# SREP questionnaire for investment firms

# Block I

**File No:**

**Date:**

**Institution name:**

**Reference date:**

Business model

1. **What are the risks of the institution’s activity stemming from external factors?** (e.g. geographic environment, particularly strong competition, low financial literacy, risk of counterparties contributing to the execution of orders, risk of settlement systems, changes in the regulatory environment)
2. **Please indicate in worksheet “Question 2”of the attached Excel file (by “x”) the types of investment services your render to each client segment** (Block I), and whether the institution effectively performs the respective investment services activity with regard to the given product group (Block II). Within the retail clientele, please provide the actual name of client segments as defined by the institution – e.g. private/premium – and indicate all client segments.
3. **Please inform us whether the institution has any negative information with regard to the good business reputation, capital position, compliance with statutory requirements related to the management of the principal’s assets (e.g. segregation/regular reconciliation) of any of the institution’s custodian or account-keeping counterparty.** Please provide information on the respective counterparty and the negative information.
4. **Please inform us whether the daily reconciliation of the monetary assets and financial instruments is performed in the case of custodians managing at least 15% of the clients’ assets deposited outside KELER**. (underline as applicable)
	1. yes, in all cases,
	2. no, in the case of the following counterparties:
5. **Please provide information on the number and magnitude of transactions impacted by settlement delay last year by completing worksheet “Question 5” of the attached Excel file. Please inform us whether the institution has fully implemented the risk mitigating measures specified in Article 6 of CSDR.** (underline as applicable)
	1. no (or in the case of not all professional counterparties)
	2. yes, in the case of professional counterparties
	3. yes, in the case of retail clients and professional counterparties
6. **Please inform us whether the institution has dedicated own and dedicated principal’s account at those foreign execution and account-keeping counterparties where the orders submitted by the institution’s clients related to OTC derivatives are executed and settled.** (underline as applicable)
	1. yes, in all cases
	2. no, in the case of the following counterparties:
7. **Please specify – indicating in the respective column of worksheet “Question 7” of the attached Excel file – the investment services and supplementary investment services not performed by the institution.** (Please provide the accurate name as specified in Section 5(1)-(2) of the Investment Firms Act.) Please specify since when you do not make use of this opportunity, the reason for it (e.g. shortage of capacity, no client demand, etc.) and whether you plan to commence the activity within 1 year.
8. **Please indicate on worksheet “Question 8” of the attached Excel file whether the institution performs market maker activity and whether it qualifies as regular internaliser.** Please also mark the product groups involved by X.
9. **Please indicate whether the institution participates in BSE’s Xtend programme as a Nominated Adviser** (mentor). (underline as applicable)
	1. Yes,
	2. No, but plans it in the next 1 year.
	3. No, and does not plan it in the next 1 year.
10. **Please describe your marketing activity by completing worksheet “Question 10” of the attached Excel file (marking it by “x”). Please specify the type of marketing tools applied, the type of products and investment services for which marketing materials have been produced or ordered and the targeted client segments.** Within the retail clientele, please provide the actual name of client segments as defined by the institution – e.g. private/premium – and indicate all client segments.
11. **Please inform us whether the new marketing materials (online advertisements, newsletters, educational videos, etc.) containing information on financial instruments and services, and investment recommendations can be distributed only subject to prior approval by Compliance**. (underline as applicable)
	1. yes,
	2. no
12. **Please inform us whether the institution uses investment analysis (research) from third parties for the provision of investment services**. (underline as applicable, you may indicate several answers.)
	1. no,
	2. yes, forwarded to clients/published on the website (in original/processed form)
	3. yes, used for investment advisory services or portfolio management,
	4. yes, in respect of non-derivative products
	5. yes, in respect of derivative products

Strategy

1. **Please list the key elements of the institution’s business plan and strategy, and attach your current Business Plan and Strategy.** (If the institution is the parent company of supervised institutions, the subsidiaries should be also taken into consideration when providing the key elements of the strategy and the business plan.)
2. **Please specify the 5 most important services, markets and products of the institution and the reason for that.** (e.g. due to profitability considerations, client demand, professional reputation, etc.)
3. **Please inform us whether you have any services/products/execution counterparty introduced or terminated in the past one year and detail the underlying reasons**. Do you plan to introduce or use new services/products/execution counterparties in the next one year?

Profitability

1. **Please indicate in worksheet “Question 16” of the attached Excel file the breakdown of the institution’s revenue structure by client segments (retail client, professional client, eligible counterparty) by services (Block I) and markets Block II).** Please present the revenue structure by providing the actual, aggregated revenues in HUF related to the four quarters preceding the data supply. Within the retail clientele, please provide the actual name of client segments as defined by the institution – e.g. private/premium – and indicate all client segments.
2. **Please indicate in worksheet “Question 17” of the attached Excel file by client segments (retail client, contracted counterparty) the clients (by CONCAT ID for private individuals and LEI code for legal entities) that generated the top5 commission revenue (commission deducted after order execution) in the past 1 year based on transaction volume (irrespective of the commission agent turnover product).**. (Please also specify the size of the commission income and commission agent turnover generated by these clients, in HUF and in %. Please provide data aggregated by transaction type, market and products.)
3. **Please indicate in worksheet “Question 18” of the attached Excel file the breakdown of the institution’s cost structure by client segments (retail client, professional client, contracted counterparty) by services (Block I) and markets Block II).** Please present the cost structure by providing the actual, aggregated costs in HUF related to the four quarters preceding the data supply. Within the retail clientele, please provide the actual name of client segments as defined by the institution – e.g. private/premium – and indicate all client segments.
4. **Does the institution plan to raise additional funds for its operating activities in the next 1 year?** If yes, by what means do you plan to do so? (Please underline as applicable and provide the magnitude of the anticipated fund raising).
	1. No fund raising is planned,
	2. Yes, by increasing shareholders' equity,
	3. Yes, by issuing short- or medium-term (1-5 years) bonds,
	4. Yes, by issuing long-term (5+ years) bonds,
	5. Yes, by short-term borrowing,
	6. Yes, by long-term borrowing,
	7. Other, please specify:

Control functions

1. **Which control functions have been outsourced by the institution?** (underline as applicable)
	1. compliance,
	2. internal audit,
	3. risk management,
	4. safeguarding officer,
	5. AML officer
2. **Capacity used by the institution for the internal audit function.** Please provide your answer by indicating the number of persons filling the position and their working hours. Please indicate if the activity is outsourced. (underline as applicable)
	1. less than 20 hours per week
	2. 20-40 hours per week
	3. 40 hours per week
	4. 40-80 hours per week
	5. more than 80 hours per week, specifically: .... hours

Number of persons filling the position:

1. **Capacity used by the institution for the compliance function.** Please provide your answer by indicating the number of persons filling the position and their working hours. Please indicate if the activity is outsourced. (underline as applicable)
	1. less than 20 hours per week
	2. 20-40 hours per week
	3. 40 hours per week
	4. 40-80 hours per week
	5. more than 80 hours per week, specifically: .... hours

Number of persons filling the position:

1. **Capacity used by the institution for the risk management function.** Please provide your answer by indicating the number of persons filling the position and their working hours. Please indicate if the activity is outsourced. (underline as applicable)
	1. less than 20 hours per week
	2. 20-40 hours per week
	3. 40 hours per week
	4. 40-80 hours per week
	5. more than 80 hours per week, specifically: .... hours

Number of persons filling the position:

1. **Is SGO a separate, independent function at the institution or is it combined with other control functions?** (underline as applicable)
	1. yes,
2. no, it is performed as part of the internal audit/compliance function, but by a dedicated staff member
3. no, it is performed as part of the internal audit/compliance function by the internal auditor/compliance officer,
4. other solution:
5. **Please provide information whether the verification and notification of orders and deals in terms of market manipulation is performed by a dedicated person at the institution, and whether the institution has appointed a dedicated employee for verifying compliance with the provisions of the Market Abuse Directive (MAD)/Market Abuse Regulation (MAR).** (underline as applicable)
	1. Yes
	2. No
	3. Other:
6. **Please inform us whether the institution has a dedicated staff member for the control tasks to prevent money laundering and terrorist financing.** (underline as applicable)
	1. Yes
	2. No
7. **Please inform us whether the institution has any control function that regularly inspects investment advisory services and the communication by persons providing information on services and products (employees/intermediaries) with clients whether it is accurate, not misleading and not deceptive.** (underline as applicable, you may indicate several answers)
	1. No,
	2. Yes it forms part of the daily transaction control,
	3. Yes, within the framework of monthly/quarterly/annual desk review,
	4. Yes, subject to identical criteria for intermediaries and employees,
	5. Yes, more strictly in the case of intermediaries,
	6. considering the number of client complaints,
	7. more strictly in the case of speculative transactions
8. **Please inform us whether the management and employees of the institution are permitted to hold ownership stake or executive position in other companies.** (underline as applicable)
	1. executive position in public equity or bond issuer,
	2. ownership stake/executive position in companies the services of which is used by the institution,
	3. ownership stake/executive position in offshore company (in company registered in states of low tax rate)
	4. other:

Risk management

1. **Please specify the range of instruments accepted as collateral for clients’ leveraged positions.** (underline as applicable, you may indicate several answers)
	1. monetary assets (HUF, EUR, USD)
	2. government securities (non-retail)
	3. domestic quoted equity (member of BSE basket)
	4. foreign – index member – quoted equity
	5. corporate bond
	6. public, open-end investment fund
	7. other than above:
2. **Please inform us whether you accept as collateral for clients’ leveraged positions instruments with no continuous market price, and if yes, the type of transactions and the magnitude.** (underline as applicable)
	1. no,
	2. yes, corporate bonds
	3. yes, private/closed-end investment funds,
	4. yes, equities,
	5. yes, instruments other than above
3. **Please specify the frequency of determining the market value of client’s open leveraged position, the calculation of the collateral value and collateral coverage (by “x”).**

|  |  |  |  |
| --- | --- | --- | --- |
|  | stock exchange | OTC | WL |
| continuous |  |  |  |
| at least twice a day |  |  |  |
| at least once a day |  |  |  |

Note:

1. **Please specify the frequency of reviewing the collateral value of the instruments accepted as collateral for clients’ leveraged positions.** (underline as applicable)
	1. continuous, depending on price volatility
	2. at least monthly,
	3. at least quarterly,
	4. less frequently than quarterly,
	5. depending on the market event affecting the position and price of the securities accepted as collateral. Please detail:
2. **Please inform us whether the collateral monitoring process (position valuation, calculation of collateral coverage, margin call and forced liquidation of position) related to leveraged positions (irrespective of the deal type) is fully automated.** (underline as applicable)
	1. yes, fully,
	2. yes, in the case the position valuation and calculation of collateral coverage, while the margin call and forced liquidation require human intervention
	3. no
	4. other, please specify:
3. **Please specify the magnitude of the institution’s self-possessed liquid assets that may be used for supplementing collateral should the leveraged client positions become unsecured.**
4. **Please provide information on the fluctuation characterising the institution in the past 1 year for the entire organisation and for the following functions, broken down as follows**: entrant (persons)/leavers (person)/%
	1. entire organisation:
	2. back office:
	3. dealers/advisers:
	4. risk management:
	5. compliance, internal audit, SGO together:
5. **Please provide information with regard to your top5 dealers/advisers generating the highest commission income through client orders and the top5 intermediaries generating the higher commission income, and also with regard to the changes and negative impacts anticipated by the institution upon the leave of any of these dealers/intermediaries. Please provide the information separately by dealer/intermediary.**
	1. number of clients managed
	2. size of managed client portfolio
	3. ratio of the volume of transactions concluded by the dealers/intermediaries in the past 1 year compared to the total transaction turnover,
	4. commission income generated by clients linked to these dealers/intermediaries compared to the total commission income in the past 1 year),

1. **Please specify the frequency of monitoring the available regulatory capital and the rate of the regulatory capital requirement, and the frequency of relevant reports for the management.** (underline as applicable)
	1. weekly monitoring/weekly reporting
	2. monthly monitoring/monthly reporting
	3. monthly monitoring/quarterly reporting
	4. other:
2. **Does the institution report or limit the degree of the exposure related to open leveraged positions by product/product group, transaction type and client?** (please underline as applicable in the case of the options separated by “/”.) (Several answers may be selected).
	1. the total volume of leveraged positions is maximised by clients/products
	2. the volume of investment loans is limited by client/product at institution level
	3. the volume of equity day trade transactions is limited by client/product at institution level
	4. the management receives at least weekly reports on the volume of leveraged positions at client/institution/product level by execution partners
	5. the management receives at least monthly reports on the volume of leveraged positions at client/institution/product level by execution partners
	6. other limitation/reporting, apart from the above, with regard to limiting the payments related to the CET1