

Act LX of 1991

on the National Bank of Hungary

IN ORDER TO STRENGTHEN THE STABILITY OF THE NATIONAL CURRENCY, THE OPERATION OF THE DOMESTIC PAYMENT SYSTEM, INTERNAL AND EXTERNAL FINANCIAL BALANCE OF THE NATIONAL ECONOMY, SUSTAINED DEVELOPMENT AND INTERNATIONAL INTEGRATION, THE PARLIAMENT HEREBY PASSES THE FOLLOWING ACT ON THE NATIONAL BANK OF HUNGARY.

Chapter I.

Legal Status and Fundamental Duties of the National Bank of Hungary

Section 1.

THE NATIONAL BANK OF HUNGARY (HEREINAFTER REFERRED TO AS THE „NBH”) IS THE BANK OF ISSUE OF THE REPUBLIC OF HUNGARY AND THE CENTRAL BANK OF THE NATIONAL ECONOMY.

Section 2.

THE PRESIDENT OF THE NBH HAS THE OBLIGATION TO REPORT TO THE PARLIAMENT.

Section 3.

USING THE INSTRUMENTS OF MONETARY POLICY (MONETARY AND CREDIT POLICY) AT ITS DISPOSAL, THE NBH SHALL SUPPORT THE IMPLEMENTATION OF THE GOVERNMENT’S ECONOMIC PROGRAM.

Section 4.

(1) THE FUNDAMENTAL DUTY OF THE NBH IS TO PROTECT THE INTERNAL AND EXTERNAL PURCHASING POWER OF THE NATIONAL CURRENCY.

(2) THE NBH IS EXCLUSIVELY ENTITLED TO ISSUE BANK NOTES AND COINS.

(3) THE NBH SHALL ACCUMULATE RESERVES IN GOLD AND IN FOREIGN EXCHANGE.

(4)

Chapter II.

Duties of the NBH

Monetary Policy

Section 5.

(1) BASED ON THE CENTRAL BANK GUIDANCE OF CREDIT INSTITUTIONS USING THE INSTRUMENTS SET FORTH IN SECTION 8, THE NBH SHALL INFLUENCE THE SUPPLY AND DEMAND OF MONEY AND CREDIT.

(2) THROUGH ITS ACTIVITIES DIRECTED AT MAINTAINING MONETARY EQUILIBRIUM THE NBH SHALL PROMOTE THE DEVELOPMENT OF ECONOMIC BALANCE.

Section 6.

WITHIN THE FRAMEWORK SET FORTH IN THIS ACT, THE NBH SHALL INDEPENDENTLY FORMULATE ITS MONETARY POLICY AND THE INSTRUMENTS FOR THE IMPLEMENTATION OF SUCH POLICY.

Section 7.

IN THE INTEREST OF FULFILLING THE DUTIES SET FORTH IN SECTIONS 4-5, THE NBH SHALL INFLUENCE THE AMOUNT (SUPPLY) OF MONEY (HEREINAFTER REFERRED TO AS „CURRENCY IN CIRCULATION”) WHICH IT ISSUES.

Instruments of Monetary Policy

Section 8.

THE NBH SHALL IMPLEMENT ITS MONETARY POLICY USING REFINANCING, REGULATION OF THE REQUIRED RESERVES AND LIQUIDITY RESERVES OF CREDIT INSTITUTIONS WITH THE CENTRAL BANK, INFLUENCE OR ESTABLISHMENT OF EXCHANGE RATES AND INTEREST RATES, OPEN MARKET OPERATIONS AS WELL AS OTHER CENTRAL BANK INSTRUMENTS.

Refinancing

Section 9.

(1) WITHIN THE FRAMEWORK OF REFINANCING, THE NBH SHALL

A) DISCOUNT (RE-DISCOUNT) SECURITIES;

B) OFFER REFINANCING CREDITS BOTH COLLATERALIZED OR UNCOLLATERALIZED;

C) CONDUCT SECURITIES TRANSACTIONS VIA SALE AND REPURCHASE AGREEMENTS.

(2) SECURITIES ISSUED BY THE CREDIT INSTITUTION ITSELF ARE NOT ACCEPTABLE AS COLLATERAL FOR REFINANCING CREDITS.

Required Reserves

Section 10.

(1) THE NBH MAY ORDER FINANCIAL INSTITUTIONS AND INVESTMENT COMPANIES TO PLACE WITH THE NBH RESERVES IN PROPORTION TO THE TOTAL LIABILITIES HELD BY SUCH FINANCIAL INSTITUTIONS AND INVESTMENT COMPANIES (RESERVE RATE).

(2) THE NBH MAY SPECIFY DIFFERENT RESERVE RATES FOR BANKS, COOPERATIVE CREDIT INSTITUTIONS, INVESTMENT COMPANIES AND FOR THE VARIOUS TYPES OF SPECIALIZED CREDIT INSTITUTIONS, AS WELL AS FOR THE DIFFERENT TYPES OF LIABILITIES OF SUCH INSTITUTIONS.

Section 11.

Section 12.

THE NBH SHALL ANNOUNCE ANY AMENDMENT OF CENTRAL BANK REGULATIONS PERTAINING TO THE RESERVE RATE AND ITS METHOD OF CALCULATION, AND THE MODE OF FORMING AND DEPOSITING REQUIRED RESERVES AT LEAST 15 DAYS PRIOR TO SUCH AMENDMENTS ENTERING INTO EFFECT.

Exchange Rates

Section 13.

(1) THE NBH SHALL LIST AND PUBLISH THE EXCHANGE RATES USED FOR CONVERTING FOREIGN CURRENCIES INTO HUF AND FOR CONVERTING HUF INTO FOREIGN CURRENCIES.

(2) THE SYSTEM OF ESTABLISHING OR INFLUENCING SUCH EXCHANGE RATES SHALL BE DETERMINED BY THE GOVERNMENT IN AGREEMENT WITH THE NBH.

(3) IF NECESSARY, THE NBH SHALL, WITHIN ITS POWERS, PROTECT AND INFLUENCE THE EXCHANGE RATES ESTABLISHED PURSUANT TO SECTION (2) ON DOMESTIC AND FOREIGN CURRENCY MARKETS BY INTERVENTION.

Interest Rates

Section 14.

(1) THE NBH SHALL EMPLOY FIXED AND VARIABLE INTEREST RATES, AND WITHIN THESE FORMS, THE BASE RATE, DAILY MONEY MARKET INTEREST RATES, PREFERENTIAL INTEREST RATES AND PENAL INTEREST RATES.

(2) THE NBH SHALL BE ENTITLED TO ESTABLISH THE MANDATORY INTEREST RATES TO BE APPLIED BY CREDIT INSTITUTIONS, INCLUDING THE MAXIMUM APPLICABLE INTEREST RATE AND, IN THE EVENT THAT THE NBH PROVIDES CENTRAL BANK FUNDS AT PREFERENTIAL INTEREST RATES, TO ESTABLISH THE DIFFERENCE IN INTEREST RATES BETWEEN THE FUNDS ACQUIRED AND ASSETS CREATED.

Section 15.

(1) THE NBH SHALL ESTABLISH THE CENTRAL BANK BASE RATE AS THE PRIME INTEREST RATE. THE NBH SHALL PUBLISH THE CENTRAL BANK PRIME RATE IN THE OFFICIAL HUNGARIAN GAZETTE.

(2) THE NBH SHALL INFORM THE GOVERNMENT OF PLANNED CHANGES IN THE CENTRAL BANK PRIME RATE.

Section 16.

THE NBH MAY REMUNERATE INTEREST ON REQUIRED RESERVES DEPOSITED BY CREDIT INSTITUTIONS. THE INTEREST RATE APPLIED MAY VARY DEPENDING ON THE VARIOUS TYPES OF LIABILITY OF THE RESERVES.

Extraordinary Credits for Credit Institutions in Emergency Situations

Section 17.

(1) THE NBH MAY EXTEND EXTRAORDINARY CREDITS TO CREDIT INSTITUTIONS IN EMERGENCY SITUATIONS. THE NBH MAY MAKE THE EXTENSION OF SUCH CREDITS DEPENDENT UPON THE STATE BANKING SUPERVISORY BOARD TAKING THE MEASURES REQUIRED IN THE EMERGENCY SITUATION, OR UPON THE CREDIT INSTITUTION IMPLEMENTING MEASURES INITIATED BY THE STATE BANKING SUPERVISORY BOARD.

(2) THE NATIONAL BANK OF HUNGARY MAY GRANT A LOAN OR, IN THE CASE OF TEMPORARY OR PERMANENT DEFICIT, ADVANCE CREDIT TO THE GUARANTEE FUND OF THE FUNDS.

Relations with the State Budget; Maintenance of Accounts by the NBH

Section 18.

(1) THE NBH SHALL MAINTAIN THE TREASURY'S CONSOLIDATED ACCOUNT AS WELL AS OTHER STATE ACCOUNTS DESIGNATED BY THE MINISTER OF FINANCE.

(2) THE NBH SHALL MAINTAIN THE CURRENT ACCOUNT OF THE HUNGARIAN PRIVATIZATION AND STATE HOLDING COMPANY, THE BALANCE OF WHICH SHALL CONTINUOUSLY BE CREDITED TO THE BALANCE OF THE TREASURY'S CONSOLIDATED ACCOUNT.

(3) THE ACCOUNT OF THE GUARANTEE FUND OF THE FUNDS SHALL BE KEPT WITH THE NATIONAL BANK OF HUNGARY.

Section 19.

(1) FROM AMONG THE SUBSYSTEMS OF THE STATE BUDGET, THE NBH MAY ONLY MAINTAIN FINANCING RELATIONS WITH THE CENTRAL BUDGET.

(2) THE NBH SHALL ANSWER TO THE PARLIAMENT IN RESPECT OF ITS FINANCING RELATIONS WITH THE STATE BUDGET.

(3) WITH THE EXCEPTION OF THE CASE SET FORTH IN SUBSECTION (4), THE NBH MAY NOT EXTEND CREDITS TO THE CENTRAL BUDGET. THE NBH MAY PURCHASE GOVERNMENT SECURITIES WITHIN THE FRAMEWORK OF OPEN MARKET OPERATIONS. THE NBH MAY NOT PURCHASE GOVERNMENT SECURITIES DIRECTLY FROM THE GOVERNMENT.

(4) THE NBH MAY EXTEND LIQUIDITY CREDITS FOR BRIDGING TEMPORARY LIQUIDITY DIFFICULTIES IN THE TREASURY'S CONSOLIDATED ACCOUNT; SUCH CREDITS MAY AMOUNT TO NO MORE THAN TWO PER CENT OF THE CENTRAL BUDGET'S PLANNED REVENUES FOR THE YEAR IN QUESTION. THE CENTRAL BUDGET MAY SHOW OUTSTANDING DEBTS ON SUCH CREDITS ON SEVERAL OCCASIONS OR ON

ONE CONTINUOUS OCCASION IN A CALENDAR MONTH, BUT FOR A MAXIMUM PERIOD OF 15 DAYS. THE CENTRAL BUDGET MAY NOT SHOW ANY OUTSTANDING LIQUIDITY CREDITS ON THE LAST DAY OF THE YEAR.

(5) WITH THE EXCEPTION OF THE CREDITS SET FORTH IN SECTION 82, THE CENTRAL BANK PRIME RATE SHALL SERVE AS THE BASE INTEREST RATE FOR CREDITS EXTENDED BY THE NBH TO THE CENTRAL BUDGET.

(6) A PORTION OF REVENUES FROM PRIVATIZATION, WHICH IS AT LEAST EQUAL TO THE AMOUNT OF CREDIT THE NBH HAS EXTENDED FOR THE SALE OF STATE PROPERTY, SHALL BE UTILIZED FOR THE REDUCTION OF STATE DEBT VIS-...-VIS THE NBH.

Section 20.

(1) THE NBH SHALL CREATE A SETTLEMENT PROVISION, AMONG MISCELLANEOUS BANKING RESOURCES, IN WHICH TO PLACE THE BALANCE OF ANY GAINS OR LOSSES IN THE EXCHANGE RATE WHEN REESTABLISHING THE VALUE OF ITS FOREIGN CURRENCY RECEIVABLES AND LIABILITIES AT THE OFFICIAL OR MEDIUM EXCHANGE RATE.

(2) THE NBH SHALL CREATE A SETTLEMENT PROVISION FOR FOREIGN EXCHANGE SECURITIES, AMONG MISCELLANEOUS BANKING RESOURCES, IN WHICH TO PLACE THE BALANCE RESULTING FROM THE MARKET EVALUATION OF RECEIVABLES Ä MINUS THE OPENING STOCK Ä WHICH ARE BACKED BY FOREIGN EXCHANGE SECURITIES.

(3) IF THE SETTLEMENT PROVISIONS DESCRIBED IN SUBSECTIONS (1)Ä(2) ABOVE SHOW A NEGATIVE BALANCE, AND IF SUCH EXCEEDS THE AMOUNT OF PROFIT RESERVES AFTER ACCOUNTING THE BALANCE SHEET RESULT, THE CENTRAL BUDGET SHALL REIMBURSE THE NBH FOR SUCH NEGATIVE BALANCE, TO BE CREDITED DIRECTLY TO THE PROFIT RESERVE, BY THE 15TH OF JANUARY OF THE YEAR FOLLOWING THE YEAR IN WHICH THE GENERAL ASSEMBLY APPROVED THE BALANCE SHEET FOR THE YEAR UNDER REVIEW.

Section 21.

SEIGNIORAGE ON CURRENCY WITHDRAWAL, I. E. THE DIFFERENCE BETWEEN THE AMOUNT OF CURRENCY ISSUED AND THE AMOUNT OF CURRENCY IN CIRCULATION WHICH HAS NOT BEEN EXCHANGED UPON EXPIRATION OF THE WITHDRAWAL DEADLINE, SHALL BE UTILIZED FOR THE REDUCTION OF STATE DEBT VIS-...-VIS THE NBH. THE MINISTER OF FINANCE AND THE PRESIDENT OF THE NBH SHALL AGREE SEPARATELY ON THE METHOD OF EXECUTING THIS PROVISION.

Section 22.

Section 23.

(1) UPON COMMISSION BY THE GOVERNMENT AND IN RESPECT OF SECURITIES HELD BY THE GOVERNMENT, WITH THE EXCEPTION OF EQUITY SECURITIES, THE NBH MAY ACT AS THE GOVERNMENT'S AGENT ON THE SECURITIES MARKETS. PRIOR TO THE ISSUANCE OF GOVERNMENT SECURITIES, THE OPINION OF THE NBH SHALL BE

REQUESTED, IN PARTICULAR WITH RESPECT TO THE TIMING AND METHOD OF SUCH ISSUANCE.

(2) IN THE INTEREST OF CREATING STABILITY ON THE MARKET FOR GOVERNMENT SECURITIES, THE NBH MAY BUY AND SELL GOVERNMENT SECURITIES ON THE STOCK MARKET IN THE NAME AND ON BEHALF OF THE GOVERNMENT.

Section 24.

(1) IN RESPECT OF FOREIGN CURRENCY BORROWING AND THE ISSUANCE OF SECURITIES ABROAD, THE STATE SHALL ACT VIA THE ORGANIZATIONS SET FORTH IN ACT XXXVIII OF 1992 ON THE STATE BUDGET. ON OCCASION THE STATE MAY COMMISSION THE NBH. SUCH COMMISSION MAY INVOLVE THE FULL OR PARTIAL PERFORMANCE OF THE AFOREMENTIONED ACTIVITIES.

(2) THE NBH SHALL CONCLUDE FORWARD AGREEMENTS AND HEDGING TRANSACTIONS WITH THE GOVERNMENT, OR AS THE REPRESENTATIVE OF THE GOVERNMENT AS SET FORTH IN SUBSECTION (1).

Section 25.

Section 26.

(1) THE NBH SHALL MAINTAIN THE CURRENT ACCOUNTS OF CREDIT INSTITUTIONS, UNLESS THE NBH HAS AUTHORIZED ANOTHER CREDIT INSTITUTION THEREUNTO.

(2) THE NBH SHALL MAINTAIN THE CURRENT ACCOUNT OF CLEARING HOUSES.

(3) THE NBH SHALL MAINTAIN THE CURRENT ACCOUNT OF THE NATIONAL DEPOSIT SECURITY FUND AND THE INVESTOR PROTECTION FUND.

Section 27.

THOSE ORGANS WHOSE CURRENT ACCOUNT IS MAINTAINED BY THE NBH MAY PLACE DEPOSITS WITH THE NBH.

Foreign Exchange Management Duties

Section 28.

THE NBH IS THE CENTRAL ORGAN FOR THE MANAGEMENT OF FOREIGN EXCHANGE. THE SCOPE OF AUTHORITY OF THE NBH AS THE FOREIGN EXCHANGE AUTHORITY SHALL BE ESTABLISHED IN THE LEGAL REGULATIONS ON FOREIGN EXCHANGE.

Section 29.

(1) IN AGREEMENT WITH THE STATE BANKING AND CAPITAL MARKET SUPERVISORY AUTHORITY, THE NBH SHALL REGULATE THE FOREIGN CURRENCY ACTIVITIES OF CREDIT INSTITUTIONS, FINANCIAL ENTERPRISES, AND LEGAL ENTITIES PROVIDING AUXILIARY FINANCIAL SERVICES WHICH ARE NOT QUALIFIED AS FINANCIAL INSTITUTIONS, AS WELL AS BANKING ACTIVITIES SUBJECT TO FOREIGN EXCHANGE REGULATIONS CONDUCTED IN HUF WITH FOREIGNERS. THE NBH SHALL PARTICIPATE

IN THE DEVELOPMENT OF THE PRINCIPLES AND CONDITIONS FOR THE EXTENSION OF EXPORT CREDITS.

(2) WITH THE EXCEPTION OF THE GOVERNMENT BORROWING SET FORTH IN SECTION 24, THE NBH AND, SUBJECT TO THE LICENSING AND REPORTING OBLIGATIONS SET FORTH IN SUBSECTION (3), CREDIT INSTITUTIONS AND OTHER LEGAL ENTITIES, MAY ENGAGE IN BORROWING AND LENDING TRANSACTIONS IN FOREIGN CURRENCIES.

(3) SUBJECT TO THE REPORTING OBLIGATION TO THE NBH, CREDIT INSTITUTIONS AUTHORIZED TO CONDUCT FOREIGN EXCHANGE TRANSACTIONS MAY BORROW FROM FOREIGN SOURCES. THE NBH MAY LICENSE THE EXTENSION OF FOREIGN CURRENCY CREDITS BY CREDIT INSTITUTIONS AS WELL AS BORROWING AND LENDING TRANSACTIONS IN FOREIGN CURRENCIES BY OTHER LEGAL ENTITIES.

(4) THE SYSTEM OF LICENSING AND REPORTING SHALL BE DEVELOPED BY THE NBH AND THE MINISTER OF FINANCE.

(5) THE NBH SHALL BRIEF THE GOVERNMENT ON A MONTHLY BASIS IN RESPECT OF THE ASSUMPTION OF MEDIUM AND LONG-TERM CREDITS.

Section 30.

(1)

(2) THE NBH SHALL BRIEF THE MINISTER OF FINANCE ON A MONTHLY BASIS IN RESPECT OF GOLD AND FOREIGN EXCHANGE RESERVES.

Section 31.

Section 32.

ON THE BASIS OF AUTHORIZATION BY THE GOVERNMENT, THE NBH MAY ATTEND TO ITS DUTIES ARISING IN INTERNATIONAL FINANCIAL ORGANIZATIONS, TO THE EXTENT THAT SUCH ARE NOT REGULATED BY LAW OR BY A RESOLUTION OF THE PARLIAMENT.

Duties related to the Circulation of Money

Section 33.

(1) THE NBH SHALL DEVELOP THE NATIONAL PAYMENT AND SETTLEMENT SYSTEM.

(2) THE NBH SHALL REGULATE THE CIRCULATION OF MONEY.

Section 33/A.

(1) THE APPROVAL OF THE NBH IS REQUIRED FOR THE GENERAL TERMS AND BUSINESS CONDITIONS OF THE BANK CLEARING HOUSE WHICH OPERATES THE TRANSFER SYSTEM FOR THE PERFORMANCE OF CLEARING TRANSACTIONS TO COME INTO EFFECT AS WELL AS FOR THE AMENDMENT OF SUCH. THE BANK CLEARING HOUSE SHALL PUBLISH SUCH GENERAL TERMS AND BUSINESS CONDITIONS AND THE AMENDMENTS THEREUNTO IN THE FINANCIAL GAZETTE.

(2) THE NBH MAY REQUIRE THE BANK CLEARING HOUSE TO FORM A RISK FUND AND MAY ISSUE BINDING REGULATIONS REGARDING THE METHOD OF FORMATION, AMOUNT AND UTILIZATION OF SUCH FUND.

Licensing of Financial Services and Auxiliary Financial Services

Section 33/B.

(1) THE NBH SHALL LICENSE THE ISSUANCE OF CASH SUBSTITUTE PAYMENT INSTRUMENTS AND THE FINANCIAL SERVICE ACTIVITIES RELATED TO THE PROVISION OF SUCH SERVICES.

(2) THE NBH SHALL LICENSE THE PERFORMANCE OF THE FOLLOWING FINANCIAL SERVICES:

A) CURRENCY EXCHANGE ACTIVITIES,

B) OPERATION OF THE TRANSFER SYSTEM CONDUCTING CLEARING SETTLEMENTS (CLEARING TRANSACTIONS),

C) CASH PROCESSING ACTIVITIES.

Central Banking Information System

Section 34.

(1) IN ORDER TO ATTEND TO ITS DUTIES, THE NBH SHALL OPERATE A CENTRAL BANK INFORMATION SYSTEM. FINANCIAL INSTITUTIONS, LEGAL ENTITIES PROVIDING AUXILIARY FINANCIAL SERVICES WHICH ARE NOT QUALIFIED AS FINANCIAL INSTITUTIONS, INVESTMENT SERVICE PROVIDERS AND CLEARING HOUSES SHALL PROVIDE THE INFORMATION SPECIFIED BY THE NBH TO SUCH SYSTEM. IN AGREEMENT WITH THE CENTRAL STATISTICS OFFICE, THE NBH SHALL ESTABLISH THE CONTENTS AND METHODOLOGY OF THE CENTRAL BANK INFORMATION SYSTEM, FOLLOWING PRIOR CONSULTATION WITH THE MINISTRY OF FINANCE AND/OR THE STATE BANKING SUPERVISORY AUTHORITY.

(2) THE NBH SHALL PUBLISH ALL IMPORTANT INFORMATION RELATED TO THE OPERATION OF THE CREDIT INSTITUTION SYSTEM AND TO THE FINANCIAL SITUATION OF THE COUNTRY, AND SHALL REGULARLY PROVIDE DETAILED DATA ON SUCH INFORMATION TO THE PARLIAMENT, THE GOVERNMENT AND THE MINISTRIES (ORGANS OF NATIONAL COMPETENCE).

(3) THIS DATA MAY ONLY BE DISCLOSED IN SUCH A MANNER AS TO PRECLUDE THE POSSIBILITY OF IDENTIFYING INFORMATION PERTAINING TO THE INDIVIDUAL PARTIES PROVIDING THE DATA.

(4) CREDIT INSTITUTIONS SHALL PUBLISH THE DATA SPECIFIED BY THE NBH IN THE MANNER SPECIFIED BY THE NBH.

Central Bank Supervision

Section 35.

(1) IN RESPECT OF FINANCIAL INSTITUTIONS, LEGAL ENTITIES PROVIDING AUXILIARY FINANCIAL SERVICES WHICH ARE NOT QUALIFIED AS FINANCIAL INSTITUTIONS, INVESTMENT SERVICE PROVIDERS AND CLEARING HOUSES, CENTRAL BANK SUPERVISION SHALL COVER COMPLIANCE WITH THIS ACT, LEGAL REGULATIONS ON MONEY CIRCULATION AND FOREIGN EXCHANGE AND THE CENTRAL BANK REGULATIONS ISSUED FOR THE EXECUTION OF SUCH. WITHIN THIS FRAMEWORK, THE NBH IS AUTHORIZED TO REQUEST DATA, REPORTS, BALANCE SHEETS, CERTIFICATES AND INSPECTION MATERIALS.

(2) THE NBH IS AUTHORIZED TO CONDUCT ON-SITE INSPECTIONS IN THE COURSE OF ITS CENTRAL BANK SUPERVISORY ACTIVITIES.

(3) EMPLOYEES OF THE NBH CONDUCTING INSPECTIONS MAY ENTER THE PREMISES (AREAS), VIEW DOCUMENTS, INSPECT OBJECTS, OBSERVE WORK (ACTIVITIES), REQUEST CLARIFICATION AND GATHER EVIDENCE IN OTHER WAYS, AS IS REQUIRED TO SUCCESSFULLY COMPLETE THE INSPECTION.

(4) IN THE EVENT THAT A VIOLATION OF LAW OR OF CENTRAL BANK REGULATIONS IS DETERMINED, THE NBH IS REQUIRED TO IMPLEMENT THE NECESSARY MEASURES, IN PARTICULAR:

A) TO EXERCISE ITS RIGHTS AND COMPETENCIES IN ACCORDANCE WITH THE PROVISIONS OF THIS ACT,

B) TO CALL THE VIOLATION OF LAW WHICH HAS BEEN DETERMINED TO THE ATTENTION OF THE FINANCIAL INSTITUTION, LEGAL ENTITY PROVIDING AUXILIARY FINANCIAL SERVICES WHICH IS NOT QUALIFIED AS A FINANCIAL INSTITUTION, OR THE INVESTMENT ENTERPRISE OR CLEARING HOUSE,

C) TO REQUEST THE ASSISTANCE OF OTHER ORGANS IN THE INTEREST OF HAVING MEASURES IMPLEMENTED,

D) TO INITIATE DISCIPLINARY, MISDEMEANOR, CIVIL, CRIMINAL OR OTHER PROCEEDINGS.

(5) ORGANS WHOSE ASSISTANCE IS REQUESTED BY THE NBH SHALL INVESTIGATE THE NBH'S REQUEST AND INFORM THE NBH WITHIN 30 DAYS OF ANY MEASURES THEY HAVE ORDERED.

Section 36.

(1) IN THE EVENT THAT THE CREDIT INSTITUTION USES A CREDIT EXTENDED BY THE NBH FOR CREDIT ACTIVITIES WHICH CONSTITUTE A VIOLATION OF THE LAW, THE NBH MAY, UP TO THE AMOUNT OF CREDIT WHICH WAS USED IN VIOLATION OF THE LAW, CHARGE A PENAL INTEREST RATE, IN ADDITION TO THE INTEREST SPECIFIED IN THE REFINANCING CONTRACT.

(2) IN THE EVENT THAT THE CREDIT INSTITUTION VIOLATES THE LEGAL REGULATIONS OR OTHER REGULATIONS SET FORTH IN SUBSECTION (1) OF SECTION 35, THE NBH MAY, WITHIN A PERIOD OF ONE YEAR FOLLOWING DETERMINATION OF THE VIOLATION, APPLY A PENAL INTEREST RATE IN ITS REFINANCING CONTRACTS

TO BE CONCLUDED WITH THE CREDIT INSTITUTION IN ADDITION TO THE NORMAL INTEREST RATE OF THE TRANSACTION, OR MAY APPLY A SHORTER TERM OF MATURITY. IN THE EVENT OF REPEATED OR SERIOUS VIOLATIONS, THE NBH MAY FULLY OR PARTIALLY EXCLUDE THE CREDIT INSTITUTION FROM ITS REFINANCING ACTIVITIES.

(3) THE MAXIMUM PENAL INTEREST RATE SHALL BE PUBLISHED BY THE NBH.

Issue of Money

Section 37.

(1) THE NBH SHALL ANNOUNCE THE ISSUE OF BANKNOTES AND COINS, THE DENOMINATIONS AND EXTERNAL APPEARANCE OF SUCH, AND THE WITHDRAWAL OF SUCH FROM CIRCULATION IN THE OFFICIAL HUNGARIAN GAZETTE.

(2) ALL PERSONS SHALL ACCEPT BANKNOTES AND COINS ISSUED BY THE NBH AT THEIR FACE VALUE IN TRANSACTIONS WHICH ARE TO BE CONDUCTED USING THE LEGAL TENDER OF HUNGARY.

(3) FOR CASH PAYMENT TRANSACTIONS UP TO FIFTY COINS IN EACH DENOMINATION ISSUED BY THE NBH MUST BE ACCEPTED. THIS RESTRICTION SHALL NOT APPLY TO CREDIT INSTITUTIONS, TAX OFFICES AND POST OFFICE CASH DESKS, WHICH ARE REQUIRED TO ACCEPT ANY AMOUNT OF COIN AS PAYMENT.

(4) COUNTERFEIT, FORGED OR DAMAGED (PUNCTURED) COINS MAY NOT BE ACCEPTED AS PAYMENT; COINS WHICH HAVE LOST A SIGNIFICANT PORTION OF THEIR WEIGHT OR ARE DIFFICULT TO RECOGNIZE NEED NOT BE ACCEPTED AS PAYMENT. COINS WHICH HAVE LOST A SIGNIFICANT PORTION OF THEIR WEIGHT AS A RESULT OF NORMAL USE OR HAVE BECOME DIFFICULT TO RECOGNIZE ARE ACCEPTED AS PAYMENT OR EXCHANGED AT CREDIT INSTITUTIONS, TAX OFFICES AND POST OFFICE CASH DESKS, WHICH SHALL EXCHANGE THEM AT THE NBH.

(5) COUNTERFEIT BANKNOTES AND COINS SHALL BE SUBMITTED TO THE NBH WITHOUT REIMBURSEMENT.

(6) THE NBH SHALL REIMBURSE THE VALUE OF DAMAGED (MUTILATED) FORINT BANKNOTES, IF MORE THAN ONE-HALF OF THE BANKNOTE IS SUBMITTED. CREDIT INSTITUTIONS SHALL ALSO ACCEPT DAMAGED (MUTILATED) BANKNOTES FOR REPLACEMENT BY THE NBH. THE NBH SHALL REPLACE DAMAGED BANKNOTES FREE OF CHARGE. THE VALUE OF DAMAGED FORINT COINS SHALL NOT BE REIMBURSED BY THE BANK, UNLESS THE COINS CONTAIN PRECIOUS METALS.

(7) THE NBH SHALL NOT REIMBURSE THE VALUE OF BANKNOTES OR COINS WHICH HAVE BEEN DESTROYED. IN RESPECT OF BANKNOTES OR COINS NO PROCESS FOR DESTRUCTION MAY BE INITIATED.

Section 38.

THE NBH SHALL ACCOUNT FOR THE EXPENSES ASSOCIATED WITH THE PRODUCTION OF BANKNOTES AND COINS AMONG IT EXPENSES.

Section 39.

THE NBH, CREDIT INSTITUTIONS AND POST OFFICE CASH DESKS WILL EXCHANGE UP TO ONE HUNDRED COINS OF A SINGLE DENOMINATION FOR OTHER COINS OR BANKNOTES, OR UP TO ONE HUNDRED BANKNOTES OF A SINGLE DENOMINATION FOR OTHER BANKNOTES OR COINS WITHOUT CHARGING FEES, COMMISSIONS OR OTHER COSTS.

Section 40.

(1) THE PRODUCTION OF DUPLICATES OF BANKNOTES OR COINS IN CIRCULATION FOR ANY PURPOSE (USE IN THEATER PERFORMANCES, TELEVISION OR OTHER FILM PRODUCTIONS, EDUCATION ETC.) IS SUBJECT TO AUTHORIZATION BY THE NBH.

(2) THE REGULATIONS OF THE NBH SHALL BE COMPLIED WITH IN RESPECT OF THE PRODUCTION, REGISTRATION, SAFE-KEEPING AND DESTRUCTION OF DUPLICATES.

Chapter III.

Relations of the NBH with Other Bodies

Relations with the Parliament

Section 41.

(1) THE PRESIDENT OF THE NBH SHALL REPORT ON AN ANNUAL BASIS TO THE PARLIAMENT REGARDING THE ACTIVITIES OF THE NBH.

(2) THE PRESIDENT OF THE NBH SHALL PRESENT THE GUIDELINES OF THE NBH'S ANNUAL MONETARY POLICY TO THE PARLIAMENT.

Relations with the Government and Ministries

Section 42.

THE NBH SHALL PARTICIPATE IN THE DEVELOPMENT OF THE GOVERNMENT'S ECONOMIC PROGRAM AND SHALL PRESENT AN OPINION ON DECISIONS AND LEGAL REGULATIONS RELATED TO THE GOVERNMENT'S ECONOMIC POLICY.

Section 43.

THE NBH AND THE MINISTRY OF FINANCE SHALL JOINTLY AGREE ON THE CONCEPTS RELATED TO THE GUIDELINES FOR ANNUAL MONETARY POLICY AND ON STRATEGIES RELATED TO THE METHOD OF FINANCING THE ANNUAL BUDGET PROPOSAL AND ANY BUDGET DEFICITS.

Section 44.

THE GOVERNMENT SHALL FORMULATE AN OPINION ON THE NBH'S ANNUAL MONETARY POLICY GUIDELINES PRIOR TO THE PRESENTATION OF SUCH TO THE PARLIAMENT.

Section 45.

THE GOVERNMENT MAY NOT ISSUE INSTRUCTIONS TO THE NBH WITHIN THE SPHERE OF DUTIES ESTABLISHED IN THIS ACT.

Section 46.

(1) THE AGENDAS OF THE MEETINGS OF THE CENTRAL BANK COUNCIL (SECTION 57) AND THE BOARD OF DIRECTORS (SECTION 61) SHALL BE SENT TO THE GOVERNMENT.

(2) THE MINISTER APPOINTED BY THE GOVERNMENT SHALL REPRESENT THE GOVERNMENT AT THE MEETINGS OF THE NBH'S BOARD OF DIRECTORS.

Section 47.

THE PRESIDENT OF THE NBH SHALL BE INVITED TO ATTEND DURING SUCH POINTS OF THE AGENDA OF MEETINGS OF THE GOVERNMENT WHICH AFFECT THE DUTIES OF THE NBH.

Section 48.

THE NBH SHALL PROVIDE REGULAR AND, UPON REQUEST, AD HOC INFORMATION ON THE DEVELOPMENT OF MONETARY TRENDS TO THE GOVERNMENT AND THE MINISTRIES (ORGANS OF NATIONAL COMPETENCE). THE PRESIDENT OF THE NBH AND THE MINISTER OF FINANCE SHALL AGREE UPON THE CONTENT OF REGULAR INFORMATION SERVICES AND THE FREQUENCY OF PROVIDING INFORMATION.

Section 49.

THE GOVERNMENT AND THE MINISTRIES (ORGANS OF NATIONAL COMPETENCE) SHALL, AT THE REQUEST OF THE NBH, PROVIDE THE NBH WITH INFORMATION RELATED TO THEIR ACTIVITIES.

Section 50.

BEARING IN MIND THE DUTIES AND RESPONSIBILITIES OF THE CENTRAL BANK AS SET FORTH IN THIS ACT, THE NBH IS ENTITLED TO MAKE PUBLIC ITS OPINION ON THE DECISIONS TAKEN AND THE LEGAL REGULATIONS ISSUED BY THE GOVERNMENT AND THE MINISTRIES (ORGANS OF NATIONAL COMPETENCE), IN THE EVENT THAT IT IS UNABLE TO SUITABLY EXPRESS ITS POSITION IN ANY OTHER WAY.

Relations with the State Banking and Capital Market Supervisory Authority and the
State Insurance Supervisory Authority

Section 51.

(1) IN THE COURSE OF ATTENDING TO ITS DUTIES, THE NBH SHALL CO-OPERATE WITH THE STATE BANKING AND CAPITAL MARKET SUPERVISORY AUTHORITY AND THE STATE INSURANCE SUPERVISORY AUTHORITY.

(2) THE DIRECTORS OF THE STATE BANKING AND CAPITAL MARKET SUPERVISORY AUTHORITY AND THE STATE INSURANCE SUPERVISORY AUTHORITY SHALL BE INVITED TO ATTEND DURING SUCH POINTS OF THE AGENDA OF MEETINGS OF THE NBH WHICH AFFECT THEIR RESPECTIVE SPHERE OF DUTIES.

Section 52.

(1) WITH DUE CONSIDERATION OF THE PRIOR OPINION OF THE NBH, THE STATE BANKING AND CAPITAL MARKET SUPERVISORY AUTHORITY SHALL AUTHORIZE THE EXECUTION OF THE FOLLOWING FINANCIAL SERVICE ACTIVITIES AND AUXILIARY FINANCIAL SERVICE ACTIVITIES:

A) PROVISION OF FUNDS CIRCULATION SERVICES,

B) PROVISION OF FINANCIAL SERVICES IN FOREIGN EXCHANGE OR FOREIGN CURRENCY,

C) FINANCIAL INTERMEDIARY ACTIVITIES ON THE INTER-BANK MARKET.

(2) THE STATE BANKING AND CAPITAL MARKET SUPERVISORY AUTHORITY SHALL REQUEST THE OPINION OF THE NBH BEFORE GRANTING A PERMIT FOR FOUNDATION AND FOR THE OPERATION OF A CREDIT INSTITUTION, AND THE PERMIT FOR THE ALTERATION OF THE STATUTES OF A CREDIT INSTITUTION DUE TO CHANGES IN THE SPHERE OF ACTIVITIES OR TO THE REDUCTION OF THE REGISTERED CAPITAL OF THE CREDIT INSTITUTION, FURTHERMORE THE PERMIT FOR THE MERGER OR DEMERGER OF THE CREDIT INSTITUTION OR ITS TRANSFORMATION INTO ANOTHER FORM OF CREDIT INSTITUTION.

(3) THE PRIOR APPROVAL OF THE NBH IS REQUIRED FOR THE STATE BANKING AND CAPITAL MARKET SUPERVISORY AUTHORITY TO ISSUE A LICENSE FOR THE CLEARING HOUSE ACTIVITIES SET FORTH IN SECTION 208 OF ACT CXI OF 1996 ON THE OFFERING OF SECURITIES, INVESTMENT SERVICES AND ON THE STOCK EXCHANGE (HEREINAFTER REFERRED TO AS „SECA”).

(4) THE PRIOR APPROVAL OF THE NBH IS REQUIRED FOR THE STATE BANKING AND CAPITAL MARKET SUPERVISORY AUTHORITY TO REVOKE THE LICENSE TO PERFORM ACTIVITIES (TO OPERATE) OF A CREDIT INSTITUTION, AN INVESTMENT ENTERPRISE OR A CLEARING HOUSE PURSUANT TO SECA.

Section 53.

THE NBH AND THE STATE BANKING AND CAPITAL MARKET SUPERVISORY AUTHORITY SHALL PROVIDE ONE ANOTHER WITH THE DATA AND INFORMATION OBTAINED REGARDING THE ACTIVITIES OF FINANCIAL INSTITUTIONS, LEGAL ENTITIES PROVIDING AUXILIARY FINANCIAL SERVICES WHICH ARE NOT QUALIFIED AS FINANCIAL INSTITUTIONS, INVESTMENT SERVICE PROVIDERS AND CLEARING HOUSES, AS WELL AS REGARDING THE ISSUANCE AND TRADING OF SECURITIES; THEY SHALL INFORM EACH OTHER REGARDING THE FINDINGS OF CENTRAL BANK OR SUPERVISORY AUTHORITY INSPECTIONS, EVEN IF THEY HAVE TAKEN MEASURES

WITH LEGAL CONSEQUENCES WITHIN THEIR OWN SPHERE OF COMPETENCE; IF NECESSARY, THEY SHALL INITIATE PROCEEDINGS WITHIN EACH OTHER'S ORGANIZATION.

Chapter IV.

Organization of the NBH

Legal Form of the NBH

Section 54.

- (1) THE NBH IS A LEGAL PERSON FUNCTIONING IN THE FORM OF A COMPANY LIMITED BY SHARES.
- (2) THE COMPANY NAME OF THE NBH NEED NOT BE REGISTERED IN THE COMPANY REGISTER. THE DESIGNATION „COMPANY LIMITED BY SHARES” NEED NOT BE USED IN THE COMPANY NAME OF THE NBH.
- (3) THE STATUTES OF THE NBH SHALL BE ESTABLISHED BY THE GENERAL MEETING AND SHALL BE PRESENTED TO THE PARLIAMENT.
- (4) THE SHARES OF THE NBH ARE OWNED BY THE HUNGARIAN STATE. THE MINISTER OF FINANCE SHALL REPRESENT THE STATE AS A SHAREHOLDER.

Organs of the NBH

Section 55.

THE ORGANS OF THE NBH ARE THE FOLLOWING: THE GENERAL MEETING, THE CENTRAL BANK COUNCIL, THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS.

General Meeting

Section 56.

THE DUTIES OF THE GENERAL MEETING ARE THE ESTABLISHMENT AND AMENDMENT OF THE STATUTES, DETERMINATION OF THE REGISTERED AND RESERVE CAPITAL, DETERMINATION OF THE PROFIT AND LOSS STATEMENT, THE DISTRIBUTION OF THE ANNUAL PROFITS, THE ELECTION AND RECALL OF ELECTED MEMBERS OF THE BOARD OF DIRECTORS AND THE AUDITOR, AND THE ESTABLISHMENT OF THE REMUNERATION OF THE PRESIDENT, THE DEPUTY-PRESIDENTS, THE MEMBERS OF THE CENTRAL BANK COUNCIL, THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS, AND THE AUDITOR.

Central Bank Council

Section 57.

- (1) THE NBH'S SUPREME ORGAN FOR THE DIRECTION OF MONETARY POLICY IS THE CENTRAL BANK COUNCIL.

(2) THE CENTRAL BANK COUNCIL SHALL MEET AS NECESSARY, BUT AT LEAST ONCE EVERY QUARTER.

(3) THE MEMBERS OF THE CENTRAL BANK COUNCIL SHALL BE THE FOLLOWING:

A) THE PRESIDENT OF THE NBH, AS THE CHAIRMAN OF THE CENTRAL BANK COUNCIL;

B) THE DEPUTY-PRESIDENTS OF THE NBH;

C) OTHER MEMBERS, THE NUMBER OF WHICH SHALL EXCEED THE NUMBER OF DEPUTY-PRESIDENTS BY ONE. BASED ON THE RECOMMENDATION OF THE PRIME MINISTER, SUBMITTED AFTER REQUESTING THE OPINION OF THE PRESIDENT OF THE NBH, THESE MEMBERS SHALL BE APPOINTED BY THE PRESIDENT OF THE REPUBLIC FOR A PERIOD OF THREE YEARS, AND SHALL ALSO BE DISMISSED BY THE PRESIDENT OF THE REPUBLIC.

(4) THE REPRESENTATIVE OF THE GOVERNMENT SHALL BE INVITED TO ATTEND THE MEETINGS OF THE CENTRAL BANK COUNCIL WITH THE RIGHT OF CONSULTATION.

(5) THE CENTRAL BANK COUNCIL SHALL DECIDE UPON

A) THE GUIDELINES FOR THE NBH'S ANNUAL MONETARY POLICY;

B) THE POSITION OF THE CENTRAL BANK IN RESPECT OF EXCHANGE RATE POLICIES;

C) SIGNIFICANT CHANGES IN THE CENTRAL BANK'S POLICY INSTRUMENTS, WHICH EXCEED THE BOUNDARIES OF ACCEPTED MONETARY POLICY, INCLUDING EXCHANGE RATE POLICY.

(6) THE CENTRAL BANK COUNCIL SHALL HAVE QUORUM IF AT LEAST FIVE OF ITS MEMBERS ARE PRESENT. RESOLUTIONS OF THE CENTRAL BANK COUNCIL SHALL BE ADOPTED BY SIMPLE MAJORITY VOTE; IN THE EVENT OF A TIED VOTE, THE PERSON PRESIDING OVER THE MEETING SHALL CAST THE DECIDING VOTE.

(7) THE PRESIDENT OF THE NBH IS RESPONSIBLE FOR THE IMPLEMENTATION OF THE CENTRAL BANK COUNCIL'S RESOLUTIONS.

President of the NBH

Section 58.

(1) THE HEAD OF THE NBH IS THE PRESIDENT. THE PRESIDENT OF THE NBH IS RESPONSIBLE FOR ATTENDING TO THE DUTIES OF THE NBH AND FOR THE DIRECTING THE OPERATIONS OF THE NBH.

(2) THE PRESIDENT OF THE NBH SHALL BE APPOINTED FOR A PERIOD OF SIX YEARS BY THE PRESIDENT OF THE REPUBLIC, BASED ON THE RECOMMENDATION OF THE PRIME MINISTER, AND SHALL BE DISMISSED BY THE PRESIDENT OF THE REPUBLIC.

(3) A HUNGARIAN CITIZEN WHO HAS AN OUTSTANDING THEORETICAL AND PRACTICAL, PROFESSIONAL UNDERSTANDING OF MONETARY, FINANCIAL AND BANKING ISSUES MAY BE APPOINTED AS THE PRESIDENT OF THE NBH.

(4) THE RELEVANT COMMITTEE OF THE PARLIAMENT SHALL CONDUCT HEARINGS WITH THE PERSON RECOMMEND FOR THE OFFICE OF PRESIDENT.

(5) THE PRESIDENT OF THE NBH SHALL SWEAR AN OATH BEFORE THE PRESIDENT OF THE REPUBLIC UPON ENTERING INTO OFFICE.

(6) THE MANDATE OF THE PRESIDENT OF THE NBH SHALL BE TERMINATED:

A) UPON EXPIRATION OF THE TERM OF MANDATE;

B) UPON RESIGNATION;

C) UPON DISMISSAL;

D) UPON DEATH.

(7) THE RESIGNATION OF THE PRESIDENT OF THE NBH SHALL BE SUBMITTED IN WRITING TO THE PRESIDENT OF THE REPUBLIC AND THE PRIME MINISTER.

(8) THE MANDATE OF THE PRESIDENT OF THE NBH

A) MAY BE TERMINATED BY DISMISSAL IN THE EVENT THAT THE PRESIDENT IS UNABLE TO ATTEND TO THE DUTIES ORIGINATING FROM HIS MANDATE, FOR REASONS BEYOND HIS CONTROL;

B) SHALL BE TERMINATED BY THE PRESIDENT OF THE REPUBLIC IN THE EVENT THAT THE PRESIDENT OF THE NBH IS UNABLE TO ATTEND TO THE DUTIES ORIGINATING FROM HIS MANDATE FOR REASONS WITHIN HIS CONTROL, OR HAS BEEN FOUND GUILTY OF THE COMMISSION OF A CRIME BY A FINAL VERDICT, OR HAS IN SOME OTHER WAY BECOME UNWORTHY OF THE OFFICE.

(9) THE PRESIDENT OF THE NBH SHALL BE REPRESENTED BY THE DEPUTY PRESIDENT (SECTION 59) WHICH HE APPOINTS.

Deputy President of the NBH

Section 59.

(1) AT MOST FIVE DEPUTY PRESIDENTS OF THE NBH SHALL BE APPOINTED AND DISMISSED BY THE PRESIDENT OF THE REPUBLIC. A RECOMMENDATION SHALL BE MADE BY THE PRESIDENT OF THE NBH, WHICH, IN THE EVENT OF AGREEMENT, SHALL BE PRESENTED TO THE PRESIDENT OF THE REPUBLIC BY THE PRIME MINISTER. THE RECOMMENDATION SHALL CONTAIN A LIST OF THE SPHERES OF COMPETENCE OF THE DEPUTY PRESIDENTS.

(2) THE TERM OF MANDATE FOR A DEPUTY PRESIDENT OF THE NBH SHALL BE SIX YEARS.

(3) THE PROVISIONS OF SUBSECTIONS (3)-(8) OF SECTION 58 SHALL ALSO BE APPLIED IN RESPECT OF DEPUTY PRESIDENTS OF THE NBH.

(4) WITH THE EXCEPTION OF APPOINTMENT AND THE PROVISIONS OF PARAGRAPHS B)-C) OF SUBSECTION (5) OF SECTION 58, THE PRESIDENT OF THE NBH SHALL

EXERCISE THE EMPLOYER'S RIGHTS WITH RESPECT TO THE DEPUTY PRESIDENTS OF THE NBH.

(5) THE PRESIDENT OF THE NBH SHALL INFORM THE PRESIDENT OF THE REPUBLIC, THE PRIME MINISTER AND THE COMPETENT PARLIAMENTARY COMMITTEE WITH REGARD TO ALTERATIONS TO THE SPHERE OF COMPETENCE OF A DEPUTY PRESIDENT [SUBSECTION (4) OF SECTION 58].

Section 60.

THE PROVISIONS OF SUBSECTIONS (3)-(8) OF SECTION 58 SHALL ALSO BE APPLIED IN RESPECT OF THE PERSONS SET FORTH IN PARAGRAPH C) OF SUBSECTION (3) OF SECTION 57. THE PERSON SET FORTH IN PARAGRAPH C) OF SUBSECTION (3) OF SECTION 57 MAY ALSO BE A PERSON WHO HAS AN OUTSTANDING THEORETICAL OR PRACTICAL KNOWLEDGE OF SOME BRANCH OF ECONOMICS AS WELL AS PRACTICAL EXPERIENCE IN FINANCIAL ISSUES.

Board of Directors

Section 61.

(1) THE BOARD OF DIRECTORS SHALL SUPPORT THE PRESIDENT OF THE NBH IN ATTENDING TO HIS DUTIES.

(2) THE BOARD OF DIRECTORS SHALL CONSIST OF THE PRESIDENT, THE DEPUTY PRESIDENTS AND MEMBERS OF THE BOARD OF DIRECTORS WHO ARE ELECTED UPON THE RECOMMENDATION OF THE PRESIDENT OF THE NBH. MEMBERS OF THE BOARD OF DIRECTORS SHALL BE EMPLOYEES OF THE NBH.

(3) IN THE CASES SPECIFIED IN LEGAL REGULATIONS MEMBERS OF THE BOARD OF DIRECTORS SHALL ACT ON BEHALF OF THE PRESIDENT.

Supervisory Board

Section 62.

(1) THE SUPERVISORY BOARD IS THE ORGAN RESPONSIBLE FOR SUPERVISION OF THE NBH.

(2) THE MEMBERS OF THE SUPERVISORY BOARD ARE:

A) THE CHAIRMAN OF THE SUPERVISORY BOARD, ELECTED BY THE PARLIAMENT,

B) THREE OTHER MEMBERS OF THE SUPERVISORY BOARD, ELECTED BY THE PARLIAMENT,

C) THE REPRESENTATIVE OF THE MINISTER OF FINANCE,

D) THE EXPERT COMMISSIONED BY THE MINISTER OF FINANCE.

Section 63.

THE TERM OF MANDATE OF THE MEMBERS OF THE SUPERVISORY BOARD SHALL BE IDENTICAL TO THAT OF THE TERM OF MANDATE OF THE PARLIAMENT AND SHALL EXTEND UNTIL THE TERMINATION OF THE PARLIAMENT'S MANDATE. OPERATION OF THE SUPERVISORY BOARD SHALL CONTINUE UNTIL THE ELECTION OF THE NEW MEMBERS OF THE SUPERVISORY BOARD IS CARRIED OUT BY THE NEW PARLIAMENT. SUCH ELECTION SHALL TAKE PLACE WITHIN THREE MONTHS OF THE INAUGURAL MEETING OF THE NEW PARLIAMENT. IN THE EVENT THAT THE NEW PARLIAMENT FAILS TO ELECT NEW MEMBERS OF THE SUPERVISORY BOARD PRIOR TO THE AFOREMENTIONED DEADLINE, OPERATION OF THE SUPERVISORY BOARD SHALL CONTINUE UNTIL THE NEW PARLIAMENT ELECTS NEW MEMBERS OF THE SUPERVISORY BOARD.

Section 64.

MEMBERS OF THE SUPERVISORY BOARD MAY BE RECALLED BY THE PARLIAMENT RESPONSIBLE FOR THEIR ELECTION, OR BY THE MINISTER OF FINANCE RESPONSIBLE FOR THEIR APPOINTMENT.

Section 65.

MEMBERS OF THE SUPERVISORY BOARD SHALL BE OBLIGED TO REPORT TO THE PARLIAMENT RESPONSIBLE FOR THEIR ELECTION, OR TO THE MINISTER OF FINANCE RESPONSIBLE FOR THEIR APPOINTMENT.

Employees of the NBH

Section 66.

(1) EMPLOYEES OF THE NBH SHALL MAINTAIN BANK SECRETS WHICH THEY LEARN OF DURING THE COURSE OF THEIR EMPLOYMENT.

(2) THE PRESIDENT OF THE NBH MAY RELIEVE EMPLOYEES OF THE NBH OF THE OBLIGATION TO MAINTAIN BANK SECRETS IN MATTERS AFFECTING THE SPHERE OF COMPETENCE OF THE NBH.

Section 67.

IN RESPECT OF THE APPLICATION OF CRIMINAL LAW, EMPLOYEES OF THE NBH SHALL BE CONSIDERED TO BE PUBLIC OFFICIALS IN RELATION TO PERFORMING THEIR CENTRAL BANKING DUTIES.

Section 68.

(1) THE TITLE „CHIEF ADVISOR TO THE NBH” AND „ADVISOR TO THE NBH” MAY BE BESTOWED UPON EMPLOYEES OF THE NBH. USE OF THE TITLE AND THE ASSOCIATED BENEFITS IS ONLY PERMITTED FOR THE DURATION OF THE EMPLOYMENT RELATIONSHIP WITH THE NBH. ONLY SUCH RETIRED PERSONS WHO WERE IN AN EMPLOYMENT RELATIONSHIP WITH THE NBH IMMEDIATELY PRIOR TO THEIR RETIREMENT MAY USE THE TITLE.

(2) THE PRESIDENT OF THE NBH SHALL ESTABLISH THE CONDITIONS FOR AWARDDING THE TITLE, THE BENEFITS ASSOCIATED THEREWITH AND THE RULES PERTAINING TO THE USE AND REVOCATION OF THE TITLE.

Conflict of Interest

Section 69.

THE PRESIDENT AND DEPUTY PRESIDENTS OF THE NBH, THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PERSONS SET FORTH IN PARAGRAPH C) OF SUBSECTION (3) OF SECTION 57 MAY NOT HOLD POSITIONS IN POLITICAL PARTIES AND MAY NOT, ON BEHALF OF OR IN THE INTERESTS OF ANY POLITICAL PARTY, CONDUCT ACTIVITIES WHICH INVOLVE A PUBLIC ROLE.

Section 70.

(1) UNLESS OTHERWISE PROVIDED FOR BY LAW, THE PRESIDENT AND DEPUTY PRESIDENTS OF THE NBH, THE MEMBERS OF THE CENTRAL BANK COUNCIL SET FORTH IN PARAGRAPH C) OF SUBSECTION (3) OF SECTION 57, THE MEMBERS OF THE NBH BOARD OF DIRECTORS AND THE EMPLOYEES PERFORMING CENTRAL BANKING DUTIES OF THE NBH MAY NOT BECOME MEMBERS, ESTABLISH AN EMPLOYMENT RELATIONSHIP, OTHER LEGAL RELATIONSHIP DIRECTED AT THE PERFORMANCE OF WORK OR THE LEGAL RELATIONSHIP OF AN OFFICER OR MEMBER OF THE SUPERVISORY BOARD WITH ANY CREDIT INSTITUTION OR THE NATIONAL DEPOSIT INSURANCE FUND.

(2) THE PRESIDENT AND DEPUTY PRESIDENTS OF THE NBH, THE MEMBERS OF THE BOARD OF DIRECTORS OF THE NBH, THE DIRECTORS OF DEPARTMENTS AND SENIOR EMPLOYEES OF THE NBH MAY NOT ESTABLISH ANY OTHER LEGAL RELATIONSHIPS INVOLVING THE PERFORMANCE OF WORK.

(3) EMPLOYEES OF THE NBH PERFORMING CENTRAL BANKING DUTIES WHO DO NOT FALL UNDER THE SCOPE OF SUBSECTION (2) MAY ONLY ESTABLISH LEGAL RELATIONSHIPS INVOLVING THE PERFORMANCE OF WORK WITH THE PERMISSION OF THE PRESIDENT OF THE NBH. EMPLOYEES OF THE NBH WHO DO NOT PERFORM CENTRAL BANKING DUTIES MAY ESTABLISH LEGAL RELATIONSHIPS INVOLVING THE PERFORMANCE OF WORK IN ACCORDANCE WITH THE PROVISIONS OF THE LABOR CODE.

(4) PRIOR TO THE EMPLOYMENT OF A PERSON WHO IS ESTABLISHING ANOTHER FORM OF LEGAL RELATIONSHIP FOR THE PERFORMANCE OF WORK AT THE NBH, AND FOR THE DURATION OF SUCH RELATIONSHIP, THE PERSON SHALL REPORT ANY EMPLOYMENT RELATIONSHIPS OR OTHER LEGAL RELATIONSHIPS INVOLVING THE PERFORMANCE OF WORK, AS WELL AS MEMBERSHIP IN ANY BOARD OF DIRECTORS OR SUPERVISORY BOARD.

(5) THE RESTRICTION SET FORTH IN SUBSECTIONS (2)-(3) AND THE REPORTING OBLIGATION SET FORTH IN SUBSECTION (4) SHALL NOT APPLY TO ANY SCIENTIFIC, EDUCATIONAL, ARTISTIC, PROOF-READING OR EDITING ACTIVITIES, NOR TO ANY INTELLECTUAL ACTIVITIES FALLING UNDER COPYRIGHT.

(6) WITH THE EXCEPTION OF INHERITANCE, THE PERSONS SET FORTH IN SUBSECTIONS (1) AND (4) MAY NOT ACQUIRE OWNERSHIP IN CREDIT INSTITUTIONS.

(7) THE PERSONS SET FORTH IN SUBSECTIONS (1) AND (4) MAY NOT DISPOSE OVER OWNERSHIP SHARES IN CREDIT INSTITUTIONS, AND UPON APPOINTMENT (ELECTION, COMMISSION, EMPLOYMENT) SHALL MAKE A STATEMENT REGARDING ANY EXISTING OWNERSHIP SHARES IN CREDIT INSTITUTIONS.

(8) PRIOR TO APPOINTMENT OR FOLLOWING INHERITANCE, THE PERSONS SET FORTH IN SUBSECTIONS (1) AND (4) SHALL ALIENATE ANY OWNERSHIP SHARE PURSUANT TO SUBSECTION (7) WITHIN A PERIOD OF THREE MONTHS.

(9) FOLLOWING THEIR APPOINTMENT, THE PERSONS SET FORTH IN SUBSECTIONS (1) AND (4) SHALL IMMEDIATELY REPORT THE FACT THAT A CLOSE RELATIVE RESIDING IN THEIR HOUSEHOLD HAS ACQUIRED AN OWNERSHIP SHARE PURSUANT TO SUBSECTION (6).

(10) PENDING PERFORMANCE OF THE OBLIGATION SET FORTH IN SUBSECTION (8) OR UNTIL TERMINATION OF THE CAUSE OF THE CONFLICT OF INTEREST ARISING IN RELATIONSHIP TO CLOSE RELATIVES RESIDING IN THE SAME HOUSEHOLD, THE PERSONS SET FORTH IN SUBSECTIONS (1) AND (4) MAY NOT PARTICIPATE IN THE PREPARATION OF OR DECISION ON ANY MATTERS WHICH PERTAIN TO THE ORGANIZATION RELATED TO THE CONFLICT OF INTEREST.

(11) UPON APPOINTMENT THE PERSONS SET FORTH IN SUBSECTIONS (1) AND (4) SHALL MAKE A STATEMENT REGARDING THEIR MEMBERSHIP IN ANY COOPERATIVE CREDIT INSTITUTIONS. THE PERSONS SET FORTH IN SUBSECTIONS (1) AND (4) NEED NOT TERMINATE SUCH MEMBERSHIP EXISTING AT THE TIME OF THEIR APPOINTMENT, AS LONG AS THERE IS A DEBT OWED TO THE CREDIT INSTITUTION. HOWEVER, DURING THIS PERIOD SUCH PERSONS MAY NOT PARTICIPATE IN THE PREPARATION OF OR DECISION ON ANY MATTERS WHICH PERTAIN TO THE ORGANIZATION IN WHICH THEY HAVE MEMBERSHIP.

(12) UPON APPOINTMENT THE PERSONS SET FORTH IN SUBSECTIONS (1) AND (4) SHALL MAKE A WRITTEN STATEMENT AS TO WHETHER ANY CLOSE RELATIVE RESIDING IN THEIR HOUSEHOLD ARE IN A LEGAL RELATIONSHIP AS SENIOR OFFICERS, AN EMPLOYMENT RELATIONSHIP OR ANY OTHER LEGAL RELATIONSHIP FOR THE PERFORMANCE OF WORK WITH A CREDIT INSTITUTION. FOLLOWING THEIR APPOINTMENT, THEY SHALL IMMEDIATELY REPORT ANY SUCH RELATIONSHIP. PENDING TERMINATION OF THE CAUSE OF THE CONFLICT OF INTEREST, THE PERSONS SET FORTH IN SUBSECTIONS (1) AND (4) MAY NOT PARTICIPATE IN THE PREPARATION OF OR DECISION ON ANY MATTERS WHICH PERTAIN TO THE CREDIT INSTITUTION IN WHICH THEIR CLOSE RELATIVE MAINTAINS A LEGAL RELATIONSHIP WHICH CONSTITUTES A BASIS FOR A CONFLICT OF INTEREST.

(13) THE REPORTS AND STATEMENTS SET FORTH IN THIS SECTION SHALL BE MADE TO THE PARTY EXERCISING THE EMPLOYER'S RIGHTS. THE MEMBERS OF THE CENTRAL BANK COUNCIL SET FORTH IN PARAGRAPH C) OF SUBSECTION (3) OF SECTION 57 AND THE MEMBERS OF THE BOARD OF SUPERVISORS SHALL PRESENT SUCH REPORTS AND STATEMENTS TO THE PRESIDENT OF THE NBH, WHO SHALL MAINTAIN A REGISTER OF SUCH.

(14) FOR THE PURPOSES OF THIS SECTION, CLOSE RELATIVES SHALL BE UNDERSTOOD AS THE PERSONS DEFINED IN POINT B) OF SECTION 685 OF THE CIVIL CODE AND AS COMMON-LAW SPOUSES.

Section 70/A.

THE AUDITOR OF THE NBH MAY NOT BE RE-ELECTED. THE AUDITOR OF THE NBH MAY BE COMMISSIONED FOR A PERIOD OF FIVE YEARS AT THE MOST.

Chapter V.

Miscellaneous Provisions

Authorizations

Section 71.

(1) WITHIN THE FRAMEWORK OF THE LAW, THE NBH MAY, IN THE FORM OF A CENTRAL BANK ORDER, ISSUE BINDING REGULATIONS FOR FINANCIAL INSTITUTIONS, LEGAL ENTITIES PROVIDING AUXILIARY FINANCIAL SERVICES WHICH ARE NOT QUALIFIED AS FINANCIAL INSTITUTIONS, INVESTMENT SERVICE PROVIDERS AND CLEARING HOUSES. THUS IN PARTICULAR THE NBH MAY REGULATE:

A) THE EXTENT AND MANNER OF CALCULATION OF REQUIRED RESERVES, AS WELL AS THE METHOD AND FORMING AND DEPOSITING SUCH,

B) THE MANDATORY INTEREST RATES WHICH ARE TO BE APPLIED,

C) THE RANGE OF INFORMATION TO BE DISCLOSED, AND THE MODE AND DEADLINES FOR SUCH DISCLOSURE,

D) THE DATA TO BE MADE PUBLIC AND THE MODE OF PUBLISHING SUCH,

E) FINANCIAL SERVICE ACTIVITIES CONDUCTED IN FOREIGN CURRENCIES, AS WELL AS SUCH ACTIVITIES SUBJECT TO FOREIGN EXCHANGE REGULATIONS CONDUCTED IN HUF WITH FOREIGNERS,

F) THE CIRCULATION OF MONEY,

G) THE EXECUTION OF FINANCIAL SERVICES AND AUXILIARY FINANCIAL SERVICES FALLING UNDER ITS LICENSING AUTHORITY AS WELL AS THE MATERIAL CONDITIONS OF SUCH.

(2) IN RESPECT OF THE CIRCULATION OF MONEY, A CENTRAL BANK ORDER SHALL ALSO EXTEND TO LEGAL ENTITIES, BUSINESS ASSOCIATIONS WITHOUT LEGAL PERSONALITY AND NATURAL PERSONS.

(3) THE NBH MAY, IN A CENTRAL BANK ORDER, ISSUE BINDING REGULATIONS FOR INVESTMENT SERVICE PROVIDERS AND FOR THE CLEARING HOUSES SET FORTH IN SECA, IN THE CASES SET FORTH IN PARAGRAPH C) OF SUBSECTION (1) AND, IN RESPECT OF INVESTMENT SERVICE PROVIDERS, IN PARAGRAPH A) OF SUBSECTION (1).

Section 72.

(1) IN RESPECT OF THE ORGANS FOR WHICH THE NBH MAINTAINS OR MAY MAINTAIN A CURRENT ACCOUNT, THE NBH IS ENTITLED TO CONDUCT IN HUF ANY TRANSACTION INCLUDED IN THE RANGE OF FINANCIAL SERVICES.

(2) IN RESPECT OF ORGANS AND NATURAL PERSONS TO WHICH SUBSECTION (1) DOES NOT APPLY, THE NBH IS ENTITLED TO CONDUCT THE FOLLOWING TRANSACTIONS INCLUDED IN THE RANGE OF FINANCIAL SERVICES:

A) ACCEPTANCE OF BANK DEPOSIT ON THE BASIS OF A LEGAL REGULATION OR OFFICIAL ORDER (DEPOSIT TRANSACTIONS);

B)-C)

D) ISSUANCE OF CHECKS AND TRAVELERS' CHECKS AND THE EXECUTION OF PAYMENT TRANSACTIONS ASSOCIATED WITH SUCH.

(3) THE NBH MAY MAINTAIN THE BANK ACCOUNTS OF ITS EMPLOYEES IN HUF, MAY ACCEPT DEPOSITS FROM SUCH EMPLOYEES AND MAY EXTEND CREDIT TO THEM, AS WELL AS CONDUCT OTHER FINANCIAL SERVICES, AUXILIARY FINANCIAL SERVICES AND INVESTMENT SERVICES IN RESPECT OF GOVERNMENT DEBT SECURITIES.

(4) THE NBH MAY MAINTAIN THE BANK ACCOUNTS OF THE POST OFFICE ASSOCIATED WITH THE PERFORMANCE OF NATIONAL CASH PAYMENT TRAFFIC.

(5) THE NBH IS ENTITLED TO CONDUCT ANY TRANSACTIONS INCLUDED IN THE RANGE OF FINANCIAL SERVICES IN FOREIGN CURRENCIES AND PRECIOUS METALS AS WELL AS SUCH TRANSACTIONS SUBJECT TO FOREIGN EXCHANGE REGULATIONS CONDUCTED IN HUF WITH FOREIGNERS.

(6) IN RESPECT OF GOVERNMENT DEBT SECURITIES THE NBH MAY CONDUCT FINANCIAL SERVICE AND AUXILIARY FINANCIAL SERVICE ACTIVITIES RELATED TO SECURITIES BROKERING, SECURITIES TRADING, ORGANIZATION OF SECURITIES ISSUES AND THE SERVICES RELATED TO SUCH, SECURITIES CUSTODY AND SECURITIES ACCOUNTS AND MAY ALSO CONDUCT INVESTMENT SERVICES AND AUXILIARY INVESTMENT SERVICES. THE NBH SHALL APPLY THE PROVISIONS OF ACT CXI OF 1996 ON THE OFFERING OF SECURITIES, INVESTMENT SERVICES AND ON THE STOCK EXCHANGE IN RESPECT OF SUCH ACTIVITIES.

Section 73.

ON THE BASIS OF CLAIMS ARISING IN CONNECTION TO ITS DUTIES AS THE CENTRAL BANK, THE NBH SHALL BE ENTITLED TO A STATUTORY LIEN ON THE ASSETS OF A DOMESTIC DEBTOR, REGARDLESS OF THE LEGAL GROUNDS UPON WHICH TITLE TO SUCH ASSETS WERE OBTAINED. ON THE BASIS OF THE STATUTORY LIEN THE NBH MAY SETTLE ITS CLAIMS IN THE MOST SUITABLE WAY FROM THE ASSETS OF THE LIEN, WITHOUT THE NEED FOR COURT PROCEEDINGS.

Section 74.

IN RESPECT OF LEGAL PROCEEDINGS, DOMESTIC SUITS AGAINST THE NBH MAY ONLY BE INITIATED AT THE VENUE OF THE REGISTERED OFFICE OF THE NBH. THIS

PROVISION SHALL NOT APPLY IN RESPECT OF SUITS ARISING FROM EMPLOYMENT RELATIONSHIPS.

Section 75.

THE BOOKS OF THE NBH AND THE EXCERPTS FROM SUCH BOOKS, SIGNED ON BEHALF OF THE BANK, SHALL HAVE FULL POWER OF EVIDENCE AS OFFICIAL PUBLIC DOCUMENTS.

Section 76.

General Business Conditions

Section 77.

WITHIN ITS SPHERE OF ACTIVITIES, THE NBH SHALL ESTABLISH THE GENERAL CONDITIONS OF CONTRACTS IN ITS GENERAL BUSINESS CONDITIONS; DEVIATIONS FROM THE GENERAL BUSINESS CONDITIONS MAY BE MADE IN CERTAIN CONTRACTS.

Regulation of NBH Income

Section 78.

(1) THE NBH SHALL DEPOSIT ITS ANNUAL EARNINGS, CALCULATED ON THE BASIS OF ITS REVENUES AND EXPENDITURES DEFINED IN VIEW OF THE PROVISIONS OF SECTION 20, MINUS THE DIVIDENDS PAID ACCORDING TO SUBSECTION (4), INTO THE PROFIT RESERVE. IF THE EARNINGS FOR THE YEAR ARE INSUFFICIENT TO COVER THE DIVIDEND PAYMENTS DESCRIBED IN SUBSECTION (4), THE MISSING PORTION SHALL BE COVERED FROM THE PROFIT RESERVE FOR ACCOUNTING THE PROFITS.

(2) THE BALANCE SHEET RESULT OF NBH CAN BE NEGATIVE ONLY IF THE COMBINED AMOUNT OF THE EARNINGS FOR THE YEAR AND THE PROFIT RESERVE IS INSUFFICIENT TO COVER THE DIVIDENDS PAID DURING THE YEAR. IN THIS CASE THE CENTRAL BUDGET SHALL REIMBURSE THE NBH FOR THE BALANCE SHEET LOSS DEBITED TO THE PROFIT RESERVE WITHIN 30 DAYS OF THE DATE OF THE GENERAL ASSEMBLY WHICH HAS APPROVED THE BALANCE SHEET FOR THE YEAR UNDER REVIEW. THIS REIMBURSEMENT SHALL BE CREDITED DIRECTLY TO THE PROFIT RESERVE.

(3) THE EQUITY CAPITAL OF NBH, WITHOUT EVALUATION RESERVE CAN TEMPORARILY FALL BELOW THE SUBSCRIBED CAPITAL ONLY ON ACCOUNT OF THE BALANCE SHEET PROFIT (LOSS) PRODUCED DURING THE YEAR.

(4) IF THE NBH'S RESULT FOR THE MONTH UNDER REVIEW, CALCULATED ON BASIS OF REVENUES AND EXPENSES, IS POSITIVE, THE NBH SHALL PAY A DIVIDEND ADVANCE BY THE 25TH DAY OF THE MONTH FOLLOWING THE MONTH UNDER REVIEW, IN ACCORDANCE WITH THE AMOUNT OF SUCH PROFIT.

(5) IF, ON THE LAST DAY OF THE MONTH UNDER REVIEW, THE EQUITY CAPITAL OF THE NBH EXCEEDS 9% OF THE AVERAGE OF ALL BANK NOTES AND COINS IN CIRCULATION, THE NBH SHALL PAY TO THE CENTRAL BUDGET THE AMOUNT IN EXCESS, TO THE DEBIT OF THE NBH'S GENERAL RESERVE, OR IF SUCH IS NOT

AVAILABLE TO THE DEBIT OF THE PROFIT RESERVE, UP TO THE EXTENT OF SAID RESERVES, BY THE 25TH OF THE MONTH FOLLOWING THE MONTH UNDER REVIEW.

(6) IF THE NBH'S RESULT FOR THE MONTH UNDER REVIEW, AS CALCULATED ON BASIS OF REVENUES AND EXPENSES, IS NEGATIVE, THE CENTRAL BUDGET SHALL REIMBURSE TO THE NBH THE LOSS INCURRED BY THE 25TH OF THE MONTH FOLLOWING THE MONTH UNDER REVIEW.

(7) IF, ON THE LAST DAY OF THE MONTH UNDER REVIEW, THE EQUITY CAPITAL OF THE NBH IS LESS THAN 9% OF THE AVERAGE OF ALL BANK NOTES AND COINS IN CIRCULATION, THE CENTRAL BUDGET SHALL REIMBURSE TO THE NBH THE DIFFERENCE AS PROFIT RESERVE BY THE 25TH OF THE MONTH FOLLOWING THE MONTH UNDER REVIEW.

(8) IF ON THE LAST DAY OF THE MONTH UNDER REVIEW, IN ACCORDANCE WITH SUBSECTIONS (4)-(7), THE NBH AND THE CENTRAL BUDGET HAVE MUTUAL PAYMENT OBLIGATIONS, THE PARTIES SHALL SETTLE THEIR LIABILITIES TOWARD EACH OTHER AS PER THE GROSS AMOUNT AND SHALL REMIT PAYMENT OF THE AMOUNT IN ACCORDANCE WITH THE BALANCE OF SUCH LIABILITIES.

(9) THE ANNUAL AVERAGE STOCK DETERMINED AS BASE FOR THE CAPITAL REQUIREMENT SHALL BE CALCULATED AS THE MATHEMATICAL AVERAGE OF THE STOCK ESTABLISHED ON THE LAST DAY OF THE MONTH UNDER REVIEW, OR ON THE ACCOUNTING DATE FOR THE PURPOSES OF SUBSECTION (3), AND ON THE LAST DAY OF THE PRECEDING ELEVEN MONTHS.

Chapter VI.

Closing Provisions

Section 79.

(1) DUTIES OF THE NBH WITHIN THE FIELD OF DUTIES RELATED TO THE CIRCULATION OF MONEY, MANAGEMENT OF FOREIGN EXCHANGE AND THE LICENSING OF FINANCIAL SERVICES AND AUXILIARY FINANCIAL SERVICES FALLING UNDER ITS AUTHORITY MAY BE ESTABLISHED BY AN ACT OR BY GOVERNMENT DECREE. GOVERNMENT DECREES OF THIS NATURE SHALL BE ISSUED FOLLOWING CONSULTATION WITH THE NBH.

(2) THE DUTIES SET FORTH IN SUBSECTION (1) SHALL BE IN HARMONY WITH THE CENTRAL BANKING DUTIES AND RESPONSIBILITIES OF THE NBH AS SET FORTH IN THIS ACT.

Sections 80-81.

Section 82.

(1) ANNUAL INTEREST AS SET FORTH IN SUBSECTION (2) SHALL BE PAID ON THE STOCK OF LONG-TERM CREDITS WITH THE CENTRAL BUDGET EXISTING UPON THIS ACT ENTERING INTO EFFECT, NOT INCLUDING THE LONG-TERM CENTRAL BANK LOANS SPECIFIED IN SUBSECTION (2) OF SECTION 7 OF ACT CIV OF 1990 ON THE 1991 ANNUAL BUDGET OF THE REPUBLIC OF HUNGARY AND THE 1991 RULES FOR THE

STATE BUDGET. THE INTEREST RATE APPLIED SHALL EXCEED THE AVERAGE INTEREST RATE PAID BY THE NBH ON ITS FOREIGN EXCHANGE DEBTS BY ONE PERCENTAGE POINT. THE AGREEMENT BETWEEN THE NBH AND THE MINISTRY OF FINANCE SHALL BE AUTHORITATIVE IN TERMS OF THE METHOD OF DETERMINING THIS INTEREST RATE; THIS INTEREST RATE SHALL BE INDICATED AS A NUMBER IN THE ANNUAL BUDGET ACT.

(2) IN RESPECT OF THE CALCULATION OF THE INTEREST RATE SET FORTH IN SUBSECTION (1), THE FOREIGN EXCHANGE DEBT OF THE NBH SHALL BE UNDERSTOOD AS THE DATA FROM THE BALANCE SHEET TWO YEARS PREVIOUS TO THE YEAR TO WHICH THE PAYMENT OBLIGATION APPLIES.

Section 83.

Section 84.

(1) FOLLOWING THIS ACT ENTERING INTO EFFECT, THE NBH MAY NOT ACQUIRE A SHARE IN ANY BUSINESS ASSOCIATION CONSIDERED A DOMESTIC BUSINESS ASSOCIATION FOR THE PURPOSES OF FOREIGN EXCHANGE REGULATIONS, AND SHALL ALIENATE OR TERMINATE ANY SUCH SHARES IN EXISTENCE AT THE TIME OF THIS ACT ENTERING INTO EFFECT AS THE PROPER CONDITION FOR SUCH ARE FULFILLED, BUT BY 31 DECEMBER 1995 AT THE LATEST.

(2) THE PROVISIONS OF SUBSECTION (1) SHALL NOT APPLY TO SHARES HELD IN BUSINESS ASSOCIATIONS RELATED TO THE NBH'S ACTIVITIES.

(3) WITHOUT PREJUDICE TO SUBSECTIONS (1)-(2), NBH MAY PARTICIPATE IN BUSINESS ASSOCIATIONS ESTABLISHED FOR

A) EXECUTION OF THE NATIONAL CLEARING TRAFFIC BETWEEN CREDIT INSTITUTIONS, AS WELL AS

B) SETTLEMENT OF SECURITIES AND STOCK MARKET TRANSACTIONS, AND STORAGE, HANDLING AND REGISTRATION OF SECURITIES; AS WELL AS

C) DEVELOPMENT OF THE INFRASTRUCTURE FOR CREDIT INSTITUTIONS, CLEARING SYSTEMS OR THE CAPITAL MARKETS, WITH THE PARTICIPATION OF CREDIT INSTITUTIONS, THE POST OFFICE OR THE STOCK MARKET.

(4) THE NBH SHALL ALIENATE ANY SHARES EXISTING AT THE TIME OF THIS ACT ENTERING INTO EFFECT IN BUSINESS ASSOCIATIONS CONSIDERED TO BE NON-RESIDENTS FOR THE PURPOSES OF FOREIGN EXCHANGE REGULATIONS, WITH THE EXCEPTION OF THE BANK FOR INTERNATIONAL SETTLEMENTS. THE DECISION ON ALIENATION SHALL FALL UNDER THE EXCLUSIVE COMPETENCE OF THE NBH GENERAL MEETING. THE PROVISIONS OF SUBSECTION (1) OF SECTION 70 NEED NOT BE APPLIED BY THE NBH IN RESPECT OF BUSINESS ASSOCIATIONS CONSIDERED NON-RESIDENTS FOR THE PURPOSES OF FOREIGN EXCHANGE REGULATIONS AS LONG AS THE NBH MAY HAVE A SHARE IN SUCH ON THE BASIS OF THIS SUBSECTION.

(5) IN ACCORDANCE WITH SUBSECTION (4), THE NBH SHALL BE REQUIRED TO SELL ITS SHARES IN COMPANIES PREVIOUSLY REGARDED AS NON-RESIDENT, BASED ON FOREIGN EXCHANGE REGULATIONS, WHICH HAVE SUBSEQUENTLY BEEN CONVERTED INTO DOMESTIC BUSINESS ASSOCIATIONS.

Section 85.

THE PROVISIONS OF ACT VI OF 1988 ON ECONOMIC ASSOCIATIONS SHALL APPLY IN RESPECT OF THE NBH, WITH DUE CONSIDERATION TO THE DEVIATIONS SET FORTH IN THIS ACT.

Section 85/A.

UNLESS OTHERWISE PRESCRIBED IN THIS ACT, WHERE THE ACT REFERS TO A FINANCIAL INSTITUTION (CREDIT INSTITUTION), AN INVESTMENT SERVICE PROVIDER (INVESTMENT COMPANY) OR A LEGAL ENTITY PROVIDING AUXILIARY FINANCIAL SERVICES NOT REGARDED AS A FINANCIAL INSTITUTION, IT SHALL ALSO BE UNDERSTOOD AS THE HUNGARIAN BRANCH OFFICE OF A FOREIGN-REGISTERED FINANCIAL INSTITUTION (CREDIT INSTITUTION), THE HUNGARIAN BRANCH OFFICE OF A FOREIGN-REGISTERED INVESTMENT SERVICE PROVIDER (INVESTMENT COMPANY) OR THE HUNGARIAN BRANCH OFFICE OF A FOREIGN-REGISTERED COMPANY, RESPECTIVELY.

Section 86.

THIS ACT SHALL ENTER INTO FORCE ON 1 DECEMBER 1991.

Section 87.

Section 88.

UPON THIS ACT ENTERING INTO EFFECT THE FOLLOWING SHALL BE SIMULTANEOUSLY REPEALED

- SUBSECTION (3) OF SECTION 26, SUBSECTION (2) OF SECTION 27, AND SECTIONS 29 AND 30 OF ACT II OF 1979 ON STATE FINANCES;
- LAW-DECREE 36 OF 1967 ON THE NATIONAL BANK OF HUNGARY AND LAW-DECREE 26 OF 1984 ON THE AMENDMENT THEREOF, AS WELL AS LAW-DECREE 29 OF 1986;
- SECTION 8 OF LAW-DECREE 14 OF 1987 ON TRANSITIONAL PROVISIONS AND AMENDMENTS OF LEGAL REGULATIONS PERTAINING TO THE ENTRY INTO EFFECT OF ACTS ON VALUE ADDED TAX AND INCOME TAX PAYABLE BY PRIVATE PERSONS;
- GOVERNMENT DECREE 14/1970. (V. 24.) KORM. ON THE ISSUE OF COINS AND POINT 6 OF SCHEDULE NO. 1 TO MT DECREE 88/1990. (IV. 30), ON THE AMENDMENT THEREOF AND ON THE AMENDMENT AND REPEAL OF CERTAIN LEGAL REGULATIONS;
- SECTIONS 39/A. TO 40 OF MT DECREE 23/1979. (VI. 28.) ON THE EXECUTION OF ACT II OF 1979 ON STATE FINANCES, AS AMENDED;
- SUBSECTION (1) OF SECTION 3 OF MT DECREE 39/1984. (XI. 5.) ON MONEY CIRCULATION AND BANK CREDIT;
- MT DECREE 52/1989. (VI. 5.) ON CERTAIN QUESTIONS OF THE SYSTEM OF FINANCIAL INTERESTS OF CERTAIN FINANCIAL INSTITUTIONS, AS AMENDED BY MT DECREE 58/1990. (III. 23.) AND GOVERNMENT DECREE NO. 5/1990. (VII. 11.) KORM. - WITH REGARD TO THE NATIONAL BANK OF HUNGARY;

- PM DECREE 20/1970. (VII. 29.) ON THE ACCEPTANCE OF COINS ISSUED BY THE NATIONAL BANK OF HUNGARY, AND ON THE ISSUE OF COINS, WHICH PROVIDES FOR THE REPEAL OF CERTAIN LEGAL REGULATIONS;
- PM DECREE 5/1975. (I. 21.) ON THE PRODUCTION, SAFE-KEEPING AND DESTRUCTION OF DUPLICATE COPIES OF MONEY;
- PM DECREE 39/1990. (XII. 29.) ON THE REGULATION OF INCOME OF THE NATIONAL BANK OF HUNGARY ON THE UNDERSTANDING THAT THE PROVISIONS OF THE DECREE SHOULD STILL BE APPLIED IN THE YEAR 1991 AND/OR IN THE COURSE OF THE DISTRIBUTION OF THE PROCEEDS OF 1991 PROFIT;
- NBH ORDER 1/1987. (VII. 28.) ON CENTRAL BANK SUPERVISION.