

Act LVIII of 2001

on the National Bank of Hungary

PARLIAMENT HAS ADOPTED THE FOLLOWING ACT ON THE NATIONAL BANK OF HUNGARY, ITS PRINCIPAL OBJECTIVES, BASIC TASKS, ITS INSTITUTIONAL, ORGANIZATIONAL, PERSONAL AND FINANCIAL INDEPENDENCE AND ITS OPERATIONS, AS CONSISTENT WITH THE REQUIREMENTS OF AN ADVANCED MARKET ECONOMY.

Chapter I

LEGAL STATUS, PRIMARY OBJECTIVE AND BASIC TASKS OF THE NATIONAL BANK OF HUNGARY

Section 1.

THE NATIONAL BANK OF HUNGARY (HEREINAFTER REFERRED TO AS THE 'NBH') IS THE CENTRAL BANK OF THE REPUBLIC OF HUNGARY. THE NBH AND THE MEMBERS OF ITS DECISION-MAKING BODIES SHALL PERFORM THEIR DUTIES AND CARRY OUT THEIR OBLIGATIONS INDEPENDENTLY AS LAID DOWN IN THIS ACT, AND MAY NEITHER SEEK NOR TAKE INSTRUCTIONS FROM THE GOVERNMENT OR ANY OTHER INSTITUTIONS OR BODIES.

Section 2.

THE PRESIDENT OF THE NBH SHALL REPORT TO PARLIAMENT.

Section 3.

(1) THE CHIEF OBJECTIVE OF THE NBH SHALL BE TO ACHIEVE AND MAINTAIN STABILITY OF PRICES.

(2) WITHOUT PREJUDICE TO ITS PRIMARY OBJECTIVE, THE NBH SHALL SUPPORT THE ECONOMIC POLICY OF THE GOVERNMENT BY MEANS OF THE INSTRUMENTS OF MONETARY CONTROL AT ITS DISPOSAL.

Basic Tasks and Duties of the NBH

Section 4.

(1) THE NBH SHALL DEFINE AND IMPLEMENT MONETARY POLICY CONSISTENT WITH THE PROTECTION OF THE VALUE OF THE NATIONAL CURRENCY.

(2) THE NBH SHALL HAVE THE EXCLUSIVE RIGHT TO ISSUE BANKNOTES AND COINS. THE BANKNOTES AND COINS ISSUED BY THE NBH SHALL BE THE LEGAL TENDER OF THE REPUBLIC OF HUNGARY.

(3) THE NBH SHALL FORM AND MANAGE OFFICIAL RESERVES IN GOLD AND FOREIGN EXCHANGE.

(4) THE NBH MAY CONDUCT FOREIGN EXCHANGE TRANSACTIONS CONSISTENT WITH THE MANAGEMENT OF FOREIGN EXCHANGE RESERVES AND THE IMPLEMENTATION OF EXCHANGE RATE POLICY.

(5) THE NBH SHALL DEVELOP AND REGULATE DOMESTIC PAYMENT AND CLEARING SYSTEMS, AND SUPPORT THE EFFICIENT AND SOUND OPERATION OF THESE SYSTEMS.

(6) THE NBH SHALL COLLECT AND PUBLISH STATISTICAL INFORMATION AS NECESSARY TO CARRY OUT ITS TASKS.

(7) THE NBH SHALL ADVOCATE THE STABILITY OF THE FINANCIAL SYSTEM AND SHALL CONTRIBUTE TO THE DEVELOPMENT AND SMOOTH CONDUCT OF POLICIES RELATED TO THE PRUDENTIAL SUPERVISION OF THE FINANCIAL SYSTEM.

(8) THE NBH MAY ENGAGE IN OTHER ACTIVITIES IF DULY AUTHORIZED BY LAW AND TO THE EXTENT SO AS NOT TO JEOPARDIZE THE ACHIEVEMENT OF ITS PRIMARY OBJECTIVE AND PERFORMANCE OF ITS BASIC TASKS.

Chapter II

TASKS OF THE NBH

Monetary Policy

Section 5.

IN THE INTERESTS OF ACHIEVING THE PRIMARY OBJECTIVE DEFINED IN SUBSECTION (1) OF SECTION 3, THE NBH SHALL INFLUENCE SUPPLY AND DEMAND FACTORS OF MONEY AND CREDIT, USING THE INSTRUMENTS DESCRIBED IN SECTION 7.

Section 6.

THE NBH SHALL INDEPENDENTLY DEFINE ITS MONETARY POLICY AND THE INSTRUMENTS FOR IMPLEMENTING SUCH POLICY WITHIN THE FRAMEWORK LAID DOWN IN THIS ACT.

Instruments of Monetary Policy

Section 7.

THE NBH SHALL IMPLEMENT ITS MONETARY POLICY BY MEANS OF THE FOLLOWING:

A) ACCEPTING ASSETS AND, SUBJECT TO THE RESTRICTIONS DESCRIBED IN SECTION 16, LENDING BASED ON ADEQUATE COLLATERAL, UNDER THE ACCOUNTS IT MANAGES;

B) PURCHASING, SELLING AND MEDIATING SECURITIES ON SPOT AND DERIVATIVE MARKETS WITHIN THE FRAMEWORK OF OPEN MARKET OPERATIONS AND REPURCHASE AGREEMENTS;

C) ISSUING SECURITIES;

D) INFLUENCING AND SETTING EXCHANGE RATES AND INTEREST RATES;

E) DISCOUNTING (REDISCOUNTING) SECURITIES;

- F) REGULATING MINIMUM RESERVES; AND
- G) OTHER CENTRAL BANK INSTRUMENTS.

Section 8.

THE NBH MAY NOT ACCEPT AS COLLATERAL ANY SECURITIES WHICH ARE ISSUED BY THE DEBTOR.

Minimum Reserves

Section 9.

(1) THE NBH MAY REQUIRE FINANCIAL INSTITUTIONS AND INVESTMENT FIRMS TO DEPOSIT FUNDS WITH THE NBH IN RESERVE, IN A SPECIFIC PERCENTAGE OF THEIR LIABILITIES (RESERVE RATIO).

(2) THE NBH MAY PRESCRIBE DIFFERENT RESERVE RATIOS FOR THE VARIOUS TYPES OF LIABILITIES OF FINANCIAL INSTITUTIONS AND INVESTMENT FIRMS.

Section 10.

THE NBH SHALL PUBLISH ANY AMENDMENT OF CENTRAL BANK REGULATIONS ON RESERVE RATIOS AND THE FORMULA FOR THE CALCULATION OF SUCH, AND ON THE METHOD OF CREATING AND PLACING RESERVES, AT LEAST 15 DAYS PRIOR TO THE EFFECTIVE DATE OF SUCH AMENDMENTS.

Exchange Rates

Section 11.

(1) THE NBH SHALL QUOTE THE RATES OF EXCHANGE FOR TRADING FOREIGN CURRENCIES INTO FORINT AND FOR TRADING FORINTS INTO FOREIGN CURRENCIES, AND SHALL PUBLISH THESE RATES.

(2) THE GOVERNMENT SHALL DETERMINE THE EXCHANGE RATE SYSTEM IN AGREEMENT WITH THE NBH.

(3) WITHIN THE FRAMEWORK OF THE EXCHANGE RATE SYSTEM DEFINED IN ACCORDANCE WITH SUBSECTION (2), THE NBH SHALL MOVE - WHEN NECESSARY - TO PROTECT AND INFLUENCE EXCHANGE RATES ON THE CURRENCY MARKETS, DOMESTIC AND FOREIGN, WITHIN ITS POSSIBILITIES.

Interest Rates

Section 12.

THE NBH SHALL SPECIFY THE CENTRAL BANK BASE RATE AS THE PRIME RATE IN THE INTEREST RATE STRUCTURE. THE NBH SHALL PUBLISH THE CENTRAL BANK BASE RATE IN THE OFFICIAL GAZETTE.

Section 13.

THE NBH SHALL PAY INTEREST ON THE MINIMUM RESERVES DEPOSITED BY THE INSTITUTIONS DESCRIBED IN SUBSECTION (1) OF SECTION 9. DIFFERENT INTEREST RATES MAY BE APPLIED ACCORDING TO THE VARIOUS TYPES OF LIABILITIES.

Emergency Loans to Credit Institutions

Section 14.

THE NBH MAY EXTEND AN EMERGENCY LOAN TO A CREDIT INSTITUTION WHOSE OPERATION JEOPARDIZES THE STABILITY OF THE FINANCIAL SYSTEM IN CONSEQUENCE OF SPECIFIC CIRCUMSTANCES. THE NBH MAY RENDER SUCH A LOAN SUBJECT TO THE ACTIONS OF THE STATE FINANCIAL INSTITUTIONS COMMISSION (HEREINAFTER REFERRED TO AS THE 'COMMISSION') OR PERFORMANCE OF ACTIONS BY THE CREDIT INSTITUTION AS INITIATED BY THE COMMISSION.

Relations with the Central Government and Maintenance of Accounts by the NBH

Section 15.

(1) THE NBH SHALL MANAGE THE SINGLE TREASURY ACCOUNT AS WELL AS OTHER GOVERNMENT ACCOUNTS AS SPECIFIED BY THE MINISTER OF FINANCE.

(2) THE NBH SHALL MANAGE THE CURRENT ACCOUNT OF THE HUNGARIAN PRIVATIZATION AND HOLDING COMPANY, THE WORKING BALANCE OF WHICH SHALL BE CONSOLIDATED WITH THE BALANCE OF THE SINGLE TREASURY ACCOUNT ON A CONTINUOUS BASIS.

(3) THE NBH SHALL MANAGE THE CURRENT ACCOUNT OF THE GOVERNMENT DEBT MANAGEMENT COMPANY.

Section 16.

(1) THE NBH MAY NOT PROVIDE ANY LOAN TO THE STATE, TO LOCAL GOVERNMENTS, TO OTHER GOVERNMENT INSTITUTIONS, NOR TO ECONOMIC ORGANIZATIONS IN WHICH THE STATE OR A LOCAL GOVERNMENT HOLDS AN INFLUENTIAL INTEREST. FURTHERMORE, THE NBH MAY NOT PURCHASE SECURITIES ISSUED BY SUCH INSTITUTIONS DIRECTLY FROM THE ISSUER.

(2) FOR THE PURPOSES OF SUBSECTION (1) INFLUENTIAL INTEREST IN AN ECONOMIC ORGANIZATION BY THE STATE OR A LOCAL GOVERNMENT SHALL MEAN IF THE STATE OR THE LOCAL GOVERNMENT, EITHER DIRECTLY OR INDIRECTLY,

A) HOLDS A MAJORITY INTEREST IN THE SUBSCRIBED CAPITAL OF THE ORGANIZATION;

B) CONTROLS THE MAJORITY OF VOTING RIGHTS RELATED TO THE INTEREST; OR

C) HAS THE RIGHT TO APPOINT MORE THAN ONE-HALF OF THE MEMBERS OF THE ORGANIZATION'S SUPREME BODY OR SUPERVISORY BOARD.

(3) THE PROVISIONS OF SUBSECTION (1) SHALL NOT APPLY IN RESPECT OF CREDIT INSTITUTIONS WHICH ARE OWNED, DIRECTLY OR INDIRECTLY, BY THE STATE OR A LOCAL GOVERNMENT.

Section 17.

Section 18.

SEIGNIORAGE ON CURRENCY WITHDRAWAL, I.E. THE DIFFERENCE BETWEEN THE AMOUNT OF CURRENCY ISSUED AND THE AMOUNT OF CURRENCY STILL IN

CIRCULATION WHICH HAS NOT BEEN EXCHANGED PRIOR TO THE EXPIRATION OF THE WITHDRAWAL DEADLINE, SHALL BE USED TO REDUCE ANY STATE DEBT VIS-A-VIS THE NBH. THE MINISTER OF FINANCE AND THE PRESIDENT OF THE NBH SHALL CONCLUDE A SPECIFIC AGREEMENT ON THE IMPLEMENTATION OF THIS PROVISION.

Section 19.

THE NBH MAY ACT AS AN AGENT FOR THE GOVERNMENT ON THE SECURITIES MARKET, BY AUTHORIZATION OF THE GOVERNMENT OR IN RESPECT OF GOVERNMENT-OWNED SECURITIES, WITH THE EXCEPTION OF EQUITIES.

Section 20.

(1) BY AUTHORIZATION OF THE GOVERNMENT, THE NBH MAY PARTICIPATE IN THE GOVERNMENT'S FOREIGN CURRENCY BORROWING OPERATIONS AND IN ITS ISSUE OF SECURITIES ABROAD. THE NBH MAY ALSO CONTRIBUTE TO THE MANAGEMENT, SALE AND COLLECTION OF THE GOVERNMENT'S FOREIGN RECEIVABLES.

(2) THE NBH MAY CONCLUDE FORWARD AND HEDGING TRANSACTIONS WITH THE GOVERNMENT OR AS AN AGENT OF THE GOVERNMENT.

Section 21.

(1) THE NBH SHALL MANAGE THE CURRENT ACCOUNTS OF CREDIT INSTITUTIONS, OR SHALL AUTHORIZE ANOTHER CREDIT INSTITUTION TO DO SO.

(2) THE NBH SHALL MANAGE THE CURRENT ACCOUNTS OF CLEARING HOUSES.

(3) THE NBH SHALL MANAGE THE CURRENT ACCOUNTS OF THE NATIONAL DEPOSIT INSURANCE FUND AND THE INVESTOR PROTECTION FUND.

Section 22.

THE ORGANIZATIONS FOR WHICH THE NBH MAINTAINS CURRENT ACCOUNTS MAY PLACE DEPOSITS WITH THE NBH.

Foreign Exchange Authority Tasks

Section 23.

(1) THE COMPETENCE OF NBH AS THE FOREIGN EXCHANGE AUTHORITY IS ESTABLISHED BY THE LAWS GOVERNING FOREIGN EXCHANGE.

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

Section 24.

IN COORDINATION WITH THE COMMISSION, THE NBH SHALL REGULATE FINANCIAL SERVICES, ACTIVITIES AUXILIARY TO FINANCIAL SERVICES, INVESTMENT SERVICES, ACTIVITIES AUXILIARY TO INVESTMENT SERVICES AND CLEARING HOUSE SERVICES CONDUCTED IN FOREIGN CURRENCIES OR CONDUCTED WITH NONRESIDENTS IN FORINT BY:

A) FINANCIAL INSTITUTIONS;

B) LEGAL ENTITIES ENGAGED IN ACTIVITIES AUXILIARY TO FINANCIAL SERVICES WHICH ARE NOT QUALIFIED AS FINANCIAL INSTITUTIONS; AND

C) INVESTMENT SERVICE PROVIDERS AND CLEARING HOUSES.

Section 25.

UPON AUTHORIZATION BY THE GOVERNMENT, THE NBH MAY UNDERTAKE DUTIES IN INTERNATIONAL FINANCIAL ORGANIZATIONS WHICH ARE CONFERRED UPON IT, UNLESS OTHERWISE PROVIDED FOR BY STATUTE OR BY A RESOLUTION OF THE PARLIAMENT.

Tasks related to Payment Transactions

Section 26.

- (1) THE NBH SHALL DEVELOP THE NATIONAL PAYMENTS AND CLEARING SYSTEM.
- (2) THE NBH SHALL REGULATE PAYMENT TRANSACTIONS.

Section 27.

- (1) THE APPROVAL OF THE NBH SHALL BE REQUIRED TO VALIDATE THE GENERAL TERMS AND BUSINESS CONDITIONS OF THE CLEARING HOUSE FOR CREDIT INSTITUTIONS WHICH OPERATES THE TRANSFER SYSTEM FOR CLEARING TRANSACTIONS, AS WELL AS FOR ANY AMENDMENTS THEREOF. THE CLEARING HOUSE FOR CREDIT INSTITUTIONS SHALL PUBLISH ITS GENERAL TERMS AND BUSINESS CONDITIONS AND ANY AMENDMENTS THEREOF IN THE FINANCIAL GAZETTE.
- (2) THE NBH MAY REQUIRE THE CLEARING HOUSE FOR CREDIT INSTITUTIONS TO CREATE A RISK FUND, OR MAY ISSUE STATUTORY REGULATIONS ON THE METHOD OF FORMATION, AMOUNT AND UTILIZATION OF THE FUND.

Central Banking Information System for Regulatory Powers and Statistics

Section 28.

- (1) IN ORDER TO FULFIL ITS REGULATORY, LICENSING AND CONTROLLING DUTIES SET FORTH BY LAW (HEREINAFTER REFERRED TO AS 'REGULATORY POWERS'), AS WELL AS ITS STATISTICAL DUTIES, THE NBH SHALL OPERATE A CENTRAL BANKING INFORMATION SYSTEM, IN ACCORDANCE WITH THE CONDITIONS SET FORTH IN ACT LXIII OF 1992 ON THE PROTECTION OF PERSONAL DATA AND ACCESS TO INFORMATION OF PUBLIC INTEREST. FINANCIAL INSTITUTIONS, LEGAL ENTITIES ENGAGED IN ACTIVITIES AUXILIARY TO FINANCIAL SERVICES WHICH ARE NOT QUALIFIED AS FINANCIAL INSTITUTIONS, INVESTMENT SERVICE PROVIDERS AND CLEARING HOUSES SHALL BE REQUIRED TO DISCLOSE THE INFORMATION SPECIFIED BY THE NBH TO THIS SYSTEM. WITH DUE CONSIDERATION OF THE OPINIONS SUBMITTED BY THE MINISTRY OF FINANCE AND THE COMMISSION, THE NBH SHALL SPECIFY THE CONTENTS AND METHODOLOGY OF THE CENTRAL BANKING INFORMATION SYSTEM IN CONJUNCTION WITH THE CENTRAL STATISTICAL OFFICE.
- (2) THE NBH SHALL PUBLISH ALL INFORMATION OF IMPORT WHICH IS RELATED TO THE OPERATION OF THE BANKING SYSTEM AND TO THE FINANCIAL SITUATION OF THE COUNTRY, AND SHALL PERIODICALLY PROVIDE ELABORATE DETAILS OF SUCH INFORMATION TO PARLIAMENT, THE GOVERNMENT AND THE MINISTRIES (AGENCIES OF NATIONAL COMPETENCE).

(3) THE INFORMATION SPECIFIED ABOVE MAY ONLY BE DISCLOSED IN A MANNER WHICH PRECLUDES THE POSSIBILITY OF IDENTIFYING THE ENTITIES TO WHOM IT PERTAINS.

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

Oversight

Section 29.

(1) OVERSIGHT BY THE CENTRAL BANK SHALL COVER COMPLIANCE WITH THIS ACT, LEGAL REGULATIONS ON PAYMENT TRANSACTIONS AND FOREIGN EXCHANGE, AND THE CENTRAL BANK REGULATIONS ISSUED FOR THE IMPLEMENTATION OF SUCH IN RESPECT OF FINANCIAL INSTITUTIONS, LEGAL ENTITIES ENGAGED IN ACTIVITIES AUXILIARY TO FINANCIAL SERVICES WHICH ARE NOT QUALIFIED AS FINANCIAL INSTITUTIONS, INVESTMENT SERVICE PROVIDERS AND CLEARING HOUSES. WITHIN THIS FRAMEWORK, THE NBH SHALL BE AUTHORIZED TO REQUEST DATA, REPORTS, BALANCE SHEETS, CERTIFICATES AND OTHER MATERIALS FOR INSPECTION.

(2) IN ITS COMPETENCE TO SUPERVISE THE BANKING SYSTEM, THE NBH SHALL BE ENTITLED TO CONDUCT ON-SITE INSPECTIONS.

(3) IN THE COURSE OF INSPECTION THE ASSIGNED OFFICER(S) OF THE NBH MAY ENTER THE PREMISES (AREAS), VIEW DOCUMENTS, INSPECT OBJECTS, MONITOR WORK PROCEDURES (ACTIVITIES), MAKE INQUIRIES AND GATHER EVIDENCE IN OTHER WAYS TO THE EXTENT REQUIRED TO COMPLETE THE INSPECTION SUCCESSFULLY.

(4) IF IT IS NECESSARY TO SUBSTANTIATE THE AUTHENTICITY OR COMPLETENESS OF THE DOCUMENTS UNDER EXAMINATION OR TO GATHER ADDITIONAL EVIDENCE TO COMPLEMENT THE FINDINGS OF THE INSPECTION, THE INSPECTING OFFICER OF THE NBH SHALL BE ENTITLED TO CONDUCT INQUIRIES AT THE INSTITUTIONS SPECIFIED IN SUBSECTION (1) AND TO EXAMINE FACTS CONNECTED TO THE SUBJECTS DESCRIBED THEREIN.

(5) IN THE EVENT THAT THE INSPECTION REVEALS ANY VIOLATION OF LAW OR OF CENTRAL BANK REGULATIONS, THE NBH SHALL TAKE THE NECESSARY MEASURES, IN PARTICULAR:

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

B) ADVISE THE FINANCIAL INSTITUTION, LEGAL ENTITY ENGAGED IN ACTIVITIES AUXILIARY TO FINANCIAL SERVICES WHICH IS NOT QUALIFIED AS A FINANCIAL INSTITUTION, OR THE INVESTMENT SERVICE PROVIDER OR CLEARING HOUSE WHERE THE VIOLATION IS REVEALED;

C) REQUEST ACTIONS BY OTHER AGENCIES;

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

(6) THE AGENCIES CONTACTED BY THE NBH TO TAKE ACTION SHALL INVESTIGATE THE CHARGES PRESENTED AND INFORM THE NBH WITHIN 30 DAYS OF ANY MEASURES THEY HAVE ORDERED.

Section 30.

(1) IN THE EVENT THAT A CREDIT INSTITUTION USES A LOAN RECEIVED FROM THE NBH FOR PURPOSES OTHER THAN THOSE SPECIFIED IN THE CONTRACT, THE NBH SHALL BE ENTITLED TO LEVY PENALTY INTEREST IN ADDITION TO THE INTEREST SPECIFIED IN THE CONTRACT ON THE AMOUNT OF THE CREDIT WHICH WAS USED IN NON COMPLIANCE.

(2) THE MAXIMUM RATE OF THE PENALTY INTEREST SET FORTH IN SUBSECTION (1) SHALL BE EQUAL TO THE CENTRAL BANK BASE RATE.

Issuing Operations

Section 31.

(1) THE NBH SHALL ANNOUNCE THE ISSUE OF BANKNOTES AND COINS, THEIR DENOMINATIONS AND DISTINGUISHING FEATURES, AND THE WITHDRAWAL OF BANKNOTES AND COINS FROM CIRCULATION BY PUBLIC NOTICE IN THE OFFICIAL GAZETTE.

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

(3) IN RESPECT OF CASH PAYMENT TRANSACTIONS, UP TO FIFTY COINS OF 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 COINS AS PAYMENT.

(4) COUNTERFEIT, FORGED OR MUTILATED (PERFORATED) COINS MUST NOT BE ACCEPTED AS PAYMENT. COINS WHICH HAVE LOST A SIGNIFICANT PORTION OF THEIR WEIGHT OR ARE DIFFICULT TO IDENTIFY NEED NOT BE ACCEPTED AS PAYMENT. COINS WHICH HAVE LOST A SIGNIFICANT PORTION OF THEIR WEIGHT OR HAVE BECOME DIFFICULT TO IDENTIFY AS A RESULT OF NORMAL USE SHALL BE 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 COMPENSATION.

(6) THE NBH SHALL PAY COMPENSATION FOR 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. DAMAGED BANKNOTES SHALL BE REPLACED BY THE NBH FREE OF CHARGE. COMPENSATION FOR THE VALUE OF DAMAGED FORINT COINS SHALL NOT BE PAID BY THE NBH, UNLESS THE COINS CONTAIN PRECIOUS METALS.

(7) THE NBH SHALL NOT PAY COMPENSATION FOR THE VALUE OF BANKNOTES OR COINS WHICH HAVE BEEN DESTROYED. PROCESSES FOR THE DESTRUCTION OF BANKNOTES OR COINS MAY NOT BE INITIATED.

Section 32.

THE NBH SHALL ACCOUNT FOR THE COSTS ASSOCIATED WITH THE PRODUCTION OF BANKNOTES AND COINS AS AN EXPENSE.

Section 33.

THE NBH, CREDIT INSTITUTIONS AND POST OFFICE CASH DESKS SHALL EXCHANGE UP TO 100 COINS OF A SINGLE DENOMINATION FOR OTHER COINS OR BANKNOTES, OR UP TO 100 BANKNOTES OF A SINGLE DENOMINATION FOR OTHER BANKNOTES OR COINS WITHOUT CHARGING ANY FEES, COMMISSIONS OR OTHER COSTS.

Section 34.

(1) IMITATIONS OF BANKNOTES OR COINS IN CIRCULATION FOR ANY PURPOSE (USE IN THEATRE PERFORMANCES, TELEVISION OR FILM PRODUCTIONS, EDUCATION, ETC.) MAY ONLY BE MADE WITH THE PERMISSION OF THE NBH.

(2) REGARDING THE PRODUCTION, REGISTRATION, SAFEKEEPING AND DESTRUCTION OF IMITATIONS THE REGULATIONS OF THE NBH MUST BE OBSERVED.

Chapter III

Relations of the NBH with Other AGENCIES

Relations with Parliament

Section 35.

THE PRESIDENT OF THE NBH SHALL REPORT TO PARLIAMENT IN RESPECT OF THE ACTIVITIES AND MONETARY POLICY OF THE NBH ON AN ANNUAL BASIS. PARLIAMENT MAY ALSO REQUEST INFORMATION ON AN AD-HOC BASIS.

Relations with the Government, Ministries and the Public

Section 36.

THE NBH SHALL BE CONSULTED CONCERNING DECISIONS AND DRAFTS OF LEGISLATION RELATED TO THE TASKS AND DUTIES OF THE NBH AND WHICH AFFECT THE FINANCIAL SYSTEM.

Section 37.

THE MINISTER OF FINANCE SHALL PROVIDE THE NBH WITH PRELIMINARY INFORMATION REGARDING THE BUDGET PROPOSAL. THE NBH MAY EXPRESS ITS OPINION ON THE BUDGET PROPOSAL TO THE GOVERNMENT OR TO THE COMPETENT PARLIAMENTARY COMMITTEE AFTER THE BUDGET DRAFT IS PRESENTED TO PARLIAMENT.

Section 38.

THE GOVERNMENT MAY NOT INSTRUCT THE NBH IN RELATION TO ITS TASKS AND DUTIES SET FORTH IN THIS ACT.

Section 39.

(1) THE AGENDA OF THE MEETINGS OF THE MONETARY COUNCIL (SECTION 49) AND THE EXECUTIVE BOARD OF THE NBH (SECTION 52) SHALL BE SUBMITTED TO THE GOVERNMENT.

(2) THE GOVERNMENT SHALL BE REPRESENTED WITHOUT VOTING RIGHTS BY THE MINISTER OF FINANCE OR A PERSON DULY AUTHORIZED BY THE MINISTER AT THE MEETINGS OF THE MONETARY COUNCIL AND THE EXECUTIVE BOARD.

Section 40.

THE GOVERNMENT SHALL INVITE THE PRESIDENT OF THE NBH TO ATTEND ITS SESSION WHERE THE AGENDA CONTAINS ANY MATTERS PERTAINING TO THE TASKS AND DUTIES OF THE NBH.

Section 41.

(1) THE NBH SHALL PREPARE AND PUBLISH A REPORT ON MONETARY DEVELOPMENTS AND OTHER IMPORTANT ISSUES RELATED TO ITS BASIC TASKS, AT LEAST ON A QUARTERLY BASIS. THE NBH SHALL PUBLISH AN ANNOUNCEMENT REGARDING THE METHOD AND FREQUENCY OF PROVIDING SUCH INFORMATION.

(2) UPON REQUEST, THE NBH SHALL PROVIDE INFORMATION TO THE GOVERNMENT AND THE MINISTRIES ON AN AD-HOC BASIS IN RESPECT OF MONETARY DEVELOPMENTS AND OTHER IMPORTANT ISSUES RELATED TO ITS BASIC TASKS.

Section 42.

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

Relations with the State Financial Institutions Commission

Section 43.

(1) IN THE COURSE OF PERFORMING ITS TASKS, THE NBH SHALL COOPERATE WITH THE COMMISSION.

(2) THE DIRECTOR OF THE COMMISSION SHALL BE INVITED TO MEETINGS OF THE EXECUTIVE BOARD OF THE NBH TO ATTEND DISCUSSION OF MATTERS WHICH PERTAIN TO THE COMMISSION'S SCOPE OF DUTIES.

Section 44.

(1) THE NBH AND THE COMMISSION SHALL EXCHANGE DATA AND INFORMATION WHICH IS NECESSARY FOR THE OTHER ORGANIZATION TO PERFORM ITS TASKS.

(2) THE NBH AND THE COMMISSION SHALL STIPULATE THE METHOD AND SYSTEM OF EXCHANGING DATA AND INFORMATION, WHICH IS NECESSARY TO PERFORM THEIR TASKS, IN AN AGREEMENT.

Relations with the State Audit Office

Section 45.

(1) TASKS RELATED TO THE OVERSIGHT OF THE OPERATIONS OF THE NBH SHALL BE PERFORMED BY THE STATE AUDIT OFFICE (HEREINAFTER REFERRED TO AS 'SAO').

(2) THE SAO SHALL EXAMINE WHETHER THE NBH IS OPERATING IN COMPLIANCE WITH THE LAWS AND OTHER LEGAL REGULATIONS, THE STATUTES AND THE RESOLUTIONS OF THE GENERAL MEETING. THE SCOPE OF AUTHORITY OF SAO SHALL COVER THE ENTIRE RANGE OF OPERATIONS AND MANAGEMENT OF THE NBH, EXCLUSIVE OF THE TASKS DESCRIBED IN SUBSECTIONS (1) AND (3)-(7) OF SECTION 4, AND THE IMPACT OF SUCH ON THE PROFIT OR LOSS OF THE NBH.

(3) THE SAO MAY MAKE PROPOSALS FOR THE APPOINTMENT OF THE AUDITOR OF THE NBH AND MAY SUBMIT PROPOSALS FOR THE DISMISSAL OF SUCH TO THE GENERAL MEETING.

(4) NO SUPERVISORY BOARD SHALL OPERATE AT THE NBH.

Chapter IV

OrganizationAL STRUCTURE of the NBH

Legal Form of the NBH

Section 46.

(1) THE NBH SHALL BE A LEGAL ENTITY FUNCTIONING IN THE FORM OF A COMPANY LIMITED BY SHARES.

(2) THE CORPORATE NAME OF THE NBH NEED NOT BE REGISTERED IN THE COMPANY REGISTER. THE DESIGNATION 'COMPANY LIMITED BY SHARES' NEED NOT BE INDICATED IN THE CORPORATE NAME OF THE NBH.

(3) THE STATUTES OF THE NBH SHALL BE ESTABLISHED BY THE GENERAL MEETING AND SHALL BE PRESENTED TO PARLIAMENT.

(4) THE SHARES OF THE NBH SHALL BE OWNED BY THE STATE. THE STATE, AS THE SHAREHOLDER, SHALL BE REPRESENTED BY THE MINISTER OF FINANCE.

Decision Making Bodies of the NBH

Section 47.

THE DECISION MAKING BODIES OF THE NBH SHALL BE THE GENERAL MEETING, THE MONETARY COUNCIL AND THE EXECUTIVE BOARD.

The General Meeting

Section 48.

THE DUTIES OF THE GENERAL MEETING SHALL BE

A) TO ESTABLISH AND AMEND THE STATUTES;

B) TO DETERMINE THE REGISTERED CAPITAL OF THE NBH;

C) TO ESTABLISH THE BALANCE SHEET AND PROFIT AND LOSS STATEMENT OF THE NBH;

D) TO ELECT AND DISCHARGE THE AUDITOR; AND

E) TO ESTABLISH THE REMUNERATION OF THE AUDITOR.

The Monetary Council

Section 49.

(1) IN RESPECT OF THE DUTIES DESCRIBED IN SECTION 4, SUBSECTION (2) OF SECTION 11 AND SECTION 14, THE SUPREME DECISION MAKING BODY OF THE NBH SHALL BE THE MONETARY COUNCIL.

(2) MEETINGS OF THE MONETARY COUNCIL SHALL BE HELD AT LEAST TWICE EVERY MONTH, BUT MAY BE ALSO CONVENED AT ANY TIME AS NECESSARY.

(3) THE MONETARY COUNCIL SHALL CONSIST OF MINIMUM SEVEN AND MAXIMUM NINE MEMBERS. MEMBERS OF THE MONETARY COUNCIL SHALL BE IN THE EMPLOY OF THE NBH FOR THE DURATION OF THEIR TERM IN OFFICE.

(4) THE MEMBERS OF THE MONETARY COUNCIL SHALL BE:

A) THE PRESIDENT OF THE NBH, AS THE CHAIRPERSON OF THE MONETARY COUNCIL;

B) THE VICE-PRESIDENTS OF THE NBH; AND

1. C) OTHER MEMBERS, WHO SHALL BE APPOINTED BY THE PRESIDENT OF THE REPUBLIC FOR A TERM OF SIX YEARS.

2. (5) MEMBERS OF THE MONETARY COUNCIL MUST BE HUNGARIAN CITIZENS AND MUST HAVE OUTSTANDING THEORETICAL OR PRACTICAL PROFESSIONAL EXPERTISE OF ISSUES RELATED TO MONETARY, FINANCIAL AND BANKING ACTIVITIES.

3. (6) CANDIDATES FOR THE MONETARY COUNCIL SHALL BE INTERVIEWED BY THE COMPETENT PARLIAMENTARY COMMITTEE.

4. (7) MEMBERS OF THE MONETARY COUNCIL SHALL SWEAR AN OATH TO THE PRESIDENT OF THE REPUBLIC UPON ENTERING INTO OFFICE.

5. (8) THE MANDATE OF A MEMBER OF THE MONETARY COUNCIL SHALL TERMINATE UPON:

6. A) EXPIRATION OF THE TERM OF OFFICE;

7. B) RESIGNATION;

8. C) DISMISSAL; OR

9. D) DEATH.

10. (9) RESIGNATIONS SHALL BE SUBMITTED IN WRITING TO THE PRESIDENT OF THE REPUBLIC AND THE PRIME MINISTER.

11. (10) THE PRESIDENT OF THE REPUBLIC MAY RELIEVE A MEMBER OF THE MONETARY COUNCIL FROM OFFICE

12. A) IF THE MEMBER OF THE MONETARY COUNCIL NO LONGER FULFILS THE CONDITIONS REQUIRED FOR THE PERFORMANCE OF HIS DUTIES FOR REASONS BEYOND HIS CONTROL;

13. B) IF THE MEMBER OF THE MONETARY COUNCIL NO LONGER FULFILS THE CONDITIONS REQUIRED FOR THE PERFORMANCE OF HIS DUTIES FOR REASONS WITHIN HIS CONTROL, OR IS GUILTY OF SERIOUS MISCONDUCT.

14. (11) APPOINTMENT OR DISMISSAL OF THE MEMBERS SPECIFIED IN PARAGRAPHS B) AND C) OF SUBSECTION (4) SHALL BE INITIATED BY THE PRESIDENT OF THE NBH, WHICH SHALL BE SUBMITTED TO THE PRESIDENT OF THE REPUBLIC BY THE PRIME MINISTER IF IN AGREEMENT.

15. (12) A COPY OF THE PROPOSAL FOR DISMISSAL UNDER SUBSECTION (11) SHALL BE CONVEYED TO THE AFFECTED MEMBER OF THE MONETARY COUNCIL, WHO MAY SEEK REMEDY IN THE LABOR COURT IN ACCORDANCE WITH THE REGULATIONS SET FORTH IN THE LABOR CODE.

16. (13) THE PROPOSAL FOR THE DISMISSAL OF A MEMBER OF THE MONETARY COUNCIL UNDER SUBSECTION (11) MAY BE SUBMITTED TO THE PRESIDENT OF THE REPUBLIC FOLLOWING THE PERIOD AVAILABLE TO SEEK REMEDY AT THE LABOR COURT, OR FOLLOWING THE FINAL DECISION OF THE COURT IF APPLICABLE.

17. (14) IF THE MANDATE OF A MEMBER OF THE MONETARY COUNCIL

18. A) IS TERMINATED BY RESIGNATION OR BY DISMISSAL PURSUANT TO PARAGRAPH A) OF SUBSECTION (10), SUCH TERMINATION SHALL BE EQUIVALENT TO TERMINATION OF THE EMPLOYMENT RELATIONSHIP BY THE EMPLOYER PURSUANT TO SUBSECTION (2) OF SECTION 88 OF THE LABOR CODE;

19. B) IS TERMINATED BY DISMISSAL PURSUANT TO PARAGRAPH B) OF SUBSECTION (10), SUCH TERMINATION SHALL BE EQUIVALENT TO EXTRAORDINARY DISMISSAL BY THE EMPLOYER, WITH DUE CONSIDERATION OF THE PROVISIONS OF SUBSECTION (1) OF SECTION 88 OF THE LABOR CODE.

20. (15) THE MONETARY COUNCIL SHALL HAVE A QUORUM IF AT LEAST FIVE OF ITS MEMBERS ARE PRESENT. THE MONETARY COUNCIL SHALL ADOPT ITS RESOLUTIONS BY A SIMPLE MAJORITY OF THE VOTES CAST. IN THE EVENT OF A TIE, THE CHAIRPERSON SHALL HAVE THE CASTING VOTE. IN THE EVENT THAT THE CHAIRPERSON IS PREVENTED FROM VOTING, THE VICE-PRESIDENT DESCRIBED IN SUBSECTION (6) OF SECTION 50 SHALL HAVE THE CASTING VOTE.

21. (16) THE PRESIDENT OF THE NBH, OR UPON HIS AUTHORIZATION THE VICE-PRESIDENT DESCRIBED IN SUBSECTION (6) OF SECTION 50, SHALL BE ENTITLED TO MAKE PUBLIC THE POSITION OF THE MONETARY COUNCIL.

The President of the NBH

Section 50.

(1) THE HEAD OF THE NBH SHALL BE THE PRESIDENT.

- (2) THE PRESIDENT OF THE NBH SHALL BE NOMINATED BY THE PRIME MINISTER AND APPOINTED BY THE PRESIDENT OF THE REPUBLIC FOR A TERM OF SIX YEARS.
- (3) THE PRESIDENT OF THE NBH MAY BE RELIEVED FROM OFFICE BY THE PRESIDENT OF THE REPUBLIC IN ACCORDANCE WITH THE PROVISIONS SET FORTH IN SUBSECTION (10) OF SECTION 49, BY MOTION OF THE PRIME MINISTER.
- (4) THE MOTION FOR DISMISSAL PURSUANT TO SUBSECTION (3) SHALL BE CONVEYED TO THE PRESIDENT OF THE NBH, WHO MAY SEEK REMEDY IN THE LABOR COURT IN ACCORDANCE WITH THE REGULATIONS SET FORTH IN THE LABOR CODE.
- (5) THE MOTION FOR DISMISSAL CAN BE SUBMITTED TO THE PRESIDENT OF THE REPUBLIC FOLLOWING THE PERIOD AVAILABLE TO SEEK REMEDY AT THE LABOR COURT, OR FOLLOWING THE FINAL DECISION OF THE COURT IF APPLICABLE.
- (6) THE PRESIDENT OF THE NBH SHALL APPOINT A VICE-PRESIDENT WITH GENERAL AUTHORIZATION TO REPRESENT HIM IN THE EVENT THAT HE IS PREVENTED FROM DISCHARGING HIS DUTIES.
- (7) THE PROVISIONS OF SUBSECTIONS (5)-(10) AND (14) OF SECTION 49 SHALL APPLY IN RESPECT OF THE PRESIDENT OF THE NBH.

Vice-Presidents of the NBH

Section 51.

- (1) THE NBH SHALL HAVE MINIMUM THREE AND MAXIMUM FIVE VICE-PRESIDENTS APPOINTED BY THE PRESIDENT OF THE REPUBLIC. THE PROPOSAL SPECIFIED IN SUBSECTION (11) OF SECTION 49 SHALL INDICATE THE SCOPE OF RESPONSIBILITIES OF THE CANDIDATE. THE PRESIDENT OF THE NBH SHALL INFORM THE PRESIDENT OF THE REPUBLIC, THE PRIME MINISTER AND THE COMPETENT PARLIAMENTARY COMMITTEE REGARDING ANY CHANGES IN THE SCOPE OF RESPONSIBILITIES OF A VICE-PRESIDENT.
- (2) THE TERM OF OFFICE OF VICE-PRESIDENTS OF THE NBH SHALL BE SIX YEARS.
- (3) THE PROVISIONS OF SUBSECTIONS (5)-(14) OF SECTION 49 SHALL APPLY IN RESPECT OF THE VICE-PRESIDENTS OF THE NBH.

The Executive Board

Section 52.

- (1) THE EXECUTIVE BOARD SHALL BE RESPONSIBLE FOR THE IMPLEMENTATION OF THE DECISIONS OF THE MONETARY COUNCIL AND THE OPERATIONS OF THE NBH.
- (2) THE EXECUTIVE BOARD SHALL CONSIST OF MINIMUM FOUR AND MAXIMUM SIX MEMBERS, NAMELY
- A) THE PRESIDENT OF THE NBH AS THE CHAIRPERSON OF THE EXECUTIVE BOARD;
 - B) THE VICE-PRESIDENTS OF THE NBH.
- (3) THE CHAIRPERSON SHALL REPRESENT THE EXECUTIVE BOARD.

(4) THE POWERS AND AUTHORITIES OF THE EXECUTIVE BOARD SHALL COVER

A) GUIDANCE OF THE IMPLEMENTATION OF THE TASKS DESCRIBED IN SECTION 4;

B) PREPARATION OF THE PROPOSAL TO BE SUBMITTED TO THE GENERAL MEETING IN RESPECT OF THE BALANCE SHEET AND PROFIT AND LOSS STATEMENT OF THE NBH AND THE ALLOCATION OF PROFITS, FURTHERMORE, APPROVAL OF THE DRAFT REPORT SUBMITTED TO THE GENERAL MEETING IN RESPECT OF THE MANAGEMENT, THE FINANCIAL SITUATION AND THE BUSINESS POLICY OF THE NBH;

C) APPROVAL OF ISSUES RELATED TO THE ORGANIZATION AND INTERNAL AFFAIRS OF THE NBH;

D) APPROVAL OF SPECIFIC PLANS AND PROGRAMS RELATED TO THE OPERATIONS OF THE NBH OR THE PERFORMANCE OF ITS TASKS, INCLUDING DEVELOPMENT AND OPERATIONAL BUDGETS;

E) DISCUSSION OF THE RESULTS OF INTERNAL AUDITING AND PLANS RELATED TO INTERNAL AUDITING;

F) APPROVAL OF ANY MAJOR AMENDMENTS TO THE COLLECTIVE EMPLOYMENT CONTRACT; AND

G) OTHER ISSUES PROPOSED WITH THE CONSENT OF THE CHAIRPERSON.

(5) MEMBERS OF THE EXECUTIVE BOARD MAY PROPOSE TO THE CHAIRPERSON TO ADD OTHER ITEMS TO THE AGENDA, WHICH ARE NOT INCLUDED IN SUBSECTION (4).

(6) THE EXECUTIVE BOARD SHALL ADOPT ITS RESOLUTIONS BY A SIMPLE MAJORITY OF THE VOTES CAST. IN THE EVENT OF A TIE, THE CHAIRPERSON SHALL HAVE THE CASTING VOTE. IN THE EVENT THAT THE CHAIRPERSON IS PREVENTED FROM VOTING, THE VICE-PRESIDENT DESCRIBED IN SUBSECTION (6) OF SECTION 50 SHALL HAVE THE CASTING VOTE.

Remuneration of the President, Vice-Presidents and Members of the Monetary Council

Section 53.

(1) THE TOTAL EARNINGS OF THE PRESIDENT FROM THE NBH IN A GIVEN YEAR SHALL BE THE TOTAL EARNINGS ESTABLISHED FOR THE PRESIDENT FOR THE PRECEDING YEAR INCREASED BY THE INCREMENT OF THE GROSS AVERAGE EARNINGS IN THE NATIONAL ECONOMY IN THE GIVEN YEAR AS PUBLISHED BY THE CENTRAL STATISTICAL OFFICE. FOR THE FRACTIONS OF THE YEARS OF ENTERING INTO AND LEAVING OFFICE, THE REMUNERATION SHALL BE CALCULATED BASED ON THE MONTHLY AVERAGE OF THE EARNINGS ESTABLISHED FOR THE PRECEDING YEAR.

(2) THE EARNINGS OF THE VICE-PRESIDENTS FROM THE NBH SHALL AMOUNT TO SEVENTY (70) PER CENT OF THE EARNINGS OF THE PRESIDENT OF THE NBH.

(3) THE EARNINGS OF THE VICE-PRESIDENT DESCRIBED IN SUBSECTION (6) OF SECTION 50 FROM THE NBH SHALL AMOUNT TO EIGHTY (80) PER CENT OF THE EARNINGS OF THE PRESIDENT OF THE NBH.

(4) THE EARNINGS OF THE MEMBERS OF THE MONETARY COUNCIL DESCRIBED IN PARAGRAPH C) OF SUBSECTION (4) OF SECTION 49 FROM THE NBH SHALL AMOUNT TO THIRTY-FIVE (35) PER CENT OF THE EARNINGS OF THE PRESIDENT OF THE NBH.

(5) THE PRESIDENT AND THE VICE-PRESIDENTS OF THE NBH SHALL NOT RECEIVE EXTRA REMUNERATION FOR THEIR MEMBERSHIP IN THE MONETARY COUNCIL.

(6) THE PRESIDENT AND THE VICE-PRESIDENTS OF THE NBH SHALL BE ENTITLED TO SEVERANCE PAY EQUAL TO SIX MONTHS PAY WHEN RELIEVED FROM OFFICE UNDER PARAGRAPH A) OF SUBSECTION (8) OR PARAGRAPH A) OF SUBSECTION (10) OF SECTION 49.

Professional Secrecy and the Legal Status of Employees of the NBH

Section 54.

(1) EMPLOYEES OF THE NBH SHALL BE REQUIRED NOT TO DISCLOSE ANY STATE SECRETS, BANK SECRETS, SECURITIES SECRETS AND BUSINESS SECRETS WHICH THEY OBTAIN IN THE COURSE OF DISCHARGING THEIR DUTIES AT THE NBH. THIS OBLIGATION TO MAINTAIN SECRECY SHALL REMAIN IN EFFECT FOLLOWING THE TERMINATION OF THEIR EMPLOYMENT AT THE NBH.

(2) REGARDING THE DEFINITION OF BANK SECRETS, SECURITIES SECRETS AND BUSINESS SECRETS AND COMPLIANCE WITH THE OBLIGATION OF CONFIDENTIALITY THE PROVISIONS OF THE RELEVANT LAWS SHALL APPLY.

Section 55.

FOR THE PURPOSES OF CRIMINAL LAW, EMPLOYEES OF THE NBH SHALL BE CONSIDERED PUBLIC OFFICIALS IN RESPECT OF THEIR CENTRAL BANKING DUTIES.

Section 56.

THE PROVISIONS OF THE LABOR CODE SHALL APPLY TO THE EMPLOYEES OF THE NBH, WITH DUE CONSIDERATION OF THE DEROGATIONS SET FORTH IN THIS ACT.

Conflict of Interest

Section 57.

(1) UNLESS OTHERWISE PROVIDED FOR BY LAW, EMPLOYEES OF THE NBH MAY NOT ESTABLISH AND MAY NOT MAINTAIN A MEMBERSHIP RELATIONSHIP, EMPLOYMENT RELATIONSHIP, WORK-RELATED CONTRACTUAL RELATIONSHIP, OR A LEGAL RELATIONSHIP AS AN EXECUTIVE OFFICER OR MEMBER OF THE SUPERVISORY BOARD AT A CREDIT INSTITUTION, INVESTMENT FIRM, THE NATIONAL DEPOSIT INSURANCE FUND OR THE INVESTOR PROTECTION FUND. THIS RESTRICTION SHALL NOT APPLY TO FINANCIAL INSTITUTIONS IN WHICH THE NBH HAS AN OWNERSHIP INTEREST.

(2) EMPLOYEES OF THE NBH TO WHOM SECTION 49 DOES NOT APPLY MAY ONLY ESTABLISH OR MAINTAIN EMPLOYMENT RELATIONSHIPS OR WORK-RELATED CONTRACTUAL RELATIONSHIP WITH THE PERMISSION OF THE PRESIDENT OF THE NBH, WITH THE EXCEPTION OF SCIENTIFIC, EDUCATIONAL, ARTISTIC, PROOF-READING AND EDITORIAL ACTIVITIES, AND INTELLECTUAL ACTIVITIES PROTECTED BY COPYRIGHT. SUCH ACTIVITIES MUST BE REPORTED.

(3) WITH THE EXCEPTION OF INHERITANCE, EMPLOYEES OF THE NBH MAY NOT ACQUIRE OWNERSHIP IN FINANCIAL INSTITUTIONS OR INVESTMENT FIRMS.

(4) EMPLOYEES OF THE NBH MAY NOT HOLD OWNERSHIP INTERESTS IN FINANCIAL INSTITUTIONS OR INVESTMENT FIRMS. UPON APPOINTMENT (ELECTION, ASSIGNMENT, EMPLOYMENT) EMPLOYEES SHALL SUBMIT A STATEMENT SPECIFYING ANY EXISTING OWNERSHIP INTERESTS THEY MAY HAVE IN FINANCIAL INSTITUTIONS OR INVESTMENT FIRMS.

(5) EMPLOYEES OF THE NBH SHALL ALIENATE ANY OWNERSHIP INTEREST DEFINED UNDER SUBSECTION (4) ACQUIRED PRIOR TO APPOINTMENT OR BY WAY OF INHERITANCE, WITHIN THREE MONTHS OF THEIR APPOINTMENT OR ACQUISITION.

(6) EMPLOYEES OF THE NBH SHALL FORTHWITH REPORT THE ACQUISITION OF ANY OWNERSHIP INTEREST DEFINED UNDER SUBSECTION (4) BY A CLOSE RELATIVE LIVING IN THEIR HOUSEHOLD SUBSEQUENT TO THEIR APPOINTMENT.

(7) ANY EMPLOYEE OF THE NBH WHO DID NOT SATISFY THE OBLIGATION SET FORTH IN SUBSECTION (5) OR WHOSE CLOSE RELATIVE LIVING IN THE SAME HOUSEHOLD IS SUBJECT TO CONFLICT OF INTEREST SHALL NOT TAKE PART IN THE PREPARATION AND ADOPTION OF ANY DECISIONS RELATED TO THE ORGANIZATION WHICH IS INVOLVED IN THE CONFLICT OF INTEREST UNTIL THE SAID OBLIGATION IS SATISFIED OR THE CONFLICT OF INTEREST IS TERMINATED.

(8) UPON APPOINTMENT, EMPLOYEES OF THE NBH SHALL BE REQUIRED TO MAKE A STATEMENT REGARDING THEIR MEMBERSHIP IN COOPERATIVE CREDIT INSTITUTIONS. SUCH MEMBERSHIP NEED NOT BE TERMINATED AS LONG AS THE EMPLOYEE OF THE NBH HAS ANY DEBT OWED TO THE CREDIT INSTITUTION. HOWEVER, DURING THIS PERIOD THE EMPLOYEE MAY NOT PARTICIPATE IN THE PREPARATION AND ADOPTION OF ANY DECISIONS ON MATTERS WHICH PERTAIN TO THE ORGANIZATION IN WHICH THE EMPLOYEE IS A MEMBER.

(9) UPON APPOINTMENT, EMPLOYEES OF THE NBH SHALL BE REQUIRED TO MAKE A WRITTEN STATEMENT AS TO WHETHER ANY OF THEIR CLOSE RELATIVES LIVING IN THEIR HOUSEHOLD ARE IN A LEGAL RELATIONSHIP AS AN EXECUTIVE OFFICER OR ARE IN AN EMPLOYMENT OR OTHER CONTRACTUAL RELATIONSHIP WITH A FINANCIAL INSTITUTION OR INVESTMENT FIRM. FOLLOWING THEIR APPOINTMENT, THEY SHALL FORTHWITH REPORT THE ESTABLISHMENT OF ANY SUCH RELATIONSHIP. UNTIL TERMINATION OF THE CONFLICT OF INTEREST THE EMPLOYEE OF THE NBH MAY NOT PARTICIPATE IN THE PREPARATION AND ADOPTION OF ANY DECISIONS WHICH PERTAIN TO THE CREDIT INSTITUTION OR INVESTMENT FIRM IN WHICH THEIR CLOSE RELATIVE MAINTAINS A LEGAL RELATIONSHIP WHICH CONSTITUTES A BASIS FOR A CONFLICT OF INTEREST.

(10) EMPLOYEES OF THE NBH SHALL REPORT ACQUISITION OF THE FOLLOWING WITHIN THREE BUSINESS DAYS:

A) SECURITIES OTHER THAN GOVERNMENT SECURITIES, CERTIFICATES OF DEPOSIT, INVESTMENT CERTIFICATES AND PRIVATELY PLACED SECURITIES; AND

B) OTHER INVESTMENT INSTRUMENTS.

(11) EMPLOYEES OF THE NBH TO WHOM SECTION 49 DOES NOT APPLY SHALL SUBMIT THE REPORTS AND STATEMENTS DESCRIBED IN THIS SECTION TO THE PARTY EXERCISING EMPLOYER'S RIGHTS. THE NBH SHALL REGISTER SUCH REPORTS AND STATEMENTS.

(12) NO LEGAL RELATIONSHIP SHALL BE ESTABLISHED IN THE NBH, IN CONSEQUENCE OF WHICH AN EMPLOYEE OF THE NBH IS PLACED IN A MANAGING (SUPERVISORY), CONTROLLING OR ACCOUNTING RELATIONSHIP WITH A CLOSE RELATIVE.

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

Section 58.

(1) MEMBERS OF THE MONETARY COUNCIL OF THE NBH MAY ONLY ENGAGE IN ANY OTHER ACTIVITIES WHICH ARE COMPATIBLE WITH THEIR CENTRAL BANK DECISION MAKING DUTIES. SUCH MEMBERS MAY NOT HOLD OFFICE IN POLITICAL PARTIES, MAY NOT CARRY OUT PUBLIC ACTIVITIES ON BEHALF OF OR IN THE INTEREST OF POLITICAL PARTIES, MAY NOT BE REPRESENTATIVES IN PARLIAMENT OR IN LOCAL GOVERNMENTS AND MAY NOT BE SENIOR OFFICERS OR PUBLIC OFFICIALS IN THE NATIONAL OR IN A LOCAL GOVERNMENT.

(2) MEMBERS OF THE MONETARY COUNCIL OF THE NBH MAY NOT BE EXECUTIVE OFFICERS OR SUPERVISORY BOARD MEMBERS OF A BUSINESS ASSOCIATION.

(3) MEMBERS OF THE EXECUTIVE BOARD OF THE NBH MAY NOT ESTABLISH ANY OTHER EMPLOYMENT RELATIONSHIPS OR OTHER WORK-RELATED CONTRACTUAL RELATIONSHIPS.

(4) MEMBERS OF THE MONETARY COUNCIL (PARAGRAPH C) OF SUBSECTION (4) OF SECTION 49) MAY ESTABLISH OTHER EMPLOYMENT RELATIONSHIPS OR WORK-RELATED CONTRACTUAL RELATIONSHIPS IF SUCH DO NOT CONSTITUTE CONFLICT OF INTEREST WITH THEIR MEMBERSHIP IN THE MONETARY COUNCIL. SUCH RELATIONSHIPS SHALL BE REPORTED.

(5) MEMBERS OF THE MONETARY COUNCIL MAY ESTABLISH OTHER LEGAL RELATIONSHIPS FOR THE PERFORMANCE OF SCIENTIFIC, EDUCATIONAL, ARTISTIC, PROOF-READING AND EDITORIAL WORK, AS WELL AS INTELLECTUAL ACTIVITIES PROTECTED BY COPYRIGHT. SUCH RELATIONSHIPS SHALL BE REPORTED IN ADVANCE.

(6) MEMBERS OF THE MONETARY COUNCIL OF THE NBH SHALL SUBMIT THEIR REPORTS AND STATEMENTS PURSUANT TO SUBSECTIONS (4), (6) AND (8)-(10) OF SECTION 57 AND SUBSECTIONS (4) AND (5) OF SECTION 58 TO THE PRESIDENT OF THE REPUBLIC.

(7) IN RESPECT OF MEMBERS OF THE MONETARY COUNCIL OF THE NBH THE CONFLICT OF INTEREST PROVISIONS SET FORTH IN SUBSECTION (1) OF SECTION 57 SHALL REMAIN IN EFFECT FOR A PERIOD OF SIX MONTHS FOLLOWING TERMINATION OF THE EMPLOYMENT RELATIONSHIP.

Auditor

Section 59.

THE AUDITOR OF THE NBH MAY BE APPOINTED FOR A MAXIMUM TERM OF FIVE YEARS. FOLLOWING EXPIRATION OF SAID TERM THE SAME AUDITOR MAY NOT BE REAPPOINTED WITHIN FIVE YEARS.

Chapter V

Miscellaneous Provisions

Powers and Authorities

Section 60.

(1) WITHIN THE FRAMEWORK OF LAW, THE NBH MAY ISSUE STATUTORY REGULATIONS FOR FINANCIAL INSTITUTIONS, LEGAL ENTITIES ENGAGED IN ACTIVITIES AUXILIARY TO FINANCIAL SERVICES WHICH ARE NOT QUALIFIED AS FINANCIAL INSTITUTIONS, INVESTMENT SERVICE PROVIDERS AND CLEARING HOUSES IN CENTRAL BANK DECREES. SUCH REGULATIONS SHALL GOVERN:

A) THE RATE AND CALCULATION OF REQUIRED MINIMUM RESERVES, AND THE METHOD OF ALLOCATION AND PLACEMENT OF SUCH RESERVES;

B) THE SCOPE OF INFORMATION TO BE PROVIDED FOR CARRYING OUT ITS OFFICIAL AND STATISTICAL DUTIES, AND THE METHOD AND DEADLINE FOR DISCLOSING SUCH INFORMATION;

C) DATA TO BE MADE PUBLIC AND THE METHOD OF PUBLISHING;

D) FINANCIAL SERVICE, INVESTMENT SERVICE AND CLEARING HOUSE ACTIVITIES CONDUCTED IN FOREIGN EXCHANGE, OR CONDUCTED IN FORINTS WITH NONRESIDENTS FOR THE PURPOSES OF FOREIGN EXCHANGE REGULATIONS;

E) PAYMENT TRANSACTIONS; AND

F) FINANCIAL SERVICES AND ACTIVITIES AUXILIARY TO FINANCIAL SERVICES FALLING WITHIN ITS SCOPE OF LICENSING AUTHORITY, AND THE MATERIAL CONDITIONS FOR SUCH.

(2) CENTRAL BANK DECREES GOVERNING PAYMENT TRANSACTIONS SHALL APPLY TO LEGAL ENTITIES, BUSINESS ORGANIZATIONS WITHOUT LEGAL PERSONALITY AND NATURAL PERSONS. DECREES OF THIS NATURE SHALL BE ISSUED IN ACCORDANCE WITH THE ORDER SPECIFIED IN SUBSECTION (2) SECTION 51/A OF ACT XI OF 1987 ON LEGISLATION.

(3) THE NBH MAY ISSUE STATUTORY CENTRAL BANK DECREES FOR INVESTMENT SERVICE PROVIDERS AND FOR CLEARING HOUSES PURSUANT TO ACT CXI OF 1996 ON SECURITIES TRADING, INVESTMENT SERVICES AND THE STOCK EXCHANGE IN THE CASES SET FORTH IN PARAGRAPHS B) AND D) OF SUBSECTION (1) AND FOR INVESTMENT ENTERPRISES IN THE CASES SET FORTH IN PARAGRAPH A) OF SUBSECTION (1).

Section 61.

(1) THE NBH SHALL BE ENTITLED TO CONDUCT ANY FORINT TRANSACTION INCLUDED IN THE SCOPE OF FINANCIAL SERVICES TO THE BODIES FOR WHICH IT MAINTAINS OR MAY MAINTAIN A CURRENT ACCOUNT.

(2) THE NBH SHALL BE ENTITLED TO PROVIDE THE FOLLOWING FINANCIAL SERVICES TO NATURAL PERSONS AND TO ORGANIZATIONS OTHER THAN THOSE REFERRED TO IN SUBSECTION (1):

A) ACCEPTANCE OF BANK DEPOSITS (SAFE DEPOSIT TRANSACTIONS) ON THE BASIS OF A LAW OR BY ORDER OF AN AUTHORITY; AND

B) ISSUE OF CHECKS AND TRAVELER'S CHECKS, AND SETTLEMENT OF PAYMENT TRANSACTIONS WITH SUCH.

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

(4) THE NBH SHALL HAVE AUTHORITY TO MAINTAIN THE BANK ACCOUNT OF THE POSTAL SERVICE ASSOCIATED WITH THE PERFORMANCE OF NATIONAL CASH PAYMENT TRANSACTIONS.

(5) THE NBH MAY CONDUCT ANY TRANSACTION IN FOREIGN EXCHANGE AND PRECIOUS METALS INCLUDED IN THE SCOPE OF FINANCIAL SERVICES, AND MAY PERFORM SUCH TRANSACTIONS IN FORINT WITH NONRESIDENTS FOR THE PURPOSES OF FOREIGN EXCHANGE REGULATIONS.

Section 62.

(1) BASED ON CLAIMS ARISING IN CONNECTION WITH ITS CENTRAL BANKING DUTIES, 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 WAS ACQUIRED. BASED ON THE STATUTORY LIEN THE NBH SHALL HAVE POWERS TO SATISFY ITS CLAIMS FROM THE PROPERTY TO WHICH THE LIEN PERTAINS WITHOUT ANY COURT PROCEEDINGS, IN THE MANNER IT DEEMS MOST SUITABLE. THIS PROVISION SHALL BE APPROPRIATELY APPLIED TO SATISFACTION FROM COLLATERAL SECURITY PROVIDED TO THE NBH.

(2) IN RESPECT OF LIENS OR COLLATERAL SECURITY OBTAINED BY THE NBH IN CONNECTION WITH ITS CENTRAL BANKING TASKS AND DUTIES, THE PROVISIONS OF ACT XLIX OF 1991 ON BANKRUPTCY PROCEEDINGS, LIQUIDATION PROCEEDINGS AND MEMBERS' VOLUNTARY DISSOLUTION ON THE RESTRICTION OF DIRECT ENFORCEMENT OF SUCH COLLATERAL CLAIMS SHALL NOT BE APPLIED.

Section 63.

DOMESTIC LEGAL ACTION AGAINST THE NBH MAY ONLY BE FILED AT THE COURT HAVING JURISDICTION FOR THE PLACE WHERE IT IS ESTABLISHED. THIS PROVISION SHALL NOT APPLY IN RESPECT OF LEGAL ACTIONS ARISING FROM EMPLOYMENT RELATIONSHIPS.

Section 64.

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

Regulation pertaining to the Income of the NBH

Section 65.

(1) THE NBH SHALL TRANSFER ITS ANNUAL NET PROFIT - CALCULATED ON THE BASIS OF ITS REVENUES AND EXPENDITURES DEFINED IN LINE WITH THE ACCOUNTING RULES OF THE NBH - LESS THE DIVIDENDS PAID IN ACCORDANCE WITH SUBSECTION (2), INTO THE PROFIT RESERVE. IF THE PROFIT FOR A GIVEN YEAR IS INSUFFICIENT TO COVER THE DIVIDEND PAYABLE UNDER SUBSECTION (2), THE DIFFERENCE SHALL BE COVERED FROM THE PROFIT RESERVE WHEN CALCULATING THE RETAINED EARNINGS.

(2) THE NBH SHALL PAY DIVIDEND IN THE AMOUNT OF THE AVERAGE PROFITS OF THE SECOND, THIRD AND FOURTH YEAR PRECEDING THE YEAR FOR WHICH THE DIVIDEND IS PAID. SUCH DIVIDEND, HOWEVER, MAY NOT EXCEED THE AGGREGATE OF THE PROFIT OR LOSS FOR THE SUBJECT YEAR AND THE PROFIT RESERVE. THE PAYMENT OF DIVIDEND SHALL BE EFFECTED WITHIN 8 DAYS OF APPROVAL OF THE ANNUAL ACCOUNT OF THE NBH FOR THE YEAR IN QUESTION.

(3) WHERE THE LOSSES INCURRED IN A YEAR EXCEED THE BALANCE OF THE PROFIT RESERVE, THE DIFFERENCE SHALL BE PAID BY THE GOVERNMENT DIRECTLY TO THE PROFIT RESERVE WITHIN 8 DAYS OF APPROVAL OF THE ANNUAL ACCOUNT OF THE NBH FOR THE YEAR IN QUESTION.

(4)

Chapter VI

Approximation with the Laws of the European Communities

Section 66.

WITHIN THE FRAMEWORK OF SECTION 3 OF ACT I OF 1994 PROMULGATING THE EUROPE AGREEMENT ESTABLISHING AN ASSOCIATION BETWEEN THE REPUBLIC OF HUNGARY AND THE EUROPEAN COMMUNITIES AND THEIR MEMBER STATES, SIGNED IN BRUSSELS ON 16 DECEMBER 1991, THIS ACT CONTAINS REGULATIONS DESIGNED TO APPROXIMATE ARTICLES 105, 108 AND 122 OF THE TREATY ESTABLISHING THE EUROPEAN COMMUNITIES AND ITS ANNEXED PROTOCOL NO. 18 ON THE STATUTE OF THE EUROPEAN SYSTEM OF CENTRAL BANKS AND OF THE EUROPEAN CENTRAL BANK.

Chapter VII

Closing Provisions

Section 67.

(1) TASKS AND DUTIES OF THE NBH RELATIVE TO PAYMENT TRANSACTIONS, FOREIGN EXCHANGE MANAGEMENT AND THE LICENSING OF FINANCIAL SERVICES AND

AUXILIARY FINANCIAL SERVICES FALLING UNDER ITS AUTHORITY MAY BE PRESCRIBED BY ACT OR BY GOVERNMENT DECREE. GOVERNMENT DECREES OF THIS NATURE SHALL BE ISSUED WITH THE AGREEMENT OF THE NBH.

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

Section 68.

(1) ANNUAL INTEREST SET FORTH IN SUBSECTION (2) SHALL BE PAID ON THE LONG-TERM CREDITS EXTENDED TO THE GOVERNMENT AND OUTSTANDING UPON THE ENTRY INTO FORCE OF ACT LX OF 1991 ON THE NATIONAL BANK OF HUNGARY (HEREINAFTER REFERRED TO AS THE 'NBH ACT'), WITH THE EXCEPTION OF THE LONG-TERM CENTRAL BANK LOANS SPECIFIED IN SUBSECTION (2) SECTION 7 OF ACT CIV OF 1990 ON THE 1991 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 LIABILITIES 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 DEFINED - SPECIFICALLY - IN THE BUDGET ACT.

(2) IN RESPECT OF THE CALCULATION OF THE INTEREST RATE REFERRED TO IN SUBSECTION (1), THE FOREIGN EXCHANGE LIABILITIES OF THE NBH SHALL BE UNDERSTOOD AS THE DATA FROM THE BALANCE SHEET TWO YEARS PRIOR TO THE YEAR TO WHICH THE INTEREST PAYMENT OBLIGATION APPLIES. IF THE DATA FROM THE BALANCE SHEET IS NOT YET AVAILABLE, THE FORECAST OF THE NBH SHALL BE ACCEPTED.

Section 69.

(1) THE NBH MAY NOT HOLD OWNERSHIP INTERESTS IN ANY FOREIGN OR DOMESTIC BUSINESS ASSOCIATIONS.

(2) SUBSECTION (1) SHALL NOT APPLY IN RESPECT OF OWNERSHIP INTERESTS IN BUSINESS ASSOCIATIONS RELATED TO THE ACTIVITIES OF THE NBH.

(3) WITHOUT PREJUDICE TO SUBSECTIONS (1) AND (2), THE NBH MAY HOLD OWNERSHIP INTERESTS IN BUSINESS ASSOCIATIONS ESTABLISHED FOR THE FOLLOWING PURPOSES:

A) SETTLEMENT OF NATIONAL CLEARING TRANSACTIONS BETWEEN CREDIT INSTITUTIONS; AND

B) SETTLEMENT OF SECURITIES AND STOCK EXCHANGE TRANSACTIONS, SAFE DEPOSIT, MANAGEMENT AND REGISTRATION OF SECURITIES AND STOCK EXCHANGE ACTIVITIES.

Section 70.

THE PROVISIONS OF ACT CXLIV OF 1997 ON BUSINESS ASSOCIATIONS SHALL APPLY TO THE NBH BY WAY OF THE DEROGATIONS SET FORTH IN THIS ACT.

Section 71.

(1) PRIOR TO ENTRY INTO FORCE OF THIS ACT, THE CENTRAL BANK BASE INTEREST RATE SHALL SERVE AS THE REFERENCE INTEREST RATE ON LOANS EXTENDED TO THE GOVERNMENT BY THE NBH, WITH THE EXCEPTION OF THE LOANS DESCRIBED IN SECTION 68.

(2) A PORTION OF PRIVATIZATION REVENUES AT LEAST EQUAL TO THE AMOUNT OF CREDIT THE NBH HAS EXTENDED FOR THE SALE OF STATE PROPERTY, SHALL BE ALLOCATED FOR THE REDUCTION OF GOVERNMENT DEBT VIS-&AGRAVE;-VIS THE NBH.

(3) THE NBH MAY GRANT A LOAN OR, IN THE CASE OF A TEMPORARY OR LONG-TERM DEFICIT, ADVANCE CREDIT TO THE GUARANTEE FUND OF THE FUNDS.

Section 72.

(1) THIS ACT SHALL ENTER INTO FORCE ON THE EIGHTH DAY FOLLOWING ITS PROMULGATION, WITH DUE CONSIDERATION OF THE EXCEPTIONS SET FORTH IN SUBSECTION (2).

(2) SECTION 17 AND SUBSECTION (4) OF SECTION 65 SHALL ENTER INTO FORCE ON 1 JANUARY 2002 AND 1 JANUARY 2003, RESPECTIVELY.

(3) IN RESPECT OF THE PROFIT OR LOSS OF THE NBH FOR 2001, THE PROVISIONS OF SUBSECTIONS (1) AND (2) OF SECTION 20 OF THE NBH ACT IN FORCE ON 1 JANUARY 2001 SHALL BE APPLIED, WHILE IN RESPECT OF DIVIDEND PAYMENT OBLIGATIONS FOR 2002, SUBSECTION (4) OF SECTION 78 OF THE NBH ACT IN FORCE ON 1 JANUARY 2001 SHALL BE APPLIED. THE PROVISIONS OF SUBSECTIONS (4) AND (5) OF SECTION 17 OF THIS ACT SHALL BE APPLIED IN RESPECT OF DISCHARGING PAYMENT OBLIGATIONS RELATED TO EQUALIZATION RESERVES.

(4) THE EQUALIZATION RESERVE SHOWN UNDER OTHER LIABILITIES OF BANKING OPERATIONS AND THE EQUALIZATION RESERVE FOR VALUE CHANGES IN FOREIGN CURRENCY SECURITIES AS AT 31 DECEMBER 2001 SHALL BE TRANSFERRED TO THE FORINT EXCHANGE RATE EQUALIZATION RESERVE SHOWN UNDER THE COMPONENTS OF EQUITY CAPITAL AND TO THE FOREIGN CURRENCY SECURITIES EQUALIZATION RESERVE, ON THE FIRST ACCOUNTING DAY OF THE 2002 BUSINESS YEAR, SERVING AS THE TRANSACTION DATE OF RECORD.

Section 73.

(1) THE TERM IN OFFICE OF THE VICE-PRESIDENTS APPOINTED PRIOR TO THE ENTRY INTO FORCE OF THIS ACT SHALL EXPIRE ON THE DAY STIPULATED IN THEIR APPOINTMENT, UNTIL WHICH THEY SHALL ALSO SERVE AS MEMBERS OF THE MONETARY COUNCIL AND THE EXECUTIVE BOARD.

(2) SUBSECTION (2) OF SECTION 53 SHALL BE APPLIED IN RESPECT OF THE REMUNERATION OF THE PERSONS REFERRED TO IN SUBSECTION (1).

(3) THE TERM OF THE MEMBERS OF THE CENTRAL BANK COUNCIL APPOINTED PURSUANT TO PARAGRAPH C) OF SUBSECTION (3) OF SECTION 57 OF THE NBH ACT SHALL EXPIRE ON THE DAY STIPULATED IN THEIR APPOINTMENT, UNTIL WHICH THEY SHALL ALSO SERVE AS MEMBERS OF THE MONETARY COUNCIL.

(4) THE PROVISIONS ON CONFLICT OF INTERESTS EFFECTIVE ON THE DAY OF THEIR APPOINTMENT SHALL BE APPLIED FOR PERSONS REFERRED TO IN SUBSECTION (3).

THE MONETARY COUNCIL SHALL MAKE DECISIONS ON THEIR REMUNERATION. UPON THEIR REQUEST, UNDER THE CONDITIONS SET FORTH IN THIS ACT, THEY MAY ESTABLISH EMPLOYMENT WITH THE NBH FOR THE PERIOD OF THEIR TERM.

(5) THE TERM OF THE MEMBERS OF THE EXECUTIVE BOARD APPOINTED BY THE GENERAL MEETING PRIOR TO THE ENTRY INTO FORCE OF THIS ACT SHALL EXPIRE UPON THIS ACT ENTERING INTO FORCE. THE NEW EXECUTIVE BOARD SHALL BE ESTABLISHED ACCORDING TO THE CONDITIONS SET FORTH IN THIS ACT WITHIN 30 DAYS OF THE ENTRY INTO FORCE OF THIS ACT.

Amendments

Section 74.

THE FOLLOWING PROVISION SHALL REPLACE SUBSECTION (1) OF SECTION 1 OF LAW-DECREE 18 OF 1988 ON CERTIFICATES OF DEPOSIT:

Section 1.

(1) IN ORDER TO BROADEN THE RANGE OF SAVING POSSIBILITIES, CREDIT INSTITUTIONS AND BRANCHES OF FOREIGN CREDIT INSTITUTIONS, AS WELL AS THE NBH IN ORDER TO ACHIEVE ITS MONETARY POLICY OBJECTIVES, MAY ISSUE CERTIFICATES OF DEPOSIT."

Repeals

Section 75.

SIMULTANEOUSLY WITH THIS ACT ENTERING INTO FORCE THE FOLLOWING SHALL BE REPEALED:

A) ACT LX OF 1991 ON THE NATIONAL BANK OF HUNGARY;

B) ACT IV OF 1994 ON THE AMENDMENT OF CERTAIN RULES OF CENTRAL BUDGET MANAGEMENT AND OF ACT LX OF 1991 ON THE NATIONAL BANK OF HUNGARY;

C) SUBSECTION (1) OF SECTION 110 OF ACT CV OF 1995 ON THE AMENDMENT OF ACT XXXVIII OF 1992 ON PUBLIC FINANCES AND CERTAIN RELATED LEGAL PROVISIONS;

D) ACT CXXIX OF 1996 ON THE AMENDMENT OF ACT LX OF 1991 ON THE NATIONAL BANK OF HUNGARY;

E) SECTION 131 OF ACT LXXXII OF 1997 ON PRIVATE PENSIONS AND PRIVATE PENSION FUNDS;

F) SUBSECTION (1) OF SECTION 65 AND PARAGRAPH B) OF SECTION 67 OF ACT CLVIII OF 1997 ON THE AMENDMENT OF ACT CXII OF 1996 ON CREDIT INSTITUTIONS AND FINANCIAL ENTERPRISES;

G) PARAGRAPH J) OF SECTION 320 OF ACT CXLIV OF 1997 ON BUSINESS ASSOCIATIONS;

H) SECTION 70 OF ACT CXLVI OF 1997 ON THE 1998 BUDGET OF THE REPUBLIC OF HUNGARY;

I) SECTION 22 OF ACT XLVIII OF 1998 ON THE IMPLEMENTATION OF THE 1997 BUDGET OF THE REPUBLIC OF HUNGARY;

J) SECTION 76 OF ACT XC OF 1998 ON THE 1999 BUDGET OF THE REPUBLIC OF HUNGARY;

K) SECTION 83 OF ACT CXXV OF 1999 ON THE 2000 BUDGET OF THE REPUBLIC OF HUNGARY;

L) POINT 9 OF PARAGRAPH B) OF SUBSECTION (2) OF SECTION 281 OF ACT CXIII OF 2000 ON THE AMENDMENT OF SPECIFIC ACTS CONCERNING TAXES, MANDATORY CONTRIBUTIONS AND OTHER PAYMENTS TO THE CENTRAL BUDGET;

M) SUBSECTION (2) OF SECTION 160 OF ACT CXXIV OF 2000 ON THE AMENDMENT OF ACT CXII OF 1996 ON CREDIT INSTITUTIONS AND FINANCIAL ENTERPRISES;

N) SECTION 80 AND PARAGRAPH O) OF SUBSECTION (1) OF SECTION 110 OF ACT CXXXIII OF 2000 ON THE 2001-2002 BUDGET OF THE REPUBLIC OF HUNGARY;

O) SUBSECTION (2) OF SECTION 2 OF LAW-DECREE 18 OF 1988 ON CERTIFICATES OF DEPOSIT.