

*Effective from 29 June 2013*

## **Act CCVIII of 2011**

### **on the Magyar Nemzeti Bank**

Pursuant to Article 41 of the Fundamental Law, the Parliament hereby adopts the following Act on the Magyar Nemzeti Bank, its primary objectives, basic tasks, institutional, organisational, personal and financial independence and its operations, with due respect to the requirements of an advanced market economy and for implementation of the Fundamental Law.

#### *CHAPTER I*

#### *LEGAL STATUS, PRIMARY OBJECTIVE AND BASIC TASKS OF THE MAGYAR NEMZETI BANK*

#### **1. Legal status and primary objective of the Magyar Nemzeti Bank**

##### **Article 1**

(1) The Magyar Nemzeti Bank (hereinafter referred to as the 'MNB') is a member of the European System of Central Banks.

(2) The MNB, and the members of its bodies shall be independent in carrying out their task and meeting their obligations conferred upon them by this Act, and shall neither seek nor take instructions from the Government, or the institutions, bodies or offices of the European Union, with the exception of the European Central Bank (hereinafter the 'ECB'), or from the governments of Member States or any other organisation or political party. The Government as well as all other institutions shall adhere to this principle and shall not attempt to influence the MNB and its bodies in the course of the performance of their tasks.

##### **Article 2**

The Governor of the MNB shall be obliged to provide oral and written reports to the Parliament.

##### **Article 3**

(1) The primary objective of the MNB shall be to achieve and maintain price stability.

(2) Without prejudice to its primary objective, the MNB shall support the economic policy of the Government using the monetary policy instruments at its disposal.

#### **2. Basic and Other Tasks of the MNB**

##### **Article 4**

(1) The MNB shall define and implement monetary policy.

(2) The MNB shall be entitled to issue banknotes and coins. Banknotes and coins - including commemorative banknotes and coins - issued by the MNB shall be legal tender of Hungary.

(3) The MNB shall hold and manage official foreign exchange and gold reserves in order to preserve the external stability of the economy.

(4) The MNB shall conduct foreign exchange operations in relation to the management of foreign exchange reserves and the implementation of exchange rate policy.

(5) Within the scope of its powers set out in Articles 19 and 20, the MNB shall:

a) oversee payment and securities settlement systems, this shall include overseeing the operations of the system and the operations of the organisations performing central counterparty activity, in

order to ensure the sound and efficient operation of these systems and the smooth circulation of money,

b) within the scope of its powers set out in subsection a) and the legislative powers set out in Article 65, participate in the development of payment and securities settlement systems.

(6) The MNB shall collect and publish statistical information required for carrying out its tasks.

(7) In cooperation with other competent authorities, the MNB shall support the efficient development and conduct of policies relating to the prudential supervision of credit institutions and the stability of the financial intermediary system; for this purpose, it shall, in particular explore the business and economic risks to the financial intermediary system as a whole, promote the prevention of the development of systemic risks, and mitigate or eliminate the evolved systemic risks.

(8) Tasks of the MNB shall be defined by law. Such tasks of the MNB set out by law shall comply with the central banking tasks and responsibilities of the MNB, as defined by this Act.

(9) The MNB shall only perform other functions - in accordance with the provisions of legal regulations - without prejudice to the achievement of its primary objective and performance of its basic tasks.

(10) The MNB shall have the exclusive competence to perform the tasks set out in paragraphs (1) to (4) and in paragraph (5) subsection a).

## *CHAPTER II*

### *DETAILED RULES OF THE TASKS OF THE MNB*

#### **3. Monetary Policy**

##### **Article 5**

In order to achieve the primary objective defined in Article 3(1), the MNB shall influence the supply of and demand for money and credit, using the instruments set out in Article 7.

##### **Article 6**

Within the framework provided for by this Act, the MNB shall independently define monetary policy and the instruments for implementing such policy.

##### **Article 7**

As instruments of monetary policy, the MNB shall:

a) accept deposits in relation to its account management activity, and provide credit against adequate collateral, subject to the restrictions set out in Article 15;

b) buy and sell securities as well as acting as intermediary of securities in the spot and derivative markets within the framework of open market operations and repurchase agreements;

c) issue securities;

d) influence and set exchange rates and interest rates;

e) discount (rediscount) securities;

f) regulate minimum reserves; and

g) use other central bank instruments.

#### **4. Minimum Reserves**

##### **Article 8**

(1) In a decree the Governor of the MNB may require financial institutions and investment enterprises to place reserves with the MNB, in proportion to their assets and off-balance sheet items (hereinafter 'reserve ratio').

(2) The MNB may define different levels of reserve ratios for different types of liabilities, individual assets and off-balance sheet items of financial institutions and investment enterprises based on their different characteristics. Based on their different characteristics, the reserve ratios applicable to certain elements of the reserve fund may also differ. In such cases, the applicable levels of reserve ratios shall be aggregated.

(3) The MNB may pay interest on the minimum reserves deposited by the institutions defined in paragraph (1). Interest may be paid at different rates in accordance with the different types of reserve ratio elements and their different characteristics in the reserve ratio.

#### **Article 9**

(1) The Monetary Council shall decide on the level of the reserve ratio and the interest rate to be paid reserves. The Governor of the MNB shall declare the level of the reserve ratio and the interest to be paid on such reserves in a decree.

(2) The Governor of the MNB shall regulate in a decree the rules governing the calculation of minimum reserve, the method of allocation and deposition of reserves, and the rules applicable in the event of non-compliance with these regulations.

### **5. Exchange Rates**

#### **Article 10**

(1) The MNB shall quote and publish the official exchange rates for the conversion of foreign currency into forint and forint into foreign currency.

(2) The Government in agreement with the MNB shall determine the exchange rate regime and all features thereof. Changes in the exchange rate system shall be made without prejudice to the primary objective of the MNB to achieve and maintain price stability.

(3) Within the framework of the exchange rate regime developed in accordance with paragraph (2), the MNB shall protect and influence exchange rates on domestic and foreign currency markets when necessary and possible.

(4) The Government and the MNB shall treat the exchange rate policy as a matter of common interest of the Member States of the European Union.

### **6. Base Rate**

#### **Article 11**

The MNB shall determine the central bank base rate as the key interest rate. The Monetary Council shall decide on the level of the base rate. The Governor of the MNB shall declare the level of the base rate in a decree.

### **7. Tasks Related to the Identification and Management of Systemic Risks**

#### **Article 12**

(1) The MNB shall identify business and economic risks threatening the system of financial intermediation as a whole, it shall help to prevent the development of systemic risks, and it shall help to mitigate or eliminate the evolved systemic risks.

(2) The MNB shall monitor the operation of the financial institutions of systemic importance. Within the scope of this task, MNB shall assess the liquidity position of the financial institutions of systemic importance. The information pertaining to the scope of the financial institutions of systemic importance as well as the methodology of defining the scope of these institutions is confidential.

(3) Pursuant to the decision of the Monetary Council, the Governor of the MNB may issue a decree pursuant to Article 65(1) subsection l), in order to prevent the development of systemic risks or to reduce such risks.

(4) In the event that any circumstance arise in which the operation of a credit institution threatens the stability of the financial system, the MNB may extend an emergency loan to the credit institution, observing the prohibition on monetary financing set out in Article 15. The MNB may make the extension of such a loan subject to the performance of the actions by the Financial Supervisory Authority (hereinafter the 'FSA') or the performance of actions by the credit institution at the proposal of the FSA.

(5) The performance of MNB's task defined in paragraph (1) shall be without prejudice to the fulfilment of the tasks defined in Article 4(1), and the tasks stemming from MNB's membership in the European System of Central Banks.

### **Article 13**

In urgent and exceptional cases jeopardising the stability of the financial system as a whole, and the smooth circulation of money, the MNB - at its full discretion - may provide a loan to the National Deposit Insurance Fund upon its request, observing the prohibition on monetary financing set out in Article 15, the maturity of such a loan may not be longer than three months.

## **8. Account Management by the MNB**

### **Article 14**

(1) The MNB shall manage:

- a) the single bank account of the Treasury; and
- b) the bank account of the Államadósság Kezelő Központ Zártkörűen Működő Részvénytársaság (Government Debt Management Agency Private Company Limited by Shares).

(2) The MNB shall pay interest on the current balance of the single bank account of the Treasury at market interest rate - but at a level that is not higher than the central bank base rate - to the central budget.

## **9. Relations with the Public Finances**

### **Article 15**

MNB may not extend overdraft facilities or any other type of credit facility to the public sector as defined in Article 123 of the Treaty on the Functioning of the European Union, and shall not purchase debt instruments directly from them with consideration of the provisions of Council Regulation (EC) No. 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty.

### **Article 16**

(1) The MNB shall allocate the exchange rate gain or loss incurred from the sale of its foreign currency receivables and liabilities at the official exchange rate in effect on the last day of the subject year to the forint exchange rate equalisation reserve.

(2) The MNB shall allocate to the foreign currency securities equalisation reserve the difference determined on the basis of the market valuation of receivables in foreign currency securities, following the re-entry of the opening balance.

(3) The forint exchange rate equalisation reserve and the foreign currency securities equalisation reserve, as specified in paragraphs (1) and (2), shall form a part of MNB's equity.

(4) In the event that - based on the available data - the balance of the sum of the equalisation reserves specified in paragraphs (1) and (2) is negative, and this negative balance exceeds the sum of the positive amount of the accumulated profit reserve and the balance sheet result, the central budget shall, by 31 March of the year following the subject year, make a direct cash disbursement to the accumulated profit reserve up to the level of negative balance that exceeds the positive sum of the accumulated profit reserve and the balance sheet result, i.e. in case of a negative balance of

the profit reserve and the balance sheet result, up to the extent of the negative balance of the equalisation reserves, to be accounted for in the balance sheet in the subject year.

(5) In the event that, based on the definitive data and with due consideration of the cash disbursement specified in paragraph (4), the balance of the sum of the equalisation reserves specified in paragraphs (1) or (2) is negative, and this negative balance exceeds the sum of the accumulated profit reserve and the balance sheet result, the central budget shall make a direct cash disbursement to the accumulated profit reserve within eight days of the shareholder's receipt of the notification defined in Article 43(2), up to the level of the negative balance that exceeds the sum of the accumulated profit reserve and balance sheet profit. In the event that the cash disbursement specified in paragraph (4) exceeds the required cash disbursement determined on the basis of definitive data, the MNB shall reimburse the overpayment to the central budget from the accumulated profit reserve within eight days of the shareholder's receipt of the notification defined in Article 43(2). These items shall be recorded in the balance sheet of the year in which payments are affected.

#### **Article 17**

The MNB may act as an agent of the State on the securities market based on the mandate - or in respect of State-owned securities the authorisation - of the State, with the exception of shares.

#### **Article 18**

(1) Based on the mandate of the State, the MNB may participate in the State's foreign currency borrowing operations and in the issuance of its securities abroad, as well as in the performance of the tasks related to the management of the State's foreign receivables.

(2) The MNB may enter into forward and hedging transactions with the State or as an agent of the State under market conditions.

### **10. Payment Transactions and Oversight**

#### **Article 19**

(1) The MNB shall designate the payment and securities settlement systems in accordance with the Act on Settlement finality in payment and securities settlement systems.

(2) The Governor of the MNB shall regulate the execution of payment orders within the scope of Article 65(2).

#### **Article 20**

(1) The licence of the MNB shall be required for the entry into force of the General Terms and Conditions and the internal regulations of the organisation operating the payment system, as well as for any amendments thereof.

(2) The MNB shall grant the licence under paragraph (1) if the General Terms and Conditions and the internal regulations comply with the Decree of the Governor of the MNB issued pursuant to the authorisation of this Act on the content and formal requirements for the General Terms and Conditions and internal regulations of the organisation operating the payment system.

(3) The organisation operating the payment system shall publish its General Terms and Conditions and any amendments thereto as licensed by the MNB, in a consolidated version on its website, at latest on the day of entry into force of the licence of the MNB.

(4) In the performance of its duties set out in Article 4 (5), the MNB shall carry out the functions deriving from the participation in the college pursuant to Article 18 of Regulation 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (hereinafter Regulation).

(5) The MNB shall, in respect of the issues related to the efficient and reliable operation of the clearing system, act as a special authority in the procedure for the authorisation of the central counterparty pursuant to Article 14 (1) of the Regulation and for the extension of activities and services pursuant to Article 15 (1), as well as in the procedure for the approval of outsourcing pursuant to Article 35 and for the withdrawal of authorisation pursuant to Article 20. The MNB shall,

in respect of the issues related to the efficient and reliable operation of the clearing system, act as a special authority in the procedure for the annual review and risk evaluation of the central counterparty pursuant to Article 21 (1) and (3) of the Regulation and in the validation of models and parameters relating to margin requirements pursuant to Article 41 (2), as well as in the validation of stress testing models and parameters pursuant to Article 49 (1). Furthermore, the MNB shall, in respect of the issues related to the efficient and reliable operation of the clearing system, act as a special authority in the procedure for the approval of interoperability arrangements entered into by the central counterparty pursuant to Article 54 (1) of the Regulation.

20/A The MNB shall, as a competent authority pursuant to Article 10 of Regulation 260/2012/EU (14 March 2012) of the European Parliament and of the Council on establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009 (hereinafter Regulation 260/3012/EU of the European Parliament and of the Council), implement Regulation 260/3012/EU of the European Parliament and of the Council.

## 11. Central Bank Information System

### Article 21

(1) In order to perform the tasks defined in Article 4(1)-(7) - including the compilation of statistics on monetary policy and the balance of payments and the related stock, as well as statistics related to portfolios, securities, financial accounts, financial stability, the circulation of money and the payment system - the MNB shall operate a central bank information system, for which the organisations and natural persons defined by law shall provide information not qualifying as personal data, as determined by the decree of the Governor of the MNB.

(2) In order to perform the tasks defined in Article 4(6), the MNB shall operate a statistical system as part of the central bank information system, for this purpose it shall be entitled to receive data not qualifying as personal data from a body of the official statistical service, in a manner suited for individual identification. Individual statistical data provided accordingly may be used solely for statistical purposes, and the central bank information system shall handle such data separately from other data. When handling statistical data within the central bank information system, the MNB shall take all necessary regulatory, technical and organisational measures to ensure the physical and logical security of individual statistical data. The MNB shall develop the professional content and methodology of the statistical information system operated as part of the central bank information system in agreement with the Central Statistical Office, having consulted the Minister responsible for public finances (hereinafter the 'Minister') and the FSA.

(3) Based on information available in the central bank information system, the MNB shall publish information relevant to the operation of the credit institution system and to the financial situation of the country, , and shall make such detailed data available to the Parliament, the Government, the central administrative bodies and the FSA upon their request. The MNB shall provide the available data in the central bank information system to the Central Statistical Office for statistical purposes upon its request, in a manner suited for individual identification.

(4) Unless otherwise provided by law, data may only be published in a form which precludes the possibility of identifying information pertaining to the individual parties providing the data.

(5) The Governor of the MNB may stipulate in a decree the scope of information to be provided to the central bank information system and the method and deadline for data submission thereof, in order to facilitate for the execution of the necessary research, analysis and the preparation of decision making required for the performance of the basic tasks of MNB, in such a manner that the organisations falling under the scope of the Act on Credit Institutions and Financial Enterprises (hereinafter 'Hpt.'), the Act on Capital Markets (hereinafter 'Tpt.') and the Act on Investment Companies and Commodity Dealers, and on the Regulations Governing their Activities (hereinafter 'Bszt.'), the State tax authority, the pension insurance administrative body, the health insurance body, the Central Statistical Office, the Court of Registry, and - in respect of family support and disability benefits, social, child welfare, child protection and education benefits paid by the central budget - the Treasury shall irreversibly modify the personal data, tax secrets, banking secrets, securities secrets, insurance secrets, fund secrets and individual statistical data managed by them, which are to be provided to the central bank information system, in such a way which prevents the information being associated with the subjects of the data, in order to provide the MNB with information on organisations deprived of their confidential nature, or on natural persons deprived of

their personal nature. The Governor of the MNB shall designate the organisations providing information in a decree.

(6) The Governor of the MNB shall also be entitled to stipulate in a decree that the deprivation of information described in paragraph (5) of its confidential or personal nature shall be carried out in a way, that pieces of information shall be provided by applying an anonymous linking code, as specified pursuant to the encoding method individually provided for the organisation obliged to submit data pursuant to paragraph (5). After making the encoding method available and prior to the data submission, the MNB shall delete the encoding method.

(7) The MNB shall be entitled to request the information described in paragraph (5) from several different organisations with the anonymous linking code established on the basis of the same encoding method, and to interconnect such information. The interconnection may not extend to a database managed by the MNB.

(8) The party liable to provide information pursuant to paragraphs (5) and (6) shall be obliged to refuse to submit information if the data cannot be deprived of its confidential or personal nature. The party liable to provide information pursuant to paragraphs (5) and (6) shall notify the MNB of the refusal, including the reasons for such, within the deadline for submitting the information.

(9) The MNB shall establish the method for generating the anonymous linking code and the basis of the code generation as follows:

a) the code generation shall not be based on data identifying organisations or natural persons whose data the MNB is entitled to manage, and

b) the specific individual method of code generation shall contain unique elements selected at random.

(10) In the course of data submission under paragraphs (5) and (6), the organisation providing the information shall modify the data pertaining to the address of a natural person prior to the data submission in such a way that the relevant address cannot be ascertained more precisely than the local region.

(11) After the information has been provided, the MNB shall be obliged to reimburse the organisations providing information -based on a detailed statement of costs - for the justified costs incurred directly in connection with the generation of information pursuant to paragraphs (5) and (6).

(12) The party liable to provide information pursuant to paragraphs (5) and (6) shall not modify the method of code generation, and shall delete it immediately after generating the anonymous linking code, and shall immediately delete the anonymous linking code after the information has been provided.

(13) Following the interconnection, the MNB shall irreversibly remove the link between the anonymous linking code and the received data, and shall delete the anonymous linking code.

(14) For the purpose of this Article, anonymous linking code shall mean a series of characters generated by a method containing random elements of the data pertaining to and identifying natural persons or organisations, in relation to the same natural person or organisation, where the same data always generates the same series of characters, but as a result of which the data identifying the natural person or organisation cannot be restored from the generated series of characters.

(15) In the course of statistical activity pursuant to Article 4(6), usage for the purpose of improving statistical methodology and the production of analyses and statistical results shall qualify as usage for statistical purposes in the application of paragraph (2). Statistical results constitute aggregated data and indicators which characterise economic and social phenomena.

## **12. Central Bank Auditing**

### **Article 22**

(1) Central bank auditing includes compliance with:

a) the provisions of this Act;

b) the provisions of Hpt. relevant to the conditions for performing ancillary financial services under the licensing authority of the MNB or subject to notification requirements to the MNB;

c) the provisions of the Act on the Prevention and Combating of Money Laundering and the Financing of Terrorism relevant to organisations providing ancillary financial services under the supervisory competence of the MNB;

d) the provisions of the legal regulations of providing information to the central bank information system; and

e) Decrees of the Governor of the MNB;

f) Regulation 260/2012/EU of the European Parliament and of the Council

and with the implementation of the provisions of the MNB's resolutions and opinions provided as a special authority, and for the auditing of those entities performing outsourced activities pursuant to Tpt. and Hpt.

(2) Central bank auditing shall comprise the verification of data provided pursuant to the provisions of the legal regulations, and the auditing conducted by the MNB. Within the framework of central bank auditing, the MNB shall be entitled to request the submission of data, reports, balance sheets, documents and audit materials. The MNB shall continuously verify the data stemming from the data submission obligation; the client shall not be notified of such verification.

(3) If it becomes necessary to verify the authenticity or completeness of the examined documents, or to supplement the audit findings, the person conducting the central bank auditing shall be entitled to perform an on-site audit at natural persons and organisations within the scope of central bank auditing in order to establish authenticity and completeness. Except for in cases detailed in paragraph (6), the MNB shall keep minutes or simplified minutes of the on-site audit, which it shall forward to the audited organisation or person within 10 days of the on-site audit.

(4) The MNB shall provide the person conducting the on-site audit with a letter of mandate. The person conducting the on-site audit shall be obliged to present the letter of mandate at the start of the on-site audit, and to verify his/her personal identity.

(5) Except for in cases detailed in paragraph (6), the duration of central bank auditing may not exceed six months.

(6) In the course of the MNB verifying fulfilment of the provisions of decrees pursuant to Article 65(2) subsections a) and d) and paragraph (3), the duration of central bank auditing shall not exceed eight months. The MNB shall record the findings of the central bank audit in an inspection report by the end of the second month following the completion of the audit.

(7) The inspection report shall include:

- a) the subject matter of the audit;
- b) the findings and the supporting evidence;
- c) the assessment of the findings.

(8) The MNB shall disclose the inspection report to the audited organisation. The audited organisation may submit comments in writing on the inspection report within 15 days of its receipt. If this term would jeopardise the success of the measure, the MNB may also determine a shorter deadline, but not less than five days.

(9) The MNB shall make a decision within 45 days of receipt of the comments or in the lack of comments, the expiry of the deadline. In justified cases, this deadline may be extended on one occasion by a maximum of 30 days.

(10) The MNB shall notify the audited person or organisation in writing of the performance of an on-site audit, at least 15 days in advance, except if prior notification jeopardised the success of the audit.

(11) The MNB shall be entitled to conclude test transactions in the course of central bank auditing. An auditable transaction within the scope of the test transaction may not extend beyond the signing of the contract relevant to the object of the test transaction; and in the event of a test transaction directed at a payment order or the conversion of banknotes and coins, beyond the receipt of the converted banknotes and coins.

(12) The MNB may use contributing participants in the test transactions. The MNB shall provide the contributor with a letter of mandate. The contributor shall be subject to the professional secrecy obligation pursuant to Article 52.

(13) In case of a test transaction, the MNB employee performing the auditing or the contributor shall verify his/her auditing right upon completion of the test transaction. Upon verifying the right of auditing, the audited organisation and the person conducting the audit, or the contributor shall be obliged to reimburse any amount received in the course of the of the test transaction.

### **13. Common Provisions relating to the Administrative Proceedings of MNB**

#### **Article 23**

Subject to the exceptions set out in this Act, the MNB shall act in accordance with the provisions of the Act on General rules of administrative proceedings and services in the course of:

- a) central bank auditing;



- b) approval of the General Terms and Conditions and the internal regulations of the organisation operating the payment system, and of any amendments thereto;
- c) licensing of ancillary financial services within the scope of the MNB's authorisation pursuant to Hpt., and the withdrawal of such licenses;
- d) licences granted under the Act on settlement finality in payment and securities settlement systems, and the withdrawal of the licences;
- e) authorisation for the making and arranging for the production of imitations of legal tender in circulation in Hungary; and the banknotes and coins withdrawn from circulation by the MNB but convertible to legal tender.
- f) providing opinions as a special authority as defined by law.

#### Article 24

- (1) In the proceedings conducted by the MNB, client shall mean any person or organisation,
  - a) upon which the MNB may impose a right or an obligation,
  - b) which is subject to central bank auditing by the MNB,
  - c) which submits a request to the MNB in initiation of a licensing procedure,
  - d) which is a subject of data contained in the records managed by the MNB.
- (2) The MNB shall inform at their request the person or organisation initiating the *ex officio* licensing procedure exclusively of the launch and closure of the proceedings and the measures applied.
- (3) Unless otherwise provided by law, the applicant shall pay an administrative fee in the proceedings opened upon request. The amount of the administrative fee, as well as the scope of reductions and exemptions related to the payment shall be determined by the Governor of the MNB in a decree.
- (4) In the course of the administrative proceedings and services, the MNB may define the method of data supply in a different way compared to the rules of keeping contact electronically qualifying as a written statement defined in the Act on the General rules of administrative proceedings and services.
- (5) The MNB may publish its decisions, in part or in whole, on its website or in any other manner.
- (6) The MNB's decisions may not be appealed. The client may request a judicial review of MNB's resolutions and rulings subject to independent legal remedy of the Budapest Court of Public Administration and Labour, whereby the court shall pass judgment on the petition or request for review within 30 days in accordance with the specific provisions of the Act on civil procedures on administrative litigation.
- (7) The proceedings may not be suspended upon the client's request.
- (8) The administrative deadline in matters defined in Article 23 subsection d) shall not exceed three months.
- (9) A notice requesting additional information shall be issued within fifteen days following the receipt of the request.
- (10) In its procedures, the MNB may prohibit the continuation of a conduct in breach of law in a ruling until a decision has been adopted to terminate the proceedings, and may order termination of the breach if such a measure is deemed urgently necessary in order to perform its basic tasks defined in Article 4(1)-(7), where any delay may cause significant or irreparable damage. The MNB shall adopt such decision without delay.
- (10a) In the proceedings of the MNB, central bank auditing shall not be performed on request of the client.
- (11) For obligors keeping a payment account with the MNB, overdue claims for payments declared by a resolution shall be satisfied directly.
- (12) The administrative deadline for the MNB to act as a special authority in the procedure for the authorisation of the activities of the clearing house, central securities depository or central counterparty pursuant to the Tpt. shall be 45 days. The administrative deadline to act as a special authority specified in Article 20 (5) shall be 30 days.

## 14. The Measures and Sanctions of MNB

### Article 25

(1) If at the end of a central bank auditing the MNB establishes that the audited person, organisation, the executive of the organisation, or a person defined by the applicable respective legislation as an executive officer of such an organisation violates or fails to comply with the provisions of the legal regulations defined in Article 22(1), the resolutions of the MNB, or the internal regulations of the audited organisation, or complies with these provisions late or partially, the MNB shall impose the following measures against the audited person or organisation:

- a) call for compliance with the provisions in an accurate and timely manner;
- b) set a deadline for taking the necessary measures, and for terminating the disclosed breach of legal provisions and deficiencies;
- c) obligation for drafting and implementing an action plan, and if appropriate, to submit a report on the implementation thereof;
- d) propose the professional training of employees;
- e) call upon adopting General Rules, Conditions and Internal Regulations within an appropriate deadline, or upon the revision of such pursuant to specific criteria;
- f) require extraordinary or retrospective submission of data;
- g) oblige the organisation operating the payment system under the decrees issued pursuant to Article 65(3), and the organisation conducting clearing house activity, central depository and central counterparty activity, pursuant to Tpt., to enhance its risk management procedures, strategies and methods;
- h) order the destruction of imitations of legal tender in circulation produced without authorisation, or of banknotes and coins withdrawn from circulation by the MNB but convertible to legal tender;
- i) impose a fine;
- j) prohibit further issues of transferable vouchers,
- k) order the withdrawal from circulation of transferable vouchers,
- l) order the destruction of transferable vouchers,
- m) impose other measures prescribed by law.

(2) The MNB shall be entitled to impose measures repeatedly and collectively.

(3) If the organisation fails to terminate the infringement within the deadline determined by the MNB, the MNB shall call upon the executive of the organisation, or the person defined by the applicable respective legislation as an executive officer of such an organisation to comply with the legal regulations within a specified deadline.

(4) The MNB shall have regard for the following circumstances when imposing measures:

- a) the gravity of the infringement or negligence;
- b) the impact the action on the persons and organisations subject to the legal regulations specified in Article 22(1);
- c) the risk caused by the infringement or negligence, the extent of damage, and the willingness to mitigate the damage;
- d) cooperation with the MNB on the part of the persons responsible;
- e) whether the person affected by the measure acted in good or bad faith, and the pecuniary advantage obtained through the infringement or negligence;
- f) the concealment of data, facts and information on which the measure is based, or the intended concealment; and
- g) the recurrence and frequency of the infringement or negligence.

(5) No measures shall be imposed after three years from the time when the infringement or negligence came to the knowledge of the MNB, or after five years from the time it was committed.

(6) Within the deadlines specified in paragraph (5), a measure may also be imposed even if the natural person affected is no longer employed by the audited organisation or person at the time of taking such measures, if his/her mandate has ended or he/she is no longer engaged in performing the audited activities.

(7) If the Hungarian branch of a financial institution, payment institution or electronic money institution holding a licence in another Member State of the European Union, or the cross-border services provided in Hungary by a financial institution, payment institution or electronic money institution holding a licence in another Member State of the European Union breaches the provisions of the legal regulations defined in Article 22(1) or in the resolution of the MNB, the MNB shall call upon the branch or the financial institution, payment institution or electronic money institution to

terminate the situation contravening the regulations. If the branch, financial institution, payment institution or electronic money institution fails to comply with this request, the MNB shall notify the FSA. Pursuant to notification by the MNB, the FSA shall either notify the supervisory authority of the other Member State of the European Union of the situation contravening the law, or initiates that appropriate measures should be taken by the respective supervisory authority.

(8) The fine shall be payable to a designated account within 30 days after the resolution imposing a fine becomes legally binding.

(9) In the course of assessing the recurrence of an infringement or a negligence, the MNB shall be entitled to impose more severe measures in the course of central bank auditing, if it established legally-binding consequences within the last 1 year in the case of a breach of the obligation of data submission, or within the last 3 years of the established legally binding consequences in the case of a more severe offence with respect of

a) the same audited person or organisation due to the failure to comply with the obligation pursuant to paragraph (1) subsections a)-b); or

b) in the event of MNB imposing a measure due to the breach of the provision of legal regulations or resolution against the same client, pursuant to paragraph (1) subsections a)-b).

(10) Fines imposed by the MNB shall constitute an income of the MNB.

## Article 26

(1) The amount of the fine that may be imposed on the organisations and persons defined in Article 25(1) i) may range from HUF 100,000 to HUF 2 billion. The fine shall be defined by the MNB taking into consideration the damage caused by the infringement and the gravity and frequency of the infringement.

(2) The amount of the fine to be imposed on the executive officer of the organisation may range from HUF 100,000 to HUF 20 million. The fine imposed on the executive officer of the organisation must not be taken over by the audited organisation. The fine shall be defined by the MNB taking into consideration the damage caused by the infringement, the gravity and recurrence of the infringement.

## 15. Issuing Operations

### Article 27

(1) The Governor of the MNB shall declare in a decree the issue of banknotes and coins, their denomination and distinguishing features, and their withdrawal from circulation. The banknotes and coins withdrawn from circulation shall lose their function as legal tender as of the date specified in the decree of the Governor of the MNB.

(2) Each person shall be obliged to accept banknotes and coins issued by the MNB at face value for payments to be made in official Hungarian currency until withdrawal.

(3) The MNB shall convert banknotes and coins which it has withdrawn from circulation no longer qualifying as legal tender at face value for legal tender in Hungary within 20 years of the date of withdrawal in respect of banknotes, and within 5 years of withdrawal in respect of coins. The credit institution and the institution operating the postal clearance centre shall convert banknotes and coins withdrawn from circulation by the MNB no longer qualifying as legal tender, into legal tender in Hungary up to 3 years from the date of withdrawal for banknotes, and up to 1 year from the date of withdrawal for coins.

(4) For cash payments, including cash payments to a payment account, credit institutions and institutions operating the postal clearing centre shall be obliged to accept more than 50 coins.

(5) Counterfeit banknotes and coins shall not be acceptable under any title.

(6) In payment transactions, there shall be no obligation to accept damaged banknotes and coins or banknotes and coins which are difficult to identify.

(7) Without prejudice to paragraph (8), the MNB shall convert damaged banknotes and coins or banknotes and coins which are difficult to identify for legal tender free of charge at their nominal value. The MNB may use a contributor to meet this obligation.

(8) Incomplete damaged banknotes may only be converted if more than 50 per cent of the banknote is presented. The MNB shall withdraw from circulation and destroy incomplete damaged banknotes without refund where the completeness of the banknote does not exceed 50 per cent. Credit institutions and the institute operating the postal clearing house shall take over from clients

without refund incomplete damaged banknotes where the completeness of the banknote does not exceed 50 per cent, and forward them to the MNB for withdrawal and destruction.

(9) The MNB shall not refund the value of the destroyed banknotes or coins. A procedure for the destruction of banknotes or coins may not be initiated. The MNB shall have the exclusive right for the sale of legal tender coins qualifying as difficult to identify or damaged - excluding commemorative coins issued by the MNB - and the coins already withdrawn from circulation by the MNB, as raw material or the sale of raw material obtained from such coins, provided that such sales shall be subject to market conditions.

(10) The Governor of the MNB shall define the rules on the conversion of coins to other denominations of coins or banknotes, or of banknotes to other denominations of banknotes or coins, including the parties liable for conversion and the conditions for their remuneration, in a decree issued pursuant to the authorisation of this Act regulating the conditions for cash distribution..

## Article 28

(1) The MNB shall perform technical and other tasks within its scope of competence with regard to the protection of Hungarian and foreign legal tender against counterfeiting, including in particular the tasks related to currency-expert services, training, data provision and dissemination of information. In the course of performing currency-expert services, for the purposes of usage in criminal procedures initiated in connection with the currency identified on the basis of the expert examination to be counterfeit, the MNB shall be entitled to manage until the completion of the criminal procedure data concerning the natural person depositor or holder of the presumably counterfeit currency (surname, first name, address, type and number of identification document) and within this framework shall forward the above-mentioned data to the authorities performing criminal investigations and conducting criminal proceedings in counterfeiting cases. If the MNB or the organisation specified under paragraph (2) establishes that the legal tender is not counterfeit, following completion of the examination of the currency-expert it shall without delay delete personal data obtained.

(2) Hungarian or foreign legal tender suspected of being counterfeit, shall be submitted to the MNB for expert examination, or shall be handed over to an organisation defined in a decree of the Governor of the MNB in order to be forwarded for examination.

(3) No refund shall be paid for counterfeit Hungarian or foreign legal tender.

(4) Organisations defined in a decree of the Governor of the MNB providing payment services, foreign exchange and money processing services in accordance with Hpt., furthermore any organisation providing international postal money order services according to the Act on Postal Services shall be obliged to send any Hungarian or foreign legal tender suspected of being counterfeit found by these entities to the MNB, and to provide data on the circumstances of the finding in the form and with the content prescribed in the decree of the Governor of the MNB.

(5) In the course of data provision under paragraph (4), the organisation defined in a decree of the Governor of the MNB providing payment services, foreign exchange and money processing services in accordance with Hpt., furthermore any organisation providing international postal money order services in accordance with the Act on postal services, shall also forward personal data to the MNB pursuant to paragraph (1). The MNB shall be entitled to manage personal data obtained this way for the purposes specified in paragraph (1) subject to the time-limit defined therein.

## Article 29

The MNB shall account for the costs associated with the production of banknotes and coins as an expense.

## Article 30

(1) Imitations of legal tender in circulation, or of banknotes or coins withdrawn from circulation by the MNB but convertible for legal tender, may only be produced or arranged to be produced for any purpose in accordance with the provisions of the decree of the Governor of the MNB. The procedure of the production, registration, safekeeping and the destruction of imitations shall be governed by the provisions of the decree of the Governor of the MNB.

(2) The provisions on imitations of the euro, including medals and tokens similar to euro coins - with the exception of the rules on sanctions - shall be defined by the decree of the Governor of the MNB, with considerations of the provisions of Council Regulation (EC) No. 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins.

### *Chapter III*

#### *RELATIONS OF THE MNB WITH OTHER BODIES*

#### **16. Relations with the Parliament**

##### **Article 31**

(1) The Governor of the MNB shall report to the Parliament at least once a year on the MNB's activities and monetary policy. The Parliament may request ad-hoc information orally or in writing at any time.

(2) The Governor of the MNB shall report to the Parliamentary Committee for Economic Affairs in writing semi-annually on the MNB's semi-annual activity, with the content corresponding to the content of the annual report. At the request of the Parliamentary Standing Committee for Economic Affairs, the Governor of the MNB shall be obliged to attend in person and supplement the report verbally.

(3) At the request of the Chairman of the Parliament or the Chairman of the Parliamentary Standing Committee for Economic Affairs, the Governor of the MNB shall be subject to an exceptional reporting obligation.

(4) The MNB shall prepare a detailed annual plan on its operating expenses and investments prior to the beginning of a financial year. Following the closure of a financial year, it shall prepare a comparative analysis of the planned and actual operating and investment expenses. It shall forward the analysis including an auditor's opinion simultaneously with the annual report to the Parliamentary Standing Committee for Economic Affairs and the State Audit Office.

(5) The reporting obligations of the Governor of the MNB as defined in paragraphs (1) to (3), shall not result in interference with the independence of the members of the MNB's decision-making bodies, it shall not affect the status of the Governor as the member of the ECB's General Council, and it shall not affect the obligation of confidentiality stemming from Protocol (No 4) to the Treaty on the Functioning of the European Union on the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'Statute').

#### **17. Relations with the Government, the Ministries and the General Public**

##### **Article 32**

The MNB shall be consulted regarding the drafts of decisions and legal acts related to the tasks of the MNB and the operation of the financial system.

##### **Article 33**

Following the adoption of the proposal on the central budget (hereinafter the 'Draft') by the Government, the Minister shall without delay provide information to the MNB on the Draft. The MNB shall be entitled to send its opinion on the Draft directly to the Minister. The Governor of the MNB shall present this opinion at the meeting of the Budgetary Council. The Governor of the MNB shall not be bound by this opinion in the course of freely exercising his rights as a member of the Budgetary Council.

**Article 34<sup>1</sup>**

**Article 35**

The Government shall invite the Governor of the MNB to attend its meetings for items on the agenda pertaining to the MNB's scope of tasks.

**Article 36**

(1) The MNB shall prepare and publish a report on the trends in monetary developments and other important issues related to its basic tasks at least on a quarterly basis. The MNB shall publish an announcement regarding the method and frequency of providing such information.

(2) Upon request, the MNB shall provide information to the Government and the members of the Government on an ad-hoc basis on the trends in monetary progression and other important issues related to its basic tasks.

(3) The Governor of the MNB - following the taking of the decision - shall notify the Minister of the key decisions of operational importance adopted within the Executive Board's powers under Article 49 in relation to the control of MNB's operation. The MNB shall notify the Minister of the foreign exchange transactions performed as well as of gold and foreign exchange reserves on a weekly basis. Each year, the Minister and the Governor of the MNB shall agree in writing on the scope of additional information to be provided by the MNB.

(4) Upon the Government's request, the MNB may perform tasks incumbent on the Government in international financial organisations, unless otherwise defined by law.

(5) Data concerning the size and the composition of foreign exchange and gold reserves, individual transactions, decisions and internal regulations on reserve management - unless these are classified data - are not public until their disclosure by the MNB, but at most for 10 years following the generating the data. The decision on the disclosure of the data within this period shall be made by the Governor.

**Article 37**

At the request of the MNB, the Government, the central administrative bodies and the FSA shall provide information related to their activities.

**Article 38**

(1) Pursuant to the resolution adopted by the International Monetary Fund in respect of Hungary's membership thereof, and the Articles of Agreement of the International Monetary Fund, the MNB shall perform the tasks of the agency making payments on behalf of Hungary in respect of amounts payable periodically to the International Monetary Fund, from appropriate sources defined by law or by a directly applicable legal act of the European Union, including the payments in connection with the participation in the Special Drawing Rights Department of the International Monetary Fund.

(2) In accordance with the Articles of Agreement of the International Monetary Fund, the MNB may issue non-transferable, non-interest bearing notes to the benefit of the International Monetary Fund in relation to Hungary's membership thereof.

(3) The MNB shall be the fiscal agent on behalf of Hungary, as required by the Articles of Agreement of the International Monetary Fund. In this regard, the MNB shall be entitled to establish and implement all operations and transactions that may be carried out pursuant to the Articles of the Articles of Agreement of the International Monetary Fund on behalf of Hungary, and to act as beneficiary in its capacity as the fiscal agent in respect of any amount transferred or paid to Hungary pursuant to the Articles of the Articles of Agreement of the International Monetary Fund.

(4) As the designated depository the MNB shall attend to the safeguarding of the foreign currency reserves of the International Monetary Fund in Hungary.

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<sup>1</sup> Article 34 has been repealed by Article 10 of Law XCIX of 2012 as of 14 July 2012.

## **18. Relations with the Financial Supervisory Authority**

### **Article 39**

- (1) In the course of performing its tasks, the MNB shall cooperate with the FSA.
- (2) The Governor of the MNB shall invite the president of the FSA to attend the meetings of MNB's Executive Board, for items on the agenda pertaining to the FSA's scope of tasks.

### **Article 40**

- (1) The MNB and the FSA shall exchange data and information necessary for the performance of their tasks.
- (2) The MNB and the FSA shall enter into an agreement governing the method and system of exchanging data and information necessary for the performance of their tasks.
- (3) The MNB shall be entitled to provide information to the FSA on facts falling into the scope of the FSA's auditing competence of which it gained knowledge in the course of central bank on-site auditing conducted at a payment service provider.

## **19. Relations with the State Audit Office**

### **Article 41**

The Governor of the MNB shall consult the president of the State Audit Office prior to the appointment or proposal for dismissal of the MNB's auditor.

### *Chapter IV*

#### *ORGANISATION OF THE MNB*

## **20. Legal Status of the MNB**

### **Article 42**

- (1) The MNB shall be a legal person functioning in the form of a company limited by shares. The seat of MNB shall be in Budapest.
- (2) The company name of MNB need not be entered in the Register of Companies. The designation 'company limited by shares' does not need be indicated in the company name of the MNB.
- (3) The Statutes of MNB shall be established by the shareholder and presented to the Parliament.
- (4) The shares of MNB shall be owned by the State. The Minister shall represent the State as shareholder.
- (5) The subscribed capital of MNB is HUF 10,000,000,000 that is ten billion forints.

### **Article 43**

- (1) The shareholder shall in a Shareholder Resolution:
  - a) establish and amend the Statutes;
  - b) appoint and dismiss the auditor; and
  - c) establish the remuneration of the auditor.
- (2) The Executive Board shall notify the shareholder of the accounting report by sending the report including the audit opinion to the shareholder, as defined in Article 49(4) subsection b).

## **Article 44**

The provisions of the Act on business associations (hereinafter 'Gt.') shall apply to the MNB with the exceptions laid down by this act.

## **21. The Bodies of MNB**

### **Article 45**

The bodies of the MNB are the Monetary Council, the Executive Board and the Supervisory Board.

## **22. The Monetary Council**

### **Article 46**

(1) For the tasks specified in this Article, the Monetary Council is the supreme decision-making body of the MNB. The scope of competence of the Monetary Council shall include:

- a) taking strategic decisions relating to the tasks set out in Article 4(1) to (7);
- b) decisions under Article 9(1) within the scope of competence defined under subsection a);
- c) decisions relating to the tasks laid down in Article 10(2) within the scope of competence defined under subsection a);
- d) decisions relating to the tasks set out in Articles 11-13 within the scope of competence defined under subsection a);
- e) establishing the rules of procedure of the Monetary Council;
- f) decisions on any other matter in the exclusive competence of the Monetary Council as defined by law.

(2) Meetings of the Monetary Council may be convened at any time deemed necessary, but a meeting shall be convened at least once a month.

(3) The Monetary Council shall consist of at least five and at most nine members. The aggregate number of the members of the Monetary Council defined in paragraph (4) subsection a) and b) shall be less than the number of the members defined in paragraph (4) subsection c); and the number of the members specified under paragraph (4) subsection c) shall be less than twice of the aggregate number of the members defined in paragraph (4) subsection a) and b). Members of the Monetary Council shall be the employees of the MNB during their term of office.

(4) The members of the Monetary Council are:

- a) the Governor of the MNB as Chairman of the Monetary Council;
- b) the Deputy Governors of the MNB; and
- c) other members, elected by the Parliament for six years.

(5) Hungarian citizens with outstanding theoretical knowledge and practical professional expertise in issues related to monetary, financial or credit institution activities may be appointed or elected members of the Monetary Council.

(6) Any person recommended as a member of the Monetary Council shall attend a hearing of the Parliamentary Standing Committee for Economic Affairs.

(7) Upon taking office, the members of the Monetary Council defined in paragraph (4) subsections a) and b) shall make an oath before the President of the Republic; other members defined in paragraph (4) subsection c) shall take an oath before the Parliament.

(8) The mandate of a member of the Monetary Council pursuant to paragraph (4) subsection c) shall terminate upon:

- a) expiration of the term of office;
- b) resignation;
- c) dismissal;
- d) death.

(9) Resignations of the members defined in paragraph (4) subsections a) and b) shall be submitted to the President of the Republic in writing, other members defined in paragraph (4) subsection c) shall submit it to the Chairman of the Parliament. In the event of the resignation of a member of the Monetary Council, the mandate shall end on the date indicated in the letter of resignation following the submission of the letter of resignation, or, in the absence thereof, upon receipt of the letter of resignation by the President of the Republic in case of the members defined in paragraph (4)



subsections a) and b), or in case of the members defined in paragraph (4) subsection c) by the Chairman of the Parliament. A statement of acceptance shall not be required for the validity of the resignation of the member of the Monetary Council.

(10) The President of the Republic shall dismiss members of the Monetary Council specified under paragraph (4) subsection a) and b), and the Parliament shall dismiss members of the Monetary Council specified under paragraph (4) subsection c) exclusively for reasons specified in Article 14.2 of the Statute.

(11) The Parliament's Standing Committee for Economic Affairs shall make a recommendation to the Parliament on the appointment or dismissal of members, as specified in paragraph (4) subsection c).

(12) The proposal for dismissal pursuant to paragraph (11) shall be sent to the respective member of the Monetary Council, who may seek remedy by the Court of Public Administration and Labour, in accordance with the provisions of the Labour Code (hereinafter 'Mt.'). The right to seek remedy by the court on grounds of the provisions of the Mt. is without prejudice to the right of seeking remedy by the Court of Justice of the European Union as defined in Article 14.2 of the Statute.

(13) The proposal for dismissal pursuant to paragraph (11) may be submitted to the President of the Republic in case of the members of the Monetary Council specified under paragraph (4) subsection b), and to the Parliament in case of the members of the Monetary Council specified under paragraph (4) subsection c) following expiry of the deadline for filing an appeal, or - in the event of filing an appeal - after the court's decision establishing that the grounds for dismissal in Article 14.2 of the Statute are met takes legal effect.

(14) Each year the Monetary Council shall elect by a simple majority of votes of those present a Deputy Chair of the Monetary Council at its first meeting from amongst the Deputy Governors of MNB. In the event that the mandate of the Deputy Chair is terminated, the Monetary Council shall elect a new Deputy Chair at its next meeting.

(15) The Monetary Council shall have a quorum if the majority of its members are present. The Monetary Council shall adopt its resolutions by a simple majority of the votes of the members present. In the event of a tied vote, the Chairman of the Monetary Council shall have the casting vote, or in his absence, the Deputy Chair shall have the casting vote.

(16) The Chairman of the Monetary Council, or, in his absence, the Deputy Chair shall be entitled to disclose the position of the Monetary Council to the public.

(17)<sup>2</sup>

## 23. Governor of the MNB

### Article 47

(1) The head of the MNB shall be the Governor.

(2) The Prime Minister shall make a proposal for the Governor of the MNB to the President of the Republic. The term of office of the Governor of the MNB shall be six years. A person may hold the position of the Governor of the MNB at most twice.

(3) The provisions of Article 46(5)-(10) shall also apply to the Governor of the MNB.

(4) The Governor of the MNB shall be dismissed by the President of the Republic at the proposal of the Prime Minister, in accordance with the provisions set out in Article 46(10).

(5) The Prime Minister's proposal for dismissal pursuant to paragraph (4) shall be sent to the Governor of the MNB, who may seek remedy in the Court of Public Administration and Labour, in accordance with the regulations of the Mt. The right to seek remedy by the court based on the provisions of the Mt. is without prejudice to the right of seeking legal remedy by the Court of Justice of the European Union as defined in Article 14.2 of the Statute.

(6) The proposal for dismissal may be submitted to the President of the Republic following expiry of the deadline for filing an appeal or - in the event of an appeal - after the court's decision establishing that the grounds for dismissal defined in Article 14.2 of the Statute are met takes legal effect.

(7) The decision of the President of the Republic to appoint and dismiss the Governor of the MNB requires the countersignature of the Prime Minister.

(8) With the exception of the issuance of decrees, the Deputy Chair of the Monetary Council shall substitute for the Governor of the MNB in the event of his absence.

<sup>2</sup> Article 46(17) has been repealed by Article 11 of Law XCIX as of 14 July 2012.

## **24. Deputy Governors of the MNB**

### **Article 48**

(1) The MNB shall have at least two and at most three Deputy Governors. The Prime Minister shall make a proposal for the Deputy Governors to the President of the Republic.

(2) The provisions of Article 46(5)-(10), (12) and (13) shall also apply to the Deputy Governors of the MNB, provided that the Prime Minister shall make a recommendation on submitting a proposal to the Governor of the MNB for the dismissal of the Deputy Governors of the MNB.

(3) The decision of the President of the Republic on the appointment and dismissal of the Deputy Governors of MNB requires the countersignature of the Prime Minister.

## **25. Executive Board**

### **Article 49**

(1) The Executive Board shall be responsible for implementing the decisions of the Monetary Council and managing the operations of the MNB.

(2) Members of the Executive Board shall be:

a) the Governor of the MNB, as Chairman of the Executive Board; and

b) the Deputy Governors of the MNB.

(3) The Chairman shall act on behalf of the Executive Board.

(4) The scope of competence of the Executive Board shall include:

a) managing the implementation of the decisions of the Monetary Council;

b) establishing the financial report of MNB, issuing decisions on the payment of dividends, and approving the draft report to be sent to the shareholder on the management and the assets of the MNB;

c) approving matters related to the organisation and internal management of MNB;

d) approving study plans and programs relating to the operation of the MNB and the performance of its tasks - including the costs of the development and operational plan;

e) managing the MNB's internal audit organisation in respect of tasks falling outside the scope of competence of the Supervisory Board, and discussing the observations and plans of the internal audit;

f) amending the collective agreement in respect of employment rights and obligations, the exercise and performance of these rights and obligations, and the associated procedures; and

g) issuing decisions relating to the provisions of Article 59.

(5) The Monetary Council may authorise the Executive Board to decide on any matter falling within its scope of competence. The Executive Board shall report to the Monetary Council on these decisions. Beyond the provisions set out in paragraph (4), the Governor of the MNB may submit any matter within his scope of competence to the Executive Board for a decision.

(6) The Executive Board shall adopt its decisions by a simple majority of votes of the members present. In case of a tied vote, the Chairman shall have the casting vote, or, in his absence, the member of the Executive Board designated by the Chairman shall have the casting vote. The Executive Board shall have a quorum if at least two of its members are present.

## **26. Supervisory Board**

### **Article 50**

(1) The Supervisory Board is the body responsible for the continuous supervision of the MNB on behalf of the owner.

(2) The internal audit department of the MNB - subject to the restrictions set out in paragraph (3) - shall be subject to the control of the Supervisory Board, and with respect to duties falling outside the scope of competence of the Supervisory Board under the control of the Executive Board. When the Executive Board in exercising its controlling powers, gains knowledge of any audit findings within the scope of competence of the Supervisory Board, it shall immediately provide information to the Supervisory Board on such findings.

(3) The scope of competence of the Supervisory Board shall not include the tasks defined in Article 4(1)-(7), or their impact on the MNB's profit and loss. The Supervisory Board shall compile the annual report specified in the Act on accounting in accordance with the restrictions stipulated by this Act.

(4) Members of the Supervisory Board shall be:

- a) the Chairman elected by the Parliament;
- b) three additional members elected by the Parliament;
- c) the representative of the Minister; and
- d) an expert appointed by the Minister.

(5) The Chairman of the Supervisory Board shall be nominated by the parliamentary panels of the of the governing parties.

(6) The Parliament shall vote on the appointment of the parliamentary panels' candidates defined in paragraph (4) subsection b) simultaneously in a group.

(7) Those Hungarian citizens may be nominated to membership of the Supervisory Board, who qualifies to be elected as a member of the Parliament, having excellent professional knowledge in matters relating to credit institutions, finance and accounting.

(8) The mandate of the members of the Supervisory Board shall be for the duration of the mandate of the Parliament, and shall last until the end of the mandate of the Parliament.

(9) Members of the Supervisory Board may be recalled by the Parliament responsible for their election, or respectively, by the Minister responsible for their election.

(10) Members of the Supervisory Board shall be subject to an obligation to provide information to the Parliament responsible for their election, or respectively, to the Minister responsible for their election.

## **27. Remuneration of the Governor, Deputy Governors and the Members of the Monetary Council and Supervisory Board**

### **Article 51**

(1) The monthly remuneration of the Governor from the MNB - for the period from 1 March of a reference year until the end of February in the following year - shall be ten times the national gross monthly average earnings officially published by the Central Statistical Office for the year preceding the reference year.

(2) The remuneration from the MNB of the MNB Deputy Governor appointed for performing the tasks of the Deputy Chairman of the Monetary Council shall be 80% of the Governor's remuneration. The remuneration of the Deputy Governors of the MNB from the MNB shall be 70% of the Governor's remuneration.

(3) The remuneration from the MNB of the members of the Monetary Council defined in Article 46(4) subsection c) shall be 60% of the Governor's remuneration.

(4) The Governor, Deputy Governors and the members of the Monetary Council defined in Article 46(4) subsection c) shall be entitled for other benefits from the MNB (including non-cash allowances, benefits in kind and social benefits) under the same conditions.

(5) The gross monthly remuneration of the Chairman of the Supervisory Board shall be 1,200,000 forint.

(6) The gross monthly remuneration of the other members of the Supervisory Board shall be 800,000 forint.

(7) No additional remuneration shall be paid to the Governor and Deputy Governors of the MNB with respect for their membership in the Monetary Council.

(8) Members of the Monetary Council of the MNB may not establish an employment relationship, or any other work-related legal relationship with a credit institution for 6 months following the termination of their mandate under Article 46(8) subsection a). In order to offset this prohibition, they shall be entitled to an allowance equivalent to six months' remuneration upon termination of their mandate pursuant to Article 46(8) subsection a).

## **28. Professional Secrecy and the Legal Status of Employees**

### **Article 52**

Employees of the MNB and the members of the Supervisory Board shall be required not to disclose any classified data, banking secrets, securities secrets, payment secrets and business secrets which have come to their knowledge in performing their duties. This obligation shall continue after the termination of their employment relationship or mandate.

### **Article 53**

(1) The provisions of Mt. shall apply to the employees of the MNB, with the exceptions set out in this Act.

(2) The provisions of Articles 204(3), 205 and 207 of the Mt. are not applicable to the MNB and its employees.

## **29. Conflict of Interest**

### **Article 54**

(1) Unless otherwise provided for by law, the employees of the MNB subject to the provisions of Article 46, and the employees performing the basic tasks defined in Article 4(1)-(7) (hereinafter 'employee performing classified activities'), may not establish or maintain an employment relationship, or any other work-related legal relationship, a legal relationship as an executive officer or as a member of the Supervisory Board of a financial institution (not including financial institutions in which the MNB holds a share), or at other legal entities providing ancillary financial services, at investment companies, the National Deposit Insurance Fund (with the exception of the Deputy Governor of MNB acting as a member of the Executive Board of the National Deposit Insurance Fund), the Investor Protection Fund (with the exception of an MNB employee acting as a member of the Executive Board of the Investor Protection Fund).

(2) Subject to the exceptions set out in paragraph (3), the employees of the MNB referred to in Article 46 and employees performing classified activities may not hold an interest in any financial institution, legal entity providing ancillary financial services, or in an investment company.

(3) The employees of the MNB referred to in Article 46 performing and employees classified activities shall:

a) make a declaration upon the commencement of the employment relationship on any existing interests; and

b) make an immediate declaration after the grant of probate has taken legal effect concerning any interest acquired by means of inheritance during the legal relationship in a financial institution, a legal entity providing ancillary financial services, or in an investment company, and shall terminate such interest within three months of the commencement of the employment relationship with the MNB, or of the grant of probate taking legal effect in the case of inheritance.

(4) The employees of MNB referred to in Article 46 and the employees performing classified activities shall be obliged to report the acquisition of financial assets specified under Bszt., with the exception of government securities and mutual fund shares issued by public open-ended investment funds, within three business days of such acquisition.

(5) The employees of MNB not falling under the scope of Article 46 may establish or maintain employment or another legal relationship only with the prior authorisation of the Governor of the MNB - with the exception of scientific, educational, artistic, proof-reading and editorial activities, or intellectual activities protected by copyright, which must be reported.

(6) The employees of the MNB not falling under the scope of Article 46 and the employees not performing classified activities shall:

a) make a declaration upon the commencement of the employment relationship on any interest in a financial institution, legal entity providing ancillary financial services, or in an investment company; and

b) make an immediate declaration upon acquiring an interest during employment, as defined in subsection a).

(7) Upon the commencement of employment and in the course of employment, employees of the MNB shall immediately report if a close relative living in their household holds or acquired an interest in a financial institution, legal entity providing ancillary financial services or in an investment company.

(8) Until the termination of legal relationship or interest specified in paragraphs (1)-(3), and the fulfilment of the obligation set forth in paragraphs (4)-(7), the employee of the MNB may not participate in the preparation or taking of any decision pertaining to an organisation in which the employee or his close relative living in the same household holds an interest, or with which they maintain other legal relationships defined in paragraphs (1)-(7).

(9) The employees of the MNB shall be obliged to make a declaration upon the commencement of employment on any membership in cooperative credit institutions.

(10) The employees of the MNB shall not be obliged to terminate any such membership existing upon the commencement of employment as long as they owe a debt to the cooperative credit institution. However, during this period, the employees may not take part in the preparation and in the taking of decisions pertaining to the organisation of which they are a member of.

(11) The employees of the MNB shall:

a) make a written statement upon the commencement of employment about any close relative living in the same household is in a position of an executive officer, is a member of a supervisory board, in an employment relationship or any other work-related legal relationship with a financial institution, legal entity providing ancillary financial services, or investment company; and

b) immediately report if a close relative living in the same household enters into any of the legal relationship specified under subsection a).

(12) The employees of the MNB may not take part in the preparation or taking of any decision pertaining to the financial institution, legal entity providing ancillary financial services, or investment company, at which the close relative living in the same household maintains a legal relationship defined in paragraph (11).

(13) The employees of the MNB not falling under the scope of Article 46 shall submit the reports and statements set out in this Article to the person exercising the employer's rights.

(14) A legal relationship shall not be established in the MNB, as a consequence of which the employees of the MNB would come into in a management (supervisory), controlling or accounting relationship with a close relative.

(15) In order to fulfil the provisions of this Article, and for the purpose of monitoring such obligations, the MNB shall record the reports and statements of employees for a period of three years following the termination of the employment relationship.

(16) For the purposes of this Article, a close relative shall mean any such persons defined in the Civil Code, and a partner.

## Article 55

(1) Members of the Monetary Council of the MNB may only perform other activities which are compatible with their central bank decision-making duties, may not hold office in political parties, carry out public activities on behalf of or in the interest of political parties, may not be Members of Parliament or representatives of a local government, or managers or civil servants in local government or State organisation.

(2) Members of the Monetary Council of the MNB shall not be executive officers or members of the supervisory board of a business association.

(3) The Governor and Deputy Governors of the MNB may not establish any other employment relationship or other work-related legal relationship.

(4) Members of the Monetary Council, as defined in Article 46(4) subsection c), may establish an other employment relationship or work-related legal relationship which does not result in a conflict of interest with their membership in the Monetary Council. Such relationships shall be reported.

(5) Members of the Monetary Council may establish other work-related legal relationships for scientific, educational, artistic, proof-reading or editorial activities, and for intellectual activities protected by copyright, while giving a prior report of the establishment of such relationships.

(6) Members of the Monetary Council of the MNB defined in Article 46(4) subsection a) and b) shall comply with their obligation to submit reports and statements to the President of the Republic; other members of the Monetary Council of the MNB defined in Article 46(4) subsection c) shall comply with their obligation to submit reports and statements to the Chairman of the Parliament as set out in Article 54 and Article 55(4) and (5).

(7) With regard to the members of the Monetary Council of the MNB, the conflict of interest rules set out in Article 54(1) shall apply for a period of for six months following the termination of the employment relationship with the MNB.

(8) The provisions of Article 54(1)-(7), (9), (10), (13) and (15) shall be applicable to the members of the Supervisory Board.

### **30. Declaration of Wealth**

#### **Article 56**

(1) The Governor and Deputy Governors of the MNB and the members of the Monetary Council defined in Article 46(4) subsection c), as well as members of the Supervisory Board, shall make their declaration of wealth in the same manner, with the same content and at the same frequency as the Members of Parliament. The annual declaration of wealth shall reflect the status of 31 December of the previous year when the obligation is due. The declaration of wealth due upon appointment or upon dismissal shall reflect the status on the day of appointment or dismissal. The person obliged to make a declaration shall enclose the declaration of wealth of his spouse or partner living in the same household, and for his children (dependents) to his own declaration, with the same content as the declaration of wealth of the Members of Parliament.

(2) The Parliamentary Standing Committee on Matters of Immunity and Conflict of Interest shall register the declarations of wealth. The rules on the declaration of wealth of the Members of Parliament and on procedures related to declaration of wealth shall apply to the declaration of wealth of the members of the Monetary Council and the members of the Supervisory Board, or to related procedures with the exceptions set out in this Article. Anyone may initiate proceedings in relation to the declaration of wealth with the Chairman of the Parliament.

### **31. Auditor**

#### **Article 57**

The auditor of the MNB may be appointed for a maximum term of five years, and may not be reappointed within 5 years of the expiry of the appointment.

### *Chapter V*

#### *MISCELLANEOUS PROVISIONS*

### **32. Rights of the Central Bank**

#### **Article 58**

(1) In order to maintain the stability of the financial intermediary system, the MNB may submit a proposal to the Government to adopt legal regulations or to make legislative proposals, or to any member of the Government for adopting legal regulations. The MNB may decide to make this proposal in a public announcement.

(2) In response to any proposal of the MNB submitted to the Government as defined in paragraph (1), on behalf of the Government the Minister responsible for the regulation of the money, capital and insurance markets; and in the event of a proposal submitted to a member of the Government, the member of the Government shall inform the MNB within 15 working days of receipt or publication of the proposal - through public channels if the proposal has been announced in the public - of the launch of a procedure directed at adopting a legal act or at initiating a legislative proposal; - in the event of legislative proposal - of the deadline for presenting a draft law to the Parliament, or in the event of regulation in a decree, the deadline for its publication in the official journal; or in the absence of the above, of the reasons for such a decision.

(3) If the deadline defined in paragraph (2) expired without any actions taken, the addressee of the proposal shall immediately inform the MNB - through public channels if the proposal has been announced in the public - of the reasons for delay, and - if the addressee is in agreement with the proposal - of the new deadline for presenting a draft law to the Parliament, or of its publication in the official journal.

#### Article 59

(1) The MNB shall be entitled to manage forint and foreign exchange accounts on behalf of

- a) payment service providers, as specified in the Act on Payment services;
- b) organisations performing clearing house activity as defined in the Tpt.;
- c) organisations performing activities for operation of the payment system as defined in the Hpt.;
- d) organisations performing cash processing activities;
- e) the central securities depository;
- f) the National Deposit Insurance Fund;
- g) the Investor Protection Fund;
- h) any other organisation established in Hungary relating to performance of the basic tasks defined in Article 4(1), (4), (5) and (7); and
- i) foreign central banks and any other organisations established outside Hungary relating to performance of the basic tasks defined in Article 4(1), (4), (5) and (7), and in order to fulfil any obligations arising under international treaties.

(2) In performing its tasks set out in Article 4(1)-(7), the MNB shall be entitled to conduct any other transactions within the scope of its financial and ancillary financial service activities in forint, foreign currency and precious metals.

(3) In performing its tasks set out in Article 4(1) and (7), the MNB may perform custody services and recording of financial assets as an ancillary service to investment activities in accordance with Bszt., in relation to this it may manage a client account, or manage deposits and related securities accounts, and in the case of material securities, may keep records of such securities and manage client accounts.

(4) In order to support the activity of the investigative authorities and the Public Prosecutor, the MNB is entitled - observing the prohibition of monetary financing defined in Article 15 - to provide forint and foreign banknotes to these organisations for the performance of their investigative activities.

#### Article 60

(1) Based on claims arising in relation to the performance of its central banking tasks, the MNB shall be entitled to a statutory lien on the assets of a debtor based in Hungary, regardless of the legal grounds upon which title to such assets has been acquired. Based on the statutory lien, the MNB may satisfy its claim from the property subject to lien without any court proceedings, in a manner that it deems most suitable. These provisions shall apply accordingly to satisfaction from collateral provided to the MNB.

(2) In the event of a lien or collateral for the benefit of the MNB acquired in relation to the performance of its central bank duties, the provisions of the Act on bankruptcy and liquidation proceedings on the restrictions of direct enforceability of liens and collateral shall not be applied.

(3) The provisions of paragraphs (1) and (2) shall also apply to collaterals provided for the benefit of the central bank of another Member State of the European Union, or of the ECB, with regard to the performance of their central banking tasks.

(4) The MNB shall satisfy its claims against credit institutions arising from its activity defined in Article 7, by debiting the accounts kept for such credit institutions, prior to transferring funds in execution of court orders and administrative orders.

#### Article 61

Claims against the MNB shall only be filed in Hungary, at the seat of MNB. This provision shall not apply to legal actions arising from employment relationship.

**Article 62**

The books of the MNB and duly signed excerpts from such books shall have the power of evidence as official public documents.

**33. Acquisitions of Shares and Payment of Dividends**

**Article 63**

(1) With the exceptions defined in paragraphs (2) to (4), the MNB shall not own shares of any domestic or foreign organisation.

(2) The MNB may acquire and keep shares of an organisation, which:

- a) has been established in relation to its activity;
- b) performs activities for the operation of the payment system; or
- c) performs stock exchange, clearing house, central depository and central counterparty activities.

(3) Paragraph (1) shall not be applicable to the acquisition by the MNB of securities incorporating membership rights, introduced to the regulated market within the framework of transactions implemented in the course of completing the tasks defined in Article 4(1), (3) and (7), with the provision that pursuant to Bszt. the MNB may not acquire a qualified interest in the issuer. Within the scope of its tasks defined in Article 4(1), (3) and (7) the MNB may not acquire securities incorporating membership rights directly from the issuer.

(4) The MNB shall contribute to the ECB's capital in the proportion laid down in Articles 28 and 29 of the Statute.

**Article 64**

(1) Based on Article 16(5), the MNB shall pay a dividend from the accumulated profit reserve or the result in the subject year that is not used for setting off the negative amount of the balance reserves based on the decision of the Executive Board as defined in Article 49(4) subsection b).

(2) The MNB shall not pay advance dividends.

(3) Where the amount of loss incurred in the subject year exceeds the accumulated profit reserve, the difference shall be directly reimbursed from the central budget to the accumulated profit reserve within 8 days of the shareholder's receipt of the notification on the annual report for the subject year as defined in Article 43(2).

(4) The shareholder may provide capital allocation to the accumulated profit reserve in cash.

*Chapter VI*

*CLOSING PROVISIONS*

**34. Authorisations**

**Article 65**

(1) The Governor of the Magyar Nemzeti Bank shall be authorised to regulate in a decree:

- a) the base interest rate in accordance with the decision of the Monetary Council;
- b) the minimum level of the reserve ratio in accordance with the decision of the Monetary Council, and the interest rate payable on the minimum reserve;
- c) the calculation, the method of allocation and placement of the minimum reserve, and measures to be taken in the event of non-compliance;
- d) the issuance, denomination, distinguishing features and withdrawal from circulation of banknotes and coins, including commemorative banknotes and commemorative coins;
- e) technical and other tasks specified in Article 28(1) with regard to the protection against counterfeiting of Hungarian and foreign legal tender;
- f) the bodies conducting expert inspections in relation to suspected counterfeit Hungarian and foreign legal tender;
- g) the organisations liable to provide data pursuant to Article 28(4), and the method and content of such data submission;



h) the conditions of giving permission for the making, or arranging for the production of imitations of legal tender in circulation and withdrawn from circulation by the MNB but convertible to legal tender, and the requirements for the production, recording, safekeeping and destruction of imitations;

i) the regulations relating to reproductions of euro - including medals and tokens similar to euro coins - with the exception of the rules on sanctions, with consideration for the provisions of Council Regulation (EC) 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins;

j) the scope of information to be provided and the scope of the providers for the central bank information system as well as the method and deadline of data submission;

k) the amount of the administrative service fee charged for the proceedings of the MNB opened on request - other than the proceedings for licensing the provision of ancillary financial services under the Hpt. within the framework of the licensing authority of the MNB, and for the withdrawal of such licences, and the proceedings for the designation granted under Act XXIII of 2003 on Settlement Finality in Payment and Securities Settlement Systems - and the regulations relating to the payment of such fees, and

l) in accordance with the decision of the Monetary Council the necessary measures to reduce risks or prevent the build-up of systemic risks in areas not regulated by law or Government Decrees: provisions preventing the excessive outflows of credit; liquidity criteria preventing the build-up of systemic liquidity risks; the conditions for the timing, structure and operation of the anti-cyclical capital buffer; and additional criteria which reduce the probability of bankruptcy for systemically important institutions.

(2) The Governor of the MNB shall be authorised within the scope of his tasks defined in Article 4(5) and Article 19(2) to regulate in a decree:

a) the rules of execution of payment orders in payment transactions as well as the rules of the method of payment;

b) the conditions for the circulation of money;

c) the rules for money processing activity; and

d) the detailed rules on activities in the operation of the payment system, in accordance with Hpt.

(3) The Governor of the MNB shall be authorised within the scope of the tasks of MNB specified in Article 4(5) and Article 20(1) and (2) to regulate in a decree:

a) the content and formal requirements for the General Terms and Conditions of the entities engaged in the activity of operating the payment system under the Act on Credit Institutions and the requirements for the regulations required for the provision of their activity;

b) the content and formal requirements for the business terms and conditions of the entity performing the clearing house activity pursuant, and

ba) the rules governing the establishment and termination of client relationships,

bb) the financial and technical conditions to be satisfied by the clients,

bc) clearing and settlement procedures,

bd) the rules governing risk management,

be) the rules governing the creation and use of statutory collateral,

bf)

bg) the rules governing the establishment, use and management of guarantee funds,

bh) the fundamental principles of setting the fees charged for the services rendered to clients;

c) in the case of the central depository

ca) the rules governing the establishment and termination of client relationships,

cb) the financial and technical conditions to be satisfied by the clients,

cc) the fundamental principles of setting the fees charged by the central depository for services rendered to clients,

cd) the rules governing risk management;

d) in the case of an entity acting as a central counterparty

da) the rules governing the establishment and termination of client relationships,

db) the financial and technical conditions to be satisfied by the clients,

dc) the rules governing the assumption of obligation related to the transactions guaranteed by a central counterparty,

dd) the rules governing risk management,

de) the rules governing the creation and use of statutory collateral,

df) the rules governing the establishment, use and management of guarantee funds, and

dg) the fundamental principles of setting the fees charged for the services rendered to clients.

dh) clearing and settlement procedures.

(4) The Minister for Justice need not be consulted with regards to a decree of the Governor of the MNB.

(5) A decree issued pursuant to paragraph (1) subsection c) shall be published in the official journal 15 days prior to its entry into force.

### **35. Entry Into Force**

#### **Article 66**

- (1) This Act, with the exception defined in paragraph (2), shall enter into force on 1 January 2012.
- (2) Article 77 shall enter into force on January 1, 2013.

### **36. Transitional Provisions**

#### **Article 67**

(1) The entry into force of this Act shall not affect the mandate of the Governor of the Magyar Nemzeti Bank appointed pursuant to Article 50(3) of Act LVIII of 2001 on the Magyar Nemzeti Bank (hereinafter the 'MNB Act') and Article 32/D(2) of the Constitution; the Deputy Governors appointed pursuant to Article 51(1) of the MNB Act; the members of the Monetary Council elected pursuant to Article 49(4) subsection c) of the MNB Act; and the members of the Supervisory Board pursuant to Article 52/A(4) of the MNB Act., and of . The provisions of the MNB Act in effect on the day prior to the entry into force of this Act shall apply to the dismissal of members of the Monetary Council elected pursuant to Article 49(4) subsection c) of the MNB Act, until the end of their mandate.

(2) The powers of the Deputy Governor with general authorisation to stand in for the Governor of the MNB pursuant to Article 50(7) of the MNB Act shall cease to apply upon the entry into force of this Act.

(3) The provisions of this Act shall be applied to the accounting report of the MNB for the year 2011.

(4) The Statutes of the MNB shall be brought in line with the provisions of this Act by March 31 2012.

(5) The operations of the MNB shall be brought in line with the provisions of this Act by March 31 2012. Until then the competences defined in Article 49 will be exercised by the Governor of the MNB or the person designated by him as set out in the provisions of the law on MNB in force preceding the entry into force of this Act.

#### **Article 68**

Articles 1-9, 11, 12(1) and (3), 19-21, 27(1), (2) and (10), Article 28(1), (2), (4) and (5), Article 30, Articles 42-50 and Article 67 hereof are deemed cardinal, pursuant to Article 41(1), (4) and (5) of the Fundamental Law.

### **37. Compliance with European Union law**

#### **Article 69**

(1) This Act establishes provisions required for the implementation of Regulation 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

(2) This Act establishes provisions required for the implementation of Regulation 260/2012/EU (14 March 2012) of the European Parliament and of the Council on establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009.

### **38.**

#### **Article 78**