

## Recommendation 1/2026 (II.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 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 transposes on the one hand 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>, and on the other hand the Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national restrictive measures (EBA/GL/2024/14; hereinafter referred to as Guidelines EBA/GL/2024/14)<sup>2</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>3</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;
- 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 function holders [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 expectations set out in the guidelines issued by the EBA or the Anti-Money Laundering and Terrorist Financing Authority, also addressed to the financial institution, in order to identify the risk factors of the

<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> <https://www.eba.europa.eu/sites/default/files/2024-11/eaeeae49d-81a5-4154-8af9-5014f6ee8881/Final%20Report%20Guidelines%20restrictive%20measures%20.pdf>

<sup>3</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)

business activities and to determine the measures necessary for risk management as referred to in Article 24c) of the MNB Decree 14/2025 (VI. 16.) on the detailed rules for the implementation of certain obligations of service providers supervised by the Magyar Nemzeti Bank pursuant to the Act on Preventing and Combating Money Laundering and Terrorist Financing and on the minimum requirements for the development and operation of a screening system of such service providers pursuant to the Act on the Implementation of Financial and Asset-related Restrictive Measures Ordered by the European Union and the UN Security Council (hereinafter referred to as the MNB Decree)<sup>4</sup>;

d) the provisions of MNB Recommendation 7/2020. (VI. 3.)(IX.15.) on the use of external service providers

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 g) 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 functions 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 of the European Parliament and of the Council of 20 May 2015 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 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 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) oversight 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;

<sup>4</sup> At the time of issuing this recommendation, the EBA Guidelines on money laundering and terrorist financing risk factors are relevant: EBA/GL/2021/02, EBA/GL/2023/03; EBA/GL/2023/04; EBA/GL/2024/01; and Section 4.2 of EBA/GL/2024/14.

- d) restrictive measures: financial and asset-related restrictive measures as defined in Article 2 (5) of Act LII of 2017 on the Act on the Implementation of Financial and Asset-related Restrictive Measures Ordered by the European Union and the UN Security Council (hereinafter: FRM Act.), atypical financial restrictive measures referred to in Article 3(2a) of the AML Act., and national restrictive measures adopted in accordance with Hungarian law (insofar as they apply to financial institutions);
  - e) external service provider: the definition used in point 1 l) of MNB Recommendation 7/2020 (VI.3.) on the use of external service providers [hereinafter: MNB Recommendation 7/2020 (VI.3.)];
  - f) financial information unit: in addition to its tasks defined under the AML Act, the authority responsible for implementing financial and asset-related restrictive measures pursuant to the FRM Act;
  - g) sanctions compliance officer: the senior employee responsible for performing the functions and tasks related to the implementation of restrictive measures;
  - h) management body: the body of a financial institution which performs the management function and the oversight 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 NGM 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 body in the AML/CFT framework**

3. The management body is 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 body as a whole has 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 body, taking into account the requirements of MNB Recommendation 1/2022 (I.17.) the financial institution should also assess whether the management body has 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.
4. In implementing point 3, the financial institution is also expected to establish a governance framework that ensures that its policies, procedures and controls for the implementation of restrictive measures are appropriate and effectively implemented.
5. The management body is responsible for approving the financial institution's strategy for compliance with restrictive measures, and for overseeing the implementation of that strategy through the policies, procedures and controls necessary to ensure the implementation of restrictive measures. For this reason, all members of the management body are expected to be aware of the financial institution's exposure to restrictive measures as well as its exposure to the circumvention of restrictive measures.
6. Where the business of a financial institution is managed by a single person, that person may appoint a senior manager to perform the duties of the management body under point 5.

### III.2 The role of the oversight body in the AML/CFT framework

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

8. 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 oversight body, inter alia, that it:

- a) is informed of the results of the organisation-wide risk assessment from an ML/TF perspective as well as regarding its exposure to restrictive measures;
- b) monitors and oversees the adequacy and effectiveness of AML/CFT policies and procedures inter alia in respect of the ML/TF risks and the risks stemming from restrictive measures 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) in addition to the general ML/TF tasks set out in subparagraph (b), supervise and monitor, through the internal audit function, the adequacy and effectiveness of the policies and procedures relating to restrictive measures, given the financial institution's exposure to restrictive measures and the risk of circumvention of restrictive measures to which the financial institution is exposed, and take appropriate steps to ensure that corrective measures are taken where necessary;
- d) reviews the activity report of the AML/CFT compliance officer at least twice a year – in case these two functions are held by separate managers, a yearly review of the activity report of the sanctions compliance officer - and for activities which expose the financial institution to higher ML/TF risk, obtains the AML/CFT compliance officer's or the Sanctions compliance officer's interim activity reports prepared on a case-by-case basis more frequently;
- e) 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;
- f) assess at least once a year the effective functioning of the restrictive measures compliance function, including internal policies, procedures and controls, and the adequacy of human and technical resources allocated to restrictive measures compliance.

9. The oversight body is expected to monitor compliance that the designated responsible manager - or, in the absence of a management body the senior manager appointed in accordance with point 15 - complies with the requirements set out in point 11 of this Recommendation in accordance with point 59d) of MNB Recommendation 1/2022 (I.17.).

10. 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, to the sanctions compliance officer's findings on the assessment of exposure to restrictive measures; to 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.3 The role of the management body in the AML/CFT framework

11. 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 body, 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, in which case the activity reports prepared by the AML/CFT compliance officer and – if these two functions are separated – the sanctions compliance officer, including reports prepared at group level, should be sent to the MNB as detailed in the respective MNB decree governing data provision 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;
- f) in order to comply with restrictive measures:
  - fa) receive direct information from the sanctions compliance officer in his/her activity report at least once a year on the results of the assessment of exposure to restrictive measures;
  - fb) adopt a risk management framework and internal control system that is sufficiently independent of the business activity it controls;
  - fc) approve policies, procedures and controls that are proportionate to the financial institution's exposure to restrictive measures and adequate to ensure compliance with the restrictive measures;
  - fd) ensure the effective implementation of the financial institution 's processes designed to comply with restrictive measures
  - fe) ensure the implementation of the organisational and operational structure necessary to comply with the strategy for restrictive measures adopted by the management body
  - ff) ensure that human and technical resources are adequate and proportionate to the financial institution's exposure to restrictive measures
  - fg) in the event of outsourcing operational tasks related to compliance with restrictive measures, ensure

that the outsourcing agreements comply with the MNB recommendation<sup>5</sup> on the use of external services, and

- g) obtain information on the efficiency of the performance of outsourced tasks through regular information sent by the external service provider

### **III.3 Role of the designated responsible manager in the AML/CFT framework**

#### **III.4.1. Identification of the designated responsible management body member**

12. 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 9, the MNB expects that the designated responsible 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.).

13. 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.

14. The designated responsible manager is expected to report on his/her tasks and to regularly inform, where necessary and without undue delay, the oversight body of all information that the supervisory body needs in order to perform its tasks under subsection III.2.

#### **III.4.2 Identification of a designated responsible manager where no management body is in place**

15. 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 12 as well as the conflict of interest criteria set out in point 13.

16. 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. 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.

<sup>5</sup> At the time of the publication of this Recommendation MNB Recommendation 7/2020. (VI. 3.) on the use of external service providers.

### III.4.3 Tasks and role of the designated responsible manager

17. In addition to fulfilling his/her responsibilities under the AML Act, the designated responsible manager is expected to ensure that the entire management body is 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 body whether it would be appropriate to appoint a separate AML/CFT compliance officer at management level;
- c) supporting the management body 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 IV, 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 body receives 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 body to fulfil its role 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 these 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 body 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 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.

18. 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 body. 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.

19. In addition to the requirements indicated in point 27 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.5 The role of the AML/CFT compliance officer and the sanctions compliance officer in the AML/CFT framework**

#### **III.5.1 AML/CFT compliance officer**

20. When deciding whether to appoint an AML/CFT compliance officer in the internal regulations defined in Article 65 of the AML Act, the management body should take into account based on the criteria set out in Section III.5.3. 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.). 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.

21. 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 function, measures necessary or appropriate to ensure the adequacy and effectiveness of internal AML/CFT measures.

22. Where an AML/CFT compliance officer is appointed, the management body 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.

23. 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 body should identify and consider possible conflicts of interest and take the steps necessary to avoid or, if that is not possible, manage these. The management body should ensure that this person can also devote sufficient time to perform the functions of AML/CFT compliance officer.

24. 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 in Hungary and performs his/her work in Hungary.

25. 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.

26. 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.

27. As explained in Section III.7.4, 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 19, 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 oversight body or, if there is no management body, to the senior management.

### **III.5.2 Sanctions compliance officer**

28. Taking into account point 37, the financial institution is expected to designate a senior employee who is responsible for carrying out the financial institution's functions and tasks related to restrictive measures.

29. The person performing the duties of the sanctions compliance officer is expected to comply with the following:

- a) in accordance with the provisions of subparagraph d) of point 59 of MNB Recommendation 1/2022. (I. 17.), have the appropriate knowledge, skills and experience necessary to identify, assess, manage and mitigate the ML/TF and proliferation risks affecting the financial institution arising from restrictive measures or their circumvention, and to implement the related procedures, control mechanisms and processes, and have a good understanding of the business model of the financial institution and the sector in which it operates, as well as the extent to which this business model exposes the financial institution to risks arising from restrictive measures or their circumvention
- b) be informed in a timely manner of decisions or circumstances that may affect the risks related to restrictive measures to which the financial institution is exposed; and
- c) devote sufficient time and resources to the effective performance of his/her duties.

30. If the responsibilities of the sanctions compliance officer are assigned to a senior employee who already performs other tasks or functions within the financial institution, this person is expected to meet the requirements set out in point 29.

31. If the duties of the sanctions compliance officer and the AML/CFT compliance officer are performed by two separate persons, the requirements detailed in points 21, 22, 24 and 25 and in point c) of point 27 shall apply *mutatis mutandis* to the person performing the duties of the sanctions compliance officer.

### **III.5.3 Proportionality criteria for the appointment of a separate AML/CFT compliance officer**

32. 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.

33. If the management body decides 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.

34. 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.

35. 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.

36. 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.5.4 Proportionality criteria for the appointment of a dedicated sanctions compliance officer**

37. The management body may also delegate the responsibilities of the sanctions compliance officer to a senior employee who already performs other tasks or functions within the financial institution (for example, the AML/CFT compliance officer or the designated responsible manager), provided that:

- a) this is justified by the size and complexity of the financial institution and the outcome of the assessment of its exposure to restrictive measures;
- b) it does not affect the ability of the sanctions compliance officer or the senior employee assigned to the task to perform his/her duties or functions effectively; and
- c) the combination of these tasks does not create a conflict of interest (for example, there is no conflict of interest between the operational and control tasks entrusted to a senior employee performing the function of the sanctions compliance officer).

#### **III.5.5 Compliance criteria for the AML/CFT compliance officer**

38. 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 function holders 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.

39. With a view to point 34, 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.6 Tasks and role of the sanctions compliance office**

40. The MNB considers it good practice if the financial institution, to meet the requirements of MNB Recommendation 1/2022. (I. 17.) regarding the assessment of the suitability of key function holders and taking into account the provisions set out therein, assesses in a documented manner before appointment whether the candidate for sanctions compliance officer has adequate knowledge related to restrictive measures and the knowledge necessary for the effective performance of his/her duties.

### **III.7 Tasks and role of the AML/CFT compliance officer**

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

#### **III.7.1 Development of the risk assessment framework**

42. For the risk assessment conducted in line with the criteria 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 Guidelines referred to in Article 24c) of the MNB Decree<sup>6</sup>.

43. The MNB expects the AML/CFT compliance officer to report to the management body 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 body, thereby fulfilling his/her reporting obligations under this point.

44. The MNB expects the AML/CFT compliance officer to present a proposal to the management body on measures to mitigate the risks identified in the risk assessment, as referred to in point 42. 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.

<sup>6</sup> See footnote 4.

### **III.7.2 Development of policies and procedures**

45. 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.7.4;
- 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.

46. 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 Article 24c) of the MNB Decree, and the customer onboarding process described in Section III.7.3 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 3.7.4.

### **III.7.3. High risk customers**

47. 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.7.4 Monitoring compliance**

48. 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).

49. 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.

50. The AML/CFT compliance officer is required to recommend corrective measures to the management body 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.7.5 Reporting to the management body**

51. The MNB considers it good practice for the AML/CFT compliance officer to advise the management body 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.

52. 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.

53. For the purposes of Article 63(7) of the AML Act, the MNB expects the AML/CFT compliance officer to prepare an activity report<sup>7</sup> on an *ad-hoc* basis depending on developments, in addition to the activity report that is required at least twice a year<sup>8</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. Where the functions of the AML/CFT compliance officer and the sanctions compliance officer are separated, this requirement, when applied appropriately, also applies to the ad hoc reports to be prepared by the sanctions compliance officer. These activity reports may also be based on information contained in reports sent to the competent authorities. In the context of the application of Article 63(8) of the AML Act, it is expected that the activity report - regarding the relevant points in relation to activities related to restrictive measures - should contain at least the following:

*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;
- 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

<sup>7</sup> See also the additional requirements in point 76 regarding the annual report to be prepared by the group AML/CFT compliance officer.

<sup>8</sup> For the annual report to be prepared by the group's AML/CFT compliance officer, see also the additional requirements in point 76.

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;

*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;

*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, 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 MNB.

### III.7.6 Reporting to the Financial Intelligence Unit pursuant to Article 30 and 31 of the AML Act

54. 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.

55. It is expected that the AML/CFT Compliance officer will ensure that when a suspicious transaction 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 defined in Article 31 of the AML Act, in connection to the suspicious transaction report made by the designated person, 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 suspicious transaction 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.

56. 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.

57. 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 and 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 suspicious transaction 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.8 Tasks of the sanctions compliance officer**

58. The MNB expects that the role, tasks and responsibilities of the sanctions compliance officer are clearly defined and documented.

#### **III.8.1 Development of the sanctions risk assessment framework and related policies and procedures**

59. The MNB expects the sanctions compliance officer to develop, implement and maintain policies, procedures and controls which ensure that the financial institution complies with the restrictive measures, and which are proportionate to the financial institution's exposure to breaches of the restrictive measures.

60. Detailed expectations regarding the tasks of the sanctions compliance officer in relation to the development of the sanctions risk assessment framework and related policies and procedures are set out in Annex 1, Subheading II.

#### **III.8.2. Conducting an assessment of exposure to restrictive measures**

61. It is expected that the financial institution's internal procedures include an assessment of exposure to restrictive measures in order to understand the extent to which certain areas of its business activities are exposed to restrictive measures or their circumvention.

62. The requirements for the sanctions compliance officer's tasks in implementation of the provisions of point 61 are set out in Chapter 4.2 of the EBA/GL/2024/14 Guidelines, which the financial institution is obliged to take into account pursuant to Section 24c) of the MNB Decree.

#### **III.8.3. Ensuring the continued effectiveness of policies, procedures and controls relating to restrictive measures**

63. In order for a financial institution's policies, procedures and controls for the implementation of restrictive measures to be effective, they are expected to enable the financial institution to implement all applicable restrictive measures promptly, fully and appropriately.

64. The requirements for the sanctions compliance officer's tasks to implement the provisions of paragraph 63 are set out in Annex 1.

### **IV. Training and awareness**

65. In accordance with the obligation set out in Section 64 of the AML Act and without prejudice to Section 51 of the MNB Decree, and as required by the Guidelines referred to in Section 24c) of the MNB Decree, the AML/CFT compliance officer should appropriately train and inform employees about the ML/TF risks affecting the financial institution, including ML/TF methods, trends and typologies, as well as about the risk-based approach implemented by the financial institution to mitigate these risks.

66. The MNB expects that the training and information provided by the sanctions compliance officer should

cover the restrictive measures applied by the financial institution, the results of the assessment of exposure to restrictive measures, and the policies, procedures and controls aimed at compliance with the applicable restrictive measures.

67. The training and information referred to in points 65 and 66 may take various forms such as corporate letters, intranet publications, or it may be disseminated at meetings.

68. 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 body under point 53.

69. The MNB expects that the training and information referred to in point 66 is tailored to the individual responsibilities of the employees and is timely and appropriate to ensure that the financial institution can comply with the restrictive measures. Within a group, this activity may also be carried out – in part or in full – by the parent company. The financial institution is expected to document its sanctions training plan and, upon request, demonstrate to the MNB that its sanctions training programme is adequate and effective.

70. 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.

71. In addition to the general training referred to in Article 64(1) of the AML Act and in Article 51 of the MNB Decree, as well as in the Guidelines referred to in Article 24c) of the MNB Decree, 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/TF 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 distributors);
- b) persons responsible for developing procedures or internal tools applicable to activities that may be sensitive to ML/TF risk.

72. 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 the Guidelines referred to in Article 24c) of the MNB Decree.

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

74. 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.

75. 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.

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

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

77. 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 points 78-80.

78. 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.

79. 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.

80. 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.

#### **VI. Outsourcing the operational functions of the AML/CFT compliance officer**

81. The MNB expects, in view of 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 subparagraph 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 MNB for the exercise of its competences, including the requirement for easy and quick access to the external service provider's AML/CFT premises to ensure that the MNB can monitor and follow up the financial institution's compliance with all its obligations. In order to ensure this, it is expected that the location 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 is not 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 to the management body, 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>;

<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.

- 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.
82. 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 external service provider and defining the outsourcing arrangement in a written contract.
83. 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 body 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.
84. 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 body. 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.

85. 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.
86. 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.

## **VII. Organisation of AML/CFT compliance at group level**

### **VII.1 General provisions specific to AML/CFT groups**

87. 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.).
88. 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 the Guidelines referred to in Article 24c) of the MNB Decree.
89. The managing financial institution is expected to ensure that appropriate information flows between (i) the business lines and the AML/CFT compliance function (including the sanctions 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 body at group level.
90. The management body of the managing financial institution is expected to ensure at group level that all management bodies, business lines and internal units, including each internal control function of the group's subsidiaries, have the relevant information necessary to comply with the restrictive measures.
91. The overall ultimate legal responsibility for compliance with the restrictive measures lies with each individual member of the group independently in relation to all requirements within the organizational operational framework detailed in subtitle VII.
92. The management body of the managing financial institution is expected to ensure that the subsidiaries of the group carry out their independent assessment of their exposure to restrictive measures and their circumvention in a coordinated manner and on the basis of a common methodology reflecting the specificities of the group.
93. The management body of the managing financial institution is expected to ensure that all the tasks set out in point 11 subpoint f) are also carried out at the level of the subsidiaries and that the policies and procedures put in place are aligned with the group's procedures and policies to the extent permitted by applicable national law.

## **VII.2 Role of the management body in respect of AML/CFT at group level**

94. The management body 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 in the Guidelines referred to in Article 24c) of the MNB Decree;
- b) when it receives information from the designated responsible manager of the management body 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;
- c) the tasks referred to in subparagraphs a)–c) and f) of point 8 in relation to restrictive measures.

## **VII.3 Organisational requirements at group level**

95. 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 or sanctions risk, such as the trading function, should not compromise compliance with either the AML/CFT requirements nor the compliance with restrictive measure, and that any conflicts of interest should be addressed.

96. It is expected that the managing financial institution:

- a) designate a member of its management body 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 100;
- b) appoint a group-level sanctions compliance officer who will perform the tasks set out in subtitle III.8 at group level;
- c) 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;
- d) 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;
- e) its management body 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;

- f) establish group-level AML/CFT control mechanisms; and
  - g) regularly evaluate the effectiveness of group-level AML/CFT policies and procedures.
97. The group AML/CFT compliance officer is expected to cooperate fully with the AML/CFT compliance officer of the members of the group, and where the two functions are separated, with the group-level sanctions compliance officer.
98. The group-level sanctions compliance officer is expected to cooperate fully with the group members' sanctions compliance officers and, where the two functions are separated, with the group-level AML/CFT compliance officer.
99. Where the financial institution is part of a group, the group-level sanctions compliance officer is expected to assess the effectiveness of the policies, procedures and controls in place to comply with restrictive measures across branches, subsidiaries, intermediaries, distributors and agents.
100. 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.
101. The MNB expects the group AML/CFT compliance officer to prepare an activity report at least twice a year - or, if these two functions are separated, the group-level sanctions compliance officer should at

<sup>10</sup> See also Commission Delegated Regulation (EU) 2019/758 of 31 January 2019 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.

least once a year - and present it to the management body of the managing financial institution. In addition to what is mentioned in point 52, the report submitted by the AML/CFT compliance officers or sanctions compliance officers of the group members to the group-level AML/CFT compliance officer or the group-level sanctions compliance officer should include at least the following information:

- a) statistics consolidated at group level, especially on ML/TF risk or sanctions 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 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.

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

#### **VIII. Closing provisions**

103. 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.

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

105. 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.

106. The MNB expects the relevant financial institutions to apply this Recommendation from 31 March 2026. The reports included in Annex 1 to this recommendation shall be prepared after the necessary data is fully available but at least starting from the second quarter of 2026.

107. Taking into account the provision set out in Article 24c) of the MNB Decree, MNB Recommendation 15/2022. (IX.15.) on the assessment of money laundering and terrorist financing risks of financial institutions and the definition of related measures is repealed on the date of publication of this Recommendation.

108. MNB Recommendation 3/2024. (V.24.) 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 is repealed on March 31, 2026.

Mihály Varga  
President of the Central Bank of Hungary

## Detailed requirements for internal policies, procedures and controls to ensure the implementation of EU and national restrictive measures

### I. General provisions

1. The financial institution should identify and assess which areas of its business are particularly sensitive or vulnerable to restrictive measures and the circumvention of restrictive measures. The financial institution is expected to develop, implement and maintain internal policies, procedures and controls in a way which ensures compliance with restrictive measures.
2. These policies, procedures and controls are expected to be effective and proportionate to the size, nature and complexity of the financial institution and its exposure to restrictive measures.

### II. Expectations regarding the responsibilities of the sanctions compliance officer in developing the sanctions risk assessment framework and related policies and procedures

3. It is expected that the sanctions compliance officer:
  - a) take the necessary measures in accordance with point 62 to ensure compliance with the provisions of Section 4.2 of the Guidelines EBA/GL/2024/14 on the assessment of exposure to restrictive measures;
  - b) take the necessary measures to comply with the provisions of subsection III.8.3 on effectiveness of policies, procedures and controls relating to restrictive measures;
  - c) keep the management body informed regularly and in an appropriate manner in order to enable it to carry out its tasks as referred to in subsections III.2 and III.3. The report submitted to the management body should contain at least the following:
    - ca) changes in the financial institution's exposure to restrictive measures and the outcome of the assessment of the financial institution's exposure to restrictive measures;
    - cb) changes in restrictive measures regimes and their impact on the financial institution;
    - cc) statistics on the following:
      - i) number of alerts generated in the screening systems ensuring compliance with restrictive measures;
      - ii) number of alerts waiting to be analysed;
      - iii) number of suspicious transaction reports submitted regarding the implementation of restrictive measures;
      - iv) average time elapsed between a true positive match and the submission of a report related to it;
      - v) the value of the frozen funds and economic resources held by the financial institution, as well as the type of those assets;
    - cd) information on human and technical resources and the adequacy of these resources in light

of the financial institution's exposure to restrictive measures;

- ce) identified deficiencies or omissions in the financial institution's policies, procedures and controls relating to restrictive measures, including observations made by the MNB in connection with its supervision of the policies, procedures and controls relating to the implementation of restrictive measures;
- cf) cases of violation and circumvention of restrictive measures, as well as the reasons for violation and circumvention of the provisions;
- cg) recommendations on how to address changes in regulatory requirements or exposure to restrictive measures, identified deficiencies or omissions in the financial institution's policies, procedures or controls relating to restrictive measures, and identified instances of breaches and circumvention of restrictive measures;
- d) report all violations of restrictive measures to the Financial Intelligence Unit in accordance with the requirements of applicable law;
- e) cooperates with the MNB and the Financial Intelligence Unit in accordance with the provisions of applicable legislation.

### **III. Ensuring the ongoing effectiveness of policies, procedures and controls relating to restrictive measures**

4. As set out in subsection III.8.3 of this Recommendation, in order for a financial institution's policies, procedures and controls relating to the implementation of restrictive measures to be effective, they are expected to enable the financial institution to implement all applicable restrictive measures without delay, fully and appropriately.

5. It is expected that the policies, procedures and controls to be prepared under the supervision of the sanctions compliance officer should cover at least the following:

- a) processes that ensure that the financial institution has all up-to-date information on applicable restrictive measures;
- b) processes to ensure that the list of applicable restrictive measures and their requirements are updated as they enter into force;
- c) processes to ensure that the assessment of exposure to restrictive measures remains relevant and up-to-date;
- d) processes to ensure that policies, procedures and controls are proportionate to the exposure to restrictive measures;
- e) processes to ensure that policies and procedures relating to restrictive measures are maintained under the supervision of the sanctions compliance officer:
  - ea) are reviewed regularly;
  - eb) are regularly modified and updated when and where necessary;
  - ec) effectively implemented; and

- ed) are designed in such a way that they are able to ensure the implementation of the necessary measures after the identification of deficiencies;
- f) procedures for initiating immediate investigation of all potential matches in relation to alert management;
  - g) in the event of a true positive match, procedures to ensure follow-up measures to comply with the restrictive measures, including immediate rejection, suspension or freezing, and reporting to the Financial Intelligence Unit in accordance with the FRM Act;
  - h) a documented organizational and operational framework that clearly defines tasks and responsibilities related to restrictive measures, including in the case of outsourcing;
  - i) other aspects specified in detail in the MNB Recommendation on internal policies, procedures and controls to ensure the implementation of EU and national restrictive measures related to money transfers and certain crypto-asset transfers<sup>11</sup>.

<sup>11</sup> At the time of the publication of this Recommendation see MNB Recommendation 3/2026 (III.25.).