shall be released from the obligations laid down in this Decree relating to late performance where they can adduce reasons of force majeure, of abnormal and unforeseeable circumstances beyond their control.

Chapter V

ELECTRONIC PAYMENT INSTRUMENTS

Issue and Use of Electronic Payment Instruments

Section 14.

(1) Bank cards and electronic payment instruments may be used for payment transactions at the premises of legal persons, business associations lacking the legal status of a legal person and private entrepreneurs who (which) are under contract with the issuer or with another credit institution to accept them.

(2) Issuers shall make available to their client (holder) an electronic payment instrument exclusively upon the express request of such client, except where it is a replacement for an electronic payment instrument already held by the client. In the event of any use of a remote access payment instrument in violation of the contract of statutory provisions the issuer shall have the right to revoke the remote access payment instrument in question.

(3) Upon signature of the agreement at the latest, the issuer shall communicate to the client (holder) the contractual terms and conditions governing the use and safekeeping of the electronic

payment instrument as well as the related liability. The terms of the agreement shall be set out in writing, in easily understandable language and in a readily comprehensible form.

(4) In the process of issuing the issuer shall ascertain that no person other than the client (holder) gains access to the client's personal identification number and other code, or other similar identifier of the client necessary for the use of the electronic payment instrument.

(5) The client (holder) shall not countermand any payment transacted by way of the use of a bank card, except if the amount was not determined when the order was given or when the payment was transacted.

(6) Where any payment is transacted by way of bank card in the domestic territory, if the currency in which the receipt is denominated corresponds with the currency of the bank account to which the bank card is linked or the line of credit linked to the credit card, the amount charged to the bank account or the line of credit shall in all cases be the same as the amount indicated on the receipt.

Contents and Amendment of the Agreement

Section 15.

(1) The agreement for the issue of the electronic payment instrument shall inter alia include:

a) a description of the electronic payment instrument and the way in which it can be used, including the limits applied in the amount and the number of transactions, if any, and the procedure for changing them;

b) if the holder needs to have certain technical equipment for the use of the electronic payment instrument, the description of the technical requirements with respect to such device and the way in which it can be used;

c) the period within which, following the payments transacted by way of bank cards or receipt of the payment order transmitted by way of some other electronic payment instrument by the issuer, the client's account will be debited or credited, or if the client has no account with the issuer, the period within which he will be invoiced;

d) the requirement of notification conferred upon the client (holder) as specified in Subsection (2) of Section 16, the notification procedure and the required information;

e) the respective obligations and liabilities of the issuer and of the client (holder), including the reasonable steps the client (holder) must take to use and keep safe the electronic payment instrument and of the personal identification number or other similar identifier;

f) information concerning the filing and processing of any complaint the client (holder) may have in connection with certain transactions, the deadline and the availability of legal remedy, describing each in detail;

g) in the case of electronic payment instruments that can be used for transactions abroad, the mode of determination of the exchange rate to be applied when converting the foreign currency into the currency of the bank account, or the currency of the credit line, where applicable;

h) any interest, commission, fees or charges payable, including annual charges;

i) the formula for the calculation of interest relating to the bank account linked to the bank card and to the amount of credit used from the line of credit in connection with a credit card, as well as the date to be used for interest calculation (value date) if different from the accounting date;

j) the obligation of the issuer to provide information about transactions executed with the electronic payment instrument, in the form of a bank account statement or, in the absence of a bank account, a transaction statement, with the content, in the manner, and with the frequency required for them.

(2) The agreement may derogate from the provisions of this Decree exclusively for the benefit of the client. If the issuer has reserved itself the right to unilaterally amend the agreement [Subsections (3)-(4) of Section 210 of the CIFE], and has directly informed the client about his proposal for amendment, the amendment shall enter into force after the end of the period specified in the contract or in the proposal, which period may not be less than thirty days after receipt of the proposal if it contains less favorable terms for the client, except if the client terminates the agreement within the aforesaid notice period. The client may not be charged any interest, fee, reimbursement or compensation in connection the termination. The agreement shall remain in force with the original conditions until the end of the notice period.

(3) The period specified in Subsection (2) shall not be applicable to changes in the interest rate relating to the bank account linked to the bank card or charged to the amount borrowed from the line of credit in connection with the use of a credit card, which shall enter into force on the date specified in the announcement on the change. The issuer shall notify the client in the account statement at the latest concerning any changes of 0.7 per cent or more in the interest rate, without prejudice to the right of termination of the client.

Obligations of the Client

Section 16.

(1) Clients (holders) shall use the electronic payment instrument in accordance with the rules set out in the agreement governing the issue and use of the payment instrument. Clients shall take all reasonable steps to keep safe the electronic payment instrument and the means which enable it to be used, in particular the personal identification code (PIN code) or any other code. The client (holder) shall not record or write down his personal identification code or any other code that is required for the use of an electronic payment instrument in any form, and it may not be affixed on to the electronic payment instrument or on any article which he keeps or carries together with the electronic payment instrument.

(2) The client (holder) shall take all measures within reason that may be expected in using the electronic payment instrument, such as to notify the issuer or the institution the issuer has engaged as specified in the contract without delay, in the manner laid down in the contract, after becoming aware:

- a) of the electronic payment instrument no longer being in his possession;
- b) of any unauthorized third person becoming privy to the personal identification code or any other similar identifier necessary for the use of the electronic payment instrument;
- c) of the fact that his electronic payment instrument is being used fraudulently for an unauthorized payment transaction.

Obligations of the Issuer Related to Notification

Section 17.

(1) The issuer shall provide means to enable the client (holder) to make the notification required under Subsection (2) of Section 16 on any day of the week, any time of day or night.

(2) Records shall be maintained of the notifications containing facilities to ascertain the time and content of notifications reliably and unchangeably for at least five years. The issuer, upon the request of the client, shall provide the client (holder) with a certificate of the time and content of his notification free of charge, once for any single notification. The issuer shall provide the said

notification within fifteen and thirty business days if it pertains to a notification that was made, respectively, within one year or later than one year.

Liability and Warranty Rules

Section 18.

(1) Up to the time of notification required under Subsection (2) of Section 16, the client (holder) shall bear the loss sustained in consequence of the loss or theft (with or without force) of the electronic payment instrument in accordance with Subsection (2), while the issuer shall be liable for the loss sustained in consequence of the loss or theft (with or without force) of the electronic payment instrument arising after the notification, to a maximum amount of fifteen million Forints. The issuer shall be exempted from liability if able to prove that the loss has occurred due to deliberate and grave breach of contract on the part of the client (holder).

(2) The client (holder) shall bear the loss sustained prior to the notification of up to forty-five thousand Forints, except if the loss has occurred due to any deliberate and gravely negligent conduct on the part of the client (holder).

(3) The client (holder) shall not be held liable for any part of the amount referred to in Subsection (2) for any use of his electronic payment instrument without the client's physical presence or electronic identification.

(4) Upon receipt of notification, the issuer shall take all measures that may be reasonably expected of an organization engaged in such activities to stop any further use of the electronic payment instrument even if the client violated the contractual provisions pertaining to the use and safekeeping of the electronic payment instrument. The issuer shall be held liable for any losses sustained due to failure to take such action.

(5) The issuer shall be held liable for any losses resulting from the violation of his obligation set out in Section 17, including any losses arising from the inability of the client to meet his notification obligation under Subsection (2) of Section 16 due to technical reasons attributable to the issuer.

(6) The issuer shall be held liable for:

a) any transaction conducted with the use of a remote access payment instrument, cash withdrawal by way of a bank card and for any failure or non-conformity in the loading or emptying of electronic money instruments as well as their malfunctioning, also where the transaction is initiated at devices (terminals) which are not under the issuer's direct or exclusive control, provided that the transaction is not initiated at devices (terminals) unauthorized for use by the issuer;

b) carrying out any transaction that was not initiated by the client.

(7) Pursuant to his liability set out in Subsection (6), the issuer shall be liable to compensate the client for any loss, which compensation shall include:

a) the amount of the erroneous transaction plus interest calculated using the reference interest rate, where the interest is calculated for the period from the date of acceptance of the order for transfer to the date when the sum is credited to the beneficiary, or in connection with transactions executed without the client's order, from date when payment was transacted to the date when the sum is credited back to the client's account; or

b) the amount of the transaction if not executed, plus interest calculated for the period from the date of acceptance of the order to the date when the sum is credited to the beneficiary.

(8) Responsibility for having the electronic payment instrument delivered to the client (holder) lies with the issuer. The issuer shall not be allowed to charge any loss arising in connection with the delivery of the electronic payment instrument to the client (holder).

(9) In connection with the fraudulent use of bank cards by unauthorized persons in transactions falling within the scope of Government Decree 17/1999 (II. 5.) Korm. on Long-distance Contracts or Act XXV of 2005 on the Distance Marketing of Consumer Financial Services, the payment order must be cancelled at the client's request and the issuer shall refund any sum paid out in connection with such orders to the client. The client may not waive his right for filing such request.

(10) Any issues of liability arising out of or in connection with the legal relationship of the issuer and the client in respect to the keeping of the bank account or the issue of the transaction statement which affects issues other than the unauthorized use of the electronic payment instrument, shall be governed by the general rules of civil law.

(11) In the case of legal disputes between the issuer and the client in respect of the transactions specified in Paragraph a) of Subsection (6), the burden of proof shall lie with the issuer to establish:

- a) that the execution of the transaction was not affected by technical breakdown or other reasons attributable to the issuer;
- b) the transaction was accurately recorded and entered into accounts.

Special Provisions Relating to Electronic Money Instruments

Section 19.

(1) With the exceptions set out in Subsections (2)-(4) below, only Subsection (1) of Section 14, Paragraphs a) and f)-g) of Subsection (1) of Section 15, Subsection (1) of Section 16 and Paragraph a) of Subsection (6) of Section 18 of this Decree shall apply to electronic money instruments.

(2) By way of derogation from what is contained in Subsection (1), all provisions of this Decree relating to electronic payment instruments shall apply where electronic money instruments are reloaded from a bank account through a remote access payment instrument, or if the consideration for the surrendered electronic money instrument is transferred to a bank account.

(3) In the case of reloadable electronic money instruments, the issuer shall provide the client with the possibility of verifying the outstanding value stored thereon and the last five transactions executed with the instrument.

(4) The issuer shall be liable for any loss resulting from the malfunction of the electronic money instrument, or the device or any other equipment necessary for its use, except where the client caused such damage through the inappropriate use of the instrument, device or other equipment.

Chapter VI

TRANSITIONAL AND CLOSING PROVISIONS

Entry into Force

Section 20.

(1) This Decree - subject to the exception set out in Subsection (2) - shall enter into force on 1 March 2007.

(2) Subsection (6) of Section 14 of this Decree shall enter into force on 1 June 2007.

Transitional Provisions

Section 21.

(1) The payment transactions initiated before the entry of this Decree into force shall be governed by the provisions in force at the time the payment transactions are initiated.

(2) The provision set out in Subsection (7) of Section 8 shall be applicable to payment orders queued or terminations of accounts affected subsequent to the entry into force of this Decree.

Repeals

Section 22.

Simultaneously with this Decree entering into force Government Decree No. 232/2001 (XII.10) Korm. on Monetary Circulation, Financial Transaction Services and on Electronic Payment Instruments shall be repealed.

Compliance with the Acquis

Section 23.

This Decree serves the purpose of compliance with the following legislation of the Communities:

a) Directive 97/5/EC of the European Parliament and of the Council of 27 January 1997 on cross-border credit transfers [in conjunction with the decree of the Governor of the MNB adopted under Subparagraph ha) of Paragraph h) of Subsection (1) of Section 60 of Act LVIII of 2001 on the National Bank];

b) Article 8 and Article 12 (1) of Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts;

c) Article 8 and Article 12 (1) of Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services and amending Council Directive 90/619/EEC and Directives 97/7/EC and 98/27/EC;

d) Commission Recommendation 97/489/EC concerning transactions by electronic payment instruments and in particular the relationship between issuer and holder.