

# Act LX of 1991

## On the national bank of hungary

An act on the national bank of hungary is being passed by parliament in order that

- the stability of the national currency,
- the internal and external balance of payments,
- the steady development and international integration of the national economy

Be strengthened.

## Chapter I

### Legal status and function of the national bank of hungary

#### Section 1

The national bank of hungary (hereinafter called mnb) is the bank of issue of the republic of hungary, the central bank of the national economy.

#### Section 2

The president of mnb is required to report to parliament.

#### Section 3

Mnb shall use the means of monetary policy (financial and credit policy) at its disposal to support the realization of the government's programme in economic policy.

#### Section 4

- (1) a fundamental task of mnb is the protection of the internal and external purchasing power of the national currency.
- (2) mnb has exclusive authority to issue banknotes and coins.
- (3) mnb shall build up stocks of gold and foreign currency.
- (4) mnb shall perform the duties required by law with regard to the stewardship of precious metals.

## Chapter II

### The tasks of mnb

### Monetary policy

#### Section 5

(1) mnb shall influence through its position, as the bank of issue, the money and credit supply as well as the money and credit demand by the means specified in section (8) through the control of the financial institutions.

(2) mnb shall promote the realization of the balance of the economy by activities designed to uphold the monetary balance.

#### Section 6

Mnb shall frame its monetary policy as well as the methods to enforce this policy independently within the framework of this act.

#### Section 7

In order in sections to realize its tasks mentioned 4-5 the mnb shall control the quantity (supply) of money issued by the mnb (hereinafter called "issuing bank money").

## Devices of monetary policy

#### Section 8

Devices available for the mnb to enforce its monetary policy include refinancing, regulating the obligatory issuing bank and liquidity reserves of the financial institutions, exerting influence on, or determining, the exchange rates and interests, open market operations and other devices available to the bank of issue.

## Refinancing

#### Section 9

(1) within the framework of refinancing the mnb shall

- (a) discount (rediscount) securities;
- (b) grant refinancing credits with or without collateral security;
- (c) enter into securities transactions with repurchase agreement.

(2) securities issued by the financial institution itself can not be accepted as a cover for refinancing credits.

## Obligatory issuing bank reserve

#### Section 10

(1) mnb can order the financial institutions to place a reserve proportional to their external sources (rate of reserve) with mnb.

(2) a different rate of reserve can be prescribed by mnb for the different types of external sources of the financial institutions.

## Daily liquidity reserve

#### Section 11

(1) mnb can order the financial institutions to keep assets in reserve eligible for issuing bank transactions, the magnitude of the reserve corresponding to a specified ratio of the total assets of the financial institutions (rate of liquidity).

(2) assets eligible for issuing bank transactions include promissory note for issuing bank money, liquid assets convertible to issuing bank money without limit, or securities materializing credit relations, accepted by mnb as a liquid asset of the aforementioned type.

#### Section 12

Mnb shall announce modifications of issuing bank orders in relation to the extent and calculation of reserve rate and liquidity rate and way of building up and placing of the reserves not later than 15 days before the orders come into force.

## Exchange rates

### Section 13

- (1) mnb shall quote and publish the rates of exchange of foreign currencies to forint and forint to foreign currencies.
- (2) the order of fixing and influencing of the rates of exchange shall be determined by the government in agreement with mnb.
- (3) mnb shall protect and influence the rates of exchange according to section (2) on the internal and external foreign currency markets by way of intervention as required.

## Interest rates

### Section 14

- (1) mnb shall use fixed and floating interest rates, including basic issuing bank interests rates, daily money market interests rates, preferential interest rates and punitive interest rates.
- (2) mnb is entitled to fix the various interest rates to be used obligatorily by the financial institutions, including the maximum applicable interest rate and, in case the resources of the issuing bank are granted at a preferential interest rate, also the difference in interest rate between the resources acquired and assets placed out.

### Section 15

- (1) mnb shall fix a basic issuing bank interest rate as a guiding rate of interest. The guiding interest rate shall be published by mnb in the official gazette.
- (2) mnb is obliged to inform the government on planned changes in the basic issuing bank interest rate.

### Section 16

Mnb may pay interest on obligatory reserves placed by the financial institutions. The rate of interest may vary depending on the type of the source of the reserve rate.

## Credit for financial institutions in case of emergency

### Section 17

In the state of emergency of the financial institution, mnb may extend extraordinary credit to the financial institution. The extension of the above credit may also be subjected by mnb to the measures to be taken by the state banking supervision in the state of emergency, and/or the performance by the financial institution of the measures initiated by the state banking supervisory board.

## Relationship with the state budget, account-keeping by mnb

### Section 18

- (1) accounts of the state and central organizations representing an independent item in the central budget can also be kept by mnb.
- (2) accounts of other organizations financed by the state budget but not mentioned under (1) shall similarly be kept by mnb.
- (3) mnb shall keep the money circulation accounts of the state development institute company limited by shares, the state property management company limited by shares and the central corporation of financial institutions company limited by shares.

## Section 19

- (1) financing relations with the budget can be maintained by mnb exclusively through the central budget.
- (2) mnb is accountable to parliament with regard to its credit relations with the state finances.
- (3) mnb can grant credits for the central budget expiring before or after one year. In a given year, the increase in the stock of credits granted for the central budget must not exceed 3 % of the planned receipts of the central budget in that given year on none of the days of the year.
- (4) the amount of liquidation credit extended by mnb in order to bridge over the temporary liquidation difficulties of the account of the state circulating fund of the central budget - up to not more than two per cent of the planned revenues of the central budget in the given year - shall be disregarded from the aspect of the extent mentioned in subsection (3). Such liquidation credit debts may exist in the central budget on several occasions, or continuously in a calendar month, but for not more than 15 days; the central budget shall have no liquidation credit debt on the last day of the year.
- (5) the basic interest of the bank of issue - with the exception of the credits referred to in section 82 - shall govern the interest return of the credits extended to the central budget by mnb.
- (6) at least the same part of the privatisation revenues to which mnb extended credit for the purpose of the sale of the state-owned property shall be used to reduce interest-bearing public debt.

## Section 20

- (1) the difference originating from the change of the official rate of exchange of the forint compared to the foreign currencies and affecting the claims and liabilities in foreign currency of the national bank of hungary increases and/or reduces, public debt with the exemption indicated in subsection (2).
- (2) the part of the profit and/or loss indicated in subsection (1) which originates neither from the change of the rate of exchange of the forint nor from the effects of the domestic foreign-exchange market shall be indicated as special reserves in the balance sheet of the national bank of hungary, and interest free loan in connection therewith shall only be granted - in accordance with subsection (3) - in case the reserves are not sufficient for covering the loss.
- (3) mnb shall grant interest free credit for the central budget for financing the losses mentioned under subsection (1). This credit shall be disregarded from the aspect the extend referred to in subsection (3), section 19, except for the repayment of this credit from the revenues of privatisation.

## Section 21

The earnings on issue of money, i.e. The difference between the sum of money issued and that not exchanged for the currency in circulation before the time limit specified for withdrawal shall be expended on the reduction of the state debt.

## Section 22

- (1) the stock of securities owned by mnb, issued on behalf, or upon request, of the state to cover the current budget deficit as well as securities purchased by mnb on open market, issued by the state in the aforementioned way, except for securities purchased within the framework of repurchase agreements, shall be taken into consideration in respect of the permissible stock of credits mentioned under section 19, subsection (3).
- (2) the state shall - annually - convert 5% of the state debt existing at the end of the previous year - with consideration to subsection (4), too, - which originated from the interest-free credit extended - in accordance with subsection (3), section 20 - to the central budget for the purpose of financing the loss defined in subsection (1), section 20, into securities with market interest.
- (3) if the gross foreign exchange debt of mnb reduced by the gross foreign exchange receivables - calculated in foreign exchange, in the manner defined by mnb and the ministry of finance - decreases

by the end of the previous year, in accordance with the annual balance-sheet of mnb and in comparison with the end of the year preceding the previous year, to an extent bigger than the amount of state debt which shall be converted into securities in accordance with subsection (2), the state shall convert the amount of debt into securities with market interest which shall be equal to the forint amount of the decrease of the foreign exchange debt. The amount of the mature state debt converted in the subject year shall, however, be reduced by the amounts of debt converted into securities in the years preceding the subject year on the basis subsection (2), retrospectively to the year in which the conversion of state debt took place in accordance with this subsection. The amount of debt to be transformed into securities may not be less even in this case - with consideration to subsection (4) - than 5% of the amount of interest-free debt existing at the end of the preceding year.

(4) the loans outstanding to be converted into securities, calculated in accordance with subsections (2) and (3) shall be reduced by the amount of the revenues of privatization used in the year preceding the subject year to pay the interest-free state debt against mnb [subsection (6), section 19]. Conversion shall be implemented within 30 days following the regular general meeting defining the annual balance-sheet of mnb in the preceding year.

(5) in the transactions specified above, the state shall be represented by the minister of finance.

#### Section 23

(1) mnb can act for the state in respect of securities on the stock market if entrusted with doing so or if the securities are owned by the state, except for shares. Before securities are issued on behalf of the state, mnb shall be consulted especially with regard to the time and method of issue of the securities concerned.

(2) in order to establish a balance on the market of securities issued by the state, mnb may sell and/or purchase securities issued by the state on the stock market commissioned by the state and on the state's account.

#### Section 24

With regard to credits taken and guarantee undertaken by the state abroad, issue of securities by the state and credits to be taken by the state from international organizations, mnb shall act on authorization by the state.

#### Section 25

Mnb may keep the account of the social insurance fund and the account of separated state funds.

#### Section 26

(1) unless some other financial institution is authorized by mnb to do so, mnb shall keep the accounts of the financial institutions. Mnb may keep the account of money circulation of the central clearing house and depository company limited by shares.

(2) accounts of insurance companies can be kept by mnb.

(3) upon request, mnb can keep the accounts of securities dealers.

#### Section 27

Organizations with an account kept by mnb may place deposits with mnb.

## Tasks with regard to exchange control

#### Section 28

Mnb is the central organization of exchange control. The scope of authority of mnb as an exchange control authority is set out by rules on exchange control.

#### Section 29

(1) mnb shall regulate, in agreement with the national banking supervision, the financial activities of financial institutions and other legal entities dealing with banking in foreign currency. Financial institutions can enter into transactions involving foreign currency on the authorization of mnb in agreement with the national banking supervision. Mnb shall participate in the framing of the principles and conditions of the provision of export credits.

(2) credits can be taken or granted abroad, excluding government credits specified in section 24, by mnb as well as, subject to permit and/or obligation to report as defined in subsection (3), by financial institutions and other legal entities.

(3) credits from abroad can be taken by financial institutions authorized to perform foreign exchange operations subject to obligation to report to mnb. Financial institutions can be authorized by mnb to grant credits abroad. Other legal entities can likewise be authorized by mnb to take and grant credits abroad .

(4) the order of authorization and reporting shall be determined by mnb and the minister of finance.

(5) mnb shall inform the government on medium-term and long-term credits monthly.

#### Section 30

(1) mnb shall provide for availability of foreign exchange of a sufficient amount for payments to be effected abroad and for the safety of the country with regard to foreign exchange supply. The regulation of credit and foreign exchange transactions associated with external economic relations mentioned under section 29, subsection (1) shall be framed by mnb accordingly.

(2) mnb is obliged to inform the minister of finance on gold and foreign exchange reserves monthly.

#### Section 31

Mnb shall perform duties in relation to the control of precious metals in compliance with the relevant rules.

#### Section 32

Unless directed otherwise by law or parliamentary resolution, mnb, if authorized by the government, can perform tasks falling on it in international financial organizations.

## Tasks with regard to money circulation

#### Section 33

(1) the national system of payments and clearing shall be framed by mnb.

(2) the circulation of money shall be controlled by mnb.

## Central banking and information system

#### Section 34

(1) in order to fulfill its tasks, mnb shall operate a central banking information system. The financial institutions and other legal entities dealing with activities as financial institutions are obliged to supply information specified by mnb for this information system. The data base and methodology of the central banking information system shall be determined by mnb in agreement with the central statistical office, and after consultation with the ministry of finance and/or the national banking supervision.

(2) mnb shall make public all the important information relating to the operation of the banking system and the financial state of the country and shall put detailed data about the operation of the system and the financial state of the country at the parliament's, government's and the various departments' (organizations of national authority) disposal.

(3) data can only be made public in a form not permitting any information to be related to individual suppliers of data.

(4) financial institutions are obliged to publish data specified by mnb in a way determined by mnb.

## Control exercised as bank of issue

### Section 35

(1) the scope of control as bank of issue includes compliance of financial institutions and other legal entities dealing with activities as financial institutions with the rules relating to money circulation, bank credit and exchange control as well as with mnb orders for the implementation thereof. In doing so, mnb is entitled to ask for data, reports, balance sheets, certificates and any relevant document.

(2) mnb is entitled to carry out on-site inspection while in control as bank of issue.

(3) in the interest of a successful inspection, the mnb employee in charge of the inspection is entitled to enter any room (area), look into documents, examine objects, observe work process (activity), ask for information and collect evidence in any other way.

(4) in case infringement of the law is established, mnb is obliged to take the necessary measures, in particular:

(a) to act within its own jurisdiction according to this act,

(b) to call the attention of the financial institution or the other legal entity dealing with activities as financial institution to the detected infringement of the law,

(c) to request (an)other organization(s) to take the necessary measures,

(d) to commence disciplinary, civil, punitive, or other proceedings.

(5) the organization called upon is obliged to investigate the suit of mnb on its merits and to notify mnb of the measures it has taken within 30 days.

### Section 36

(1) if a bank of issue source granted by mnb is used by a bank for credit in a way resulting in infringement of the law, mnb may charge punitive interest on the sum used unlawfully in addition to the interest stipulated in the refinancing credit contract.

(2) should the rules or regulations mentioned under section 35, subsection (1) be contravened by a financial institution, mnb may impose punitive interest on the financial institution in addition to the regular interest or stipulate an earlier expiration of the credit in refinancing credit contracts concluded with the financial institution for a year calculated from the day of detection of infringement of the law or, in case of repeated infringement, or in grave cases, exclude the financial institution from refinancing partly or entirely.

(3) the highest rate of punitive interest shall be published by mnb.

## Issue of money

### Section 37

(1) mnb shall announce the issuing of banknotes and coins, their denomination, form of presentation and withdrawal publicly in the official gazette.

(2) banknotes and coins issued by mnb must be accepted at par by all in case of payments in legal hungarian currency.

(3) in case of cash payment, a maximum of 50 pieces per denomination of coins issued by mnb shall be accepted. This limitation does not apply to the counter of financial institutions and post offices where coins of an unlimited number must be accepted for payment.

(4) counterfeit, truncated (punched) coins must not, while coins of a significantly reduced weight or those difficult to identify need not, be accepted for payment. Coins of a significantly reduced weight or difficult to identify due to wear and tear in normal use shall be accepted for payment by financial institutions, tax offices and post offices and shall be exchanged with mnb.

(5) counterfeit banknotes and coins shall be delivered up to mnb without compensation.

(6) the face value of incomplete (truncated) forint banknotes shall be paid by mnb if a part larger than half of the banknote is handed in. Mnb shall exchange damaged banknotes free of charge. Mnb shall not pay for truncated or damaged forint coins except for those with precious metal content.

(7) mnb shall not pay compensation for destroyed banknotes or coins. No destruction proceedings can be brought in respect of banknotes or coins.

#### Section 38

Mnb shall provide the conditions for the production of banknotes and the minting of coins, the costs being covered by mnb's profit.

#### Section 39

The counters of financial institutions and post offices are obliged to exchange coins for banknotes or coins of a different denomination and to exchange banknotes for coins or banknotes of a different denomination free of charge.

#### Section 40

(1) the production of imitations of banknotes or coins in circulation for any purpose (use in theatrical performances, shooting of television or other film productions, education etc.) Is subject to permission by mnb.

(2) mnb's regulations determine the procedure for the production, registration, safe-keeping and destruction of the imitations.

## Chapter III

### Mnb's relations with other organizations

#### Relations with parliament

##### Section 41

(1) the president of mnb shall present a yearly account of mnb's activity to parliament. Occasional information may also be requested by parliament.

(2) the president of mnb shall present the guiding principles of mnb's monetary policy for the year to parliament.

#### Relations with the government and the departments

##### Section 42

Mnb shall participate in framing the government's economic policy and express opinion on decisions and rules related to the government's economic policy.

##### Section 43



Mnb and the ministry of finance shall coordinate their guiding principles for monetary policy for the year and/or recommendations concerning the annual budget and the way of financing a possible deficit.

#### Section 44

The government shall express its views on the guiding principles of mnb's monetary policy for the year before the programme is presented to parliament.

#### Section 45

The government cannot give orders to mnb within the scope of mnb's tasks specified in this act.

#### Section 46

(1) the agenda for meetings of the central banking council (section 57) and the board of directors of mnb (section 61) shall be submitted to the government.

(2) a minister appointed by the government shall represent the government at the meetings of the board of directors of mnb.

#### Section 47

The president of mnb shall be invited to the meetings of the government where problems affecting the scope of mnb's tasks are discussed.

#### Section 48

Mnb shall inform the government and/or departments (organizations of national authority) on the monetary processes regularly and, upon request, in particular cases. The president of mnb and the minister of finance shall agree upon the content and frequency of the regular information supply.

#### Section 49

Upon request, the government and/or departments (organizations of national authority) shall provide information to mnb on their activity.

#### Section 50

Mnb, keeping in view its tasks and responsibilities as a bank of issue as they are defined in this act, shall be entitled to make public its opinion on decisions made by the government and/or departments (organizations of national authority) with regard to economic policy and regulations set out by them, if the standpoint of mnb cannot be enforced in any other way.

## Relations with the national banking supervision, national securities supervision, and national insurance supervision

#### Section 51

(1) in the course of performing its tasks, mnb shall co-operate with the national banking supervision, national securities supervision and national insurance supervision.

(2) to meetings of the board of directors of mnb where problems affecting the scope of tasks of the national banking supervision, national securities supervision or national insurance supervision are discussed, the head of the supervisory body affected shall be invited.

#### Section 52

(1) authorization by the national banking supervision is subject to agreement by mnb in the following cases:

(a) determination and modification of the scope of activities of financial institutions;

(b) activities as financial institution subject to permit, or modification of the scope of banking activities subject to permit, of other legal entities, business associations which are not legal entities or private entrepreneurs;

(c) setting up a branch or agency or other business of financial institutions abroad, share of financial institutions in business abroad;

(d) reorganization, merger, de-merger of financial institutions,

(e) setting up an agency by foreign financial institutions in hungary;

(f) operation of a branch of foreign financial institutions in hungary.

(2) mnb's approval is required for foreign share in hungarian financial institutions and for setting up a financial institution with foreign share in hungary, except if the ratio of foreign share is 10 %, or below, of the capital of the financial institution.

#### Section 53

Mnb and the national banking supervision and/or national securities supervision shall mutually put at each other's disposal data and information on the activity of financial institutions and other legal entities pursuing activity as financial institutions and on issue and circulation of securities, respectively and inform each other on the results of inspection by the central bank or supervisory authority even if measures of legal consequence were taken by them within their own jurisdiction; they shall initiate proceedings against each other if necessary.

## Chapter IV

### The organization of MNB

#### Legal form of MNB

#### Section 54

(1) mnb shall operate as a legal entity in the form of a joint-stock company.

(2) the firm name of mnb need not be registered. The designation 'joint-stock company' need not be included in the firm name of mnb.

(3) the articles of association of mnb shall be determined by the general assembly.

(4) the shares of mnb are owned by the state. The state, as the owner of the shares, is represented by the minister of finance.

#### Organizations of MNB

#### Section 55

Organizations of nmb: the general assembly, the central banking council, the board of directors and the board of supervisors.

#### The general assembly

#### Section 56

Falling within the scope of duties of the general assembly are the determination and modification of the articles of association, the determination of the registered and reserve capital, the establishment of the balance sheet and of the statement on property and results, the distribution of the annual profit, as

well as the election and revocation of elected members of the board of directors and the auditors, and the determination of the salaries of the president, vice-presidents, members of the central banking council, board of directors, board of supervisors and auditors.

## Central banking council

### Section 57

- (1) the supreme controlling organization of mnb with regard to monetary policy is the central banking council.
- (2) the central banking council shall sit as required but at least quarterly.
- (3) members of the central banking council are:
  - (a) the president of mnb as the president of the central banking council;
  - (b) the vice-presidents of mnb;
  - (c) additional members of a number agreeing with the number of vice-presidents, appointed by the president of the republic for a period of 3 years on the recommendation of the prime minister.
- (4) the government's representative shall be invited to meetings of the central banking council as a delegate with voice but no vote.
- (5) the central banking council shall decide upon
  - A) the guiding principles of mnb's monetary policy for the year;
  - B) modification of the means of central banking policy, including measures in exchange rate policy.
- (6) a quorum is achieved in the central banking council if at least five members are present. A simple majority is required to pass resolutions; in case of a tie vote, the chairman's casting vote shall decide.
- (7) responsibility for the implementation of the resolutions of the central banking council rests with the president of mnb.

## The president of MNB

### Section 58

- (1) mnb is headed by a president. The responsibility for performing the duties of mnb and the management of mnb's operation rests with the president.
- (2) the president of mnb shall be appointed for a period of 6 years, and released from the post, by the president of the republic on the recommendation of the prime minister.
- (3) the recommended person shall be questioned by the relevant parliamentary committee at a hearing.
- (4) the president of mnb shall take the oath of office on the assumption of his/her responsibilities before the president of the republic.
- (5) the mandate of the president of mnb shall cease
  - (a) on expiration of the mandate,
  - (b) by resignation,
  - (c) by release,

(d) by death of the president.

(6) the resignation shall be reported to the president of the republic and to the prime minister in writing.

(7) the president of mnb can be released from the post by the president of the republic if

(a) for reasons beyond his/her control, the president of mnb is incapable of performing the tasks associated with his/her post;

(b) for reasons attributable to him/her, the president of mnb fails to perform the duties associated with his/her post or commits an offence according to a legally binding court decision, or becomes unworthy of the post in any other way.

(8) the vice-president appointed by the president of mnb (section 59) shall act as deputy for the president of mnb.

## The vice-presidents of MNB

### Section 59

(1) the vice-presidents, maximum five, of mnb shall be appointed and released by the president of the republic on the recommendation of the prime minister.

(2) the vice-presidents of mnb shall be appointed for a period of three years.

(3) section 58, subsections (3) to (7) shall also be applied with regard to the vice-presidents of mnb.

(4) employer's rights with regard to the vice-presidents, except for section 58, subsection (5), paragraphs b) to c), shall be exercised by the president of mnb.

### Section 60

Sections 58, subsections (3) to (7) and 59, subsection (1) apply also to persons mentioned in section 57, subsection (3), paragraph c).

## Board of directors

### Section 61

(1) the board of directors shall assist the president of mnb in performing his/her duties as president.

(2) the board of directors shall consist of the president, vice-presidents, and members elected by the general assembly on the recommendation of the president of mnb. The members of the board of directors are employees of mnb.

(3) in cases specified by the relevant law, the president shall act on behalf of the board of directors.

## Board of supervision

### Section 62

(1) the board of supervision is the supervisory body of mnb.

(2) members of the board of supervision are:

(a) the president of the board of supervision, delegated by parliament,

(b) three additional members delegated by parliament,

- (c) the representative of the minister of finance,
- (d) an expert invited by the minister of finance.

#### Section 63

The members of the board of supervision are delegated for the period equal to the term of parliament and their mandate expires at the end of the term of parliament. The board of supervision shall work until the new members of the board of supervision are delegated by the new parliament within three months of the opening of parliament.

#### Section 64

Members of the board of supervision can be recalled by the parliament that delegated them or by the minister of finance who appointed them.

#### Section 65

Members of the board of supervision are obliged to supply information to the parliament that delegated them and/or to the minister of finance who appointed them.

## The employees of MNB

#### Section 66

(1) employees of mnb are obliged to keep bank secrets they have gained access to in the course of their service.

(2) in matters affecting mnb's scope of tasks, employees of mnb can be absolved from the obligation of official secrecy by the president of mnb.

#### Section 67

From the point of view of the application of criminal law, employers of mnb, in connection with fulfilling their tasks related to mnb as a bank of issue, have to be regarded as official persons with authority.

#### Section 68

(1) the title of chief counsellor or counsellor can be conferred on employees of mnb. Employees are entitled to bear the title and use the advantages resulting from it only during their time of employment by mnb or, after retirement, only if having been employees of mnb immediately before retirement.

(2) rules concerning conditions of conferment of titles, bonus and other advantages resulting from the title, as well as use and withdrawal of the title, shall be determined by the president of mnb.

## Incompatibility

#### Section 69

The president, vice-presidents, members of the board of directors of mnb and persons mentioned under section 57, subsection (3), paragraph c) cannot hold office in any political party or appear in public on behalf, or in favour, of a political party.

#### Section 70

(1) the president, vice-presidents, members of the board of directors of mnb and persons mentioned under section 57, subsection (3), paragraph c) can only hold an executive position or be a member of the board of supervision in a financial institution where mnb may have a share according to the provisions of this act (section 84).

(2) persons mentioned under subsection (1) shall make a written statement upon their appointment (election, employment) for mnb on whether they or their close relatives [civil code, section 685, paragraph (b)] possessed direct or indirect shareholdings in any financial institution or what kind of

securities which embody membership rights [securities code, section 3, paragraph (b)], issued by a financial institution, may they or their close relatives own.

(3) persons mentioned under subsection (1) shall make a statement within 2 working days for mnb on whether they or their close relatives acquired direct or indirect shareholdings in a financial institution or, acquired securities which embody membership rights, issued by a financial institution.

(4) persons mentioned under subsection (1) shall make a statement with regard to shares in property or securities according to subsections (2)-(3), to their best knowledge.

(5) mnb is required to keep a record of the reports and statements made on the basis of subsections (2)-(3).

## Chapter V

### Miscellaneous provisions

#### Competence

##### Section 71

(1) within the framework of the law, mnb may impose rules by way of central banking orders on financial institutions and other legal entities also dealing with activities as financial institutions, or business associations which are not legal entities, and pursue such activities, and private entrepreneurs dealing with financial activities, to regulate

(a) the magnitude and calculation of compulsory central bank reserve and liquidity reserve and/or the way of building up and placing of such reserves;

(b) the interest rates to be used compulsorily;

(c) the scope of information to be supplied, the way and time limit of the information supply;

(d) data to be made public, and the way of their publication;

(e) financial activity in foreign currency;

(f) the circulation of money.

(2) the rulings of the central bank with regard to the circulation of money extend to legal entities, business associations other than legal entities, and to natural persons as well.

##### Section 72

(1) mnb shall be entitled to perform any operations coming under the scope of activities of financial institutions, in forints, to bodies whose accounts of money circulation are or may be kept by it.

(2) mnb shall be entitled to perform the following operations coming under the scope of activities of financial institutions, to bodies and natural persons not coming under subsection (1):

A) acceptance of bank deposit in accordance with the provisions of legal rules or rulings of authorities (transaction of bank deposit);

B) operations performed with transferable securities issued by the state (securities transaction);

C) management of securities issued by the state, deposit management of securities issued by the state (securities deposit transaction)

D) issue of cheques, travellers cheques, and arrangement of payment circulation by them.

(3) mnb may keep the bank accounts of the employees of mnb in forint, may accept deposits therefrom and extend credit to them, furthermore, it may render other services of financial institutions to them.

(4) mnb may keep the bank account of the post connected with the arrangement of national cash circulation.

(5) mnb shall be entitled to perform any operations coming under the scope of activities of financial institutions in foreign exchange and with precious metals, furthermore, with foreigners in forint, by the application of the legal rules on foreign exchange.

(6) a separate act shall apply to the activities of securities trade of mnb.

#### Section 73

On the basis of claims relating to the fulfilment of its tasks as a bank of issue, mnb is entitled to mortgage the property possessed by any right by a hungarian debtor. Mnb can satisfy itself on the basis of the right of pledge, from the pledged property in any way found to be most convenient, without legal proceedings.

#### Section 74

legal proceedings can be commenced against mnb only at its seat. This provision does not apply to proceedings resulting from employment issues.

#### Section 75

The books of mnb and properly signed extracts taken from the books are official documents with a probative force.

#### Section 76

Mnb shall enjoy full and personal exemption from duties.

## Business regulations

#### Section 77

The general terms of contracts within the scope of activities of mnb shall be laid down in business regulations. Deviation from the business regulations in the individual contracts is permissible.

## Regulation of mnb's revenues

#### Section 78

(1) mnb is obliged to pay into the central budget the remainder of its annual proceeds according to the balance sheet after withholding a sum for purposes determined by the general assembly.

(2) mnb shall comply with its liabilities under subsection (1) by way of self-assessment.

(3) mnb shall effect advance payments proportionately to the rate of profit quarterly, until the 25th day of the last month of the quarter, and adjust these payments to the actual profit not later than on the last day of the next month.

(4) any extraordinary expenses, and/or revenues due to the management of the loans outstanding necessary for achieving the aims of monetary policy by mnb, and existing in foreign exchange in the books of mnb shall be settled - in the interest of the long-term balancing of such revenues and expenses - by the central budget and mnb - based on the agreement between the government and mnb - until the last day of the year.

# Chapter VI

## Concluding provisions

### Section 79

(1) the tasks of mnb can be prescribed by law or decree within the scope of tasks in relation to circulation of money, and by law, government decree or ministerial decree within the scope of tasks in relation to exchange control.

A government decree of this type is subject to consultation with mnb, while a ministerial decree of this type shall be issued in agreement with mnb.

(2) the task mentioned under subsection (1) shall be in accord with the tasks and responsibilities of mnb as a bank of issue specified in this act.

### Section 80

The stock of credits granted by mnb for the central budget, existing at the time of the coming into force of this act, shall not be affected by the content of section 19, subsection (3).

### Section 81

The extent of credits granted by mnb for the central budget according to section 19, subsection (3) shall first be considered during the preparation of the budget for 1995.

(2) the rate of credits granted by mnb for the central budget is not limited by this act in 1992, while for 1993, the rate specified under section 19, subsection (3) lies at 5 % and for 1994 at 4 %.

### Section 82

(1) the rate of annual interest defined in subsection (2) shall be paid on the long-term loans outstanding of the central budget existing at the time of coming into force of this act, but exclusive of the long-term credit of the bank of issue referred to in subsection (2), section 7 of act civ of 1990 on the state budget of 1991 of the republic of hungary, and the rules of 1991 of the management of the state budget. The above rate of interest shall exceed the average rate of interest paid by mnb on its foreign exchange debts by 1 per cent point. The agreement of mnb and the minister of finance shall govern the definition of the above-mentioned rate of interest; the numerical rate of interest shall be included in the annual act on budget.

(2) from the aspect of the calculation of the rate of interest referred to in subsection (1), the data of the annual balance-sheet of mnb of the year preceding by two years, the year to which interest payment obligation shall apply, shall be taken into consideration as the foreign exchange debt of mnb.

### Section 83

On the first occasion after the coming into force of this act, the president of the republic shall nominate

(a) two of the vice-presidents of mnb for two years,

(b) two of the persons mentioned under section 57, subsection (3), paragraph c) for two years.

### Section 84

(1) following the coming into force of this act, mnb shall not acquire any share in economic associations to be considered domestic for the purposes of legal rules on foreign exchange, and shall alienate, or terminate any such share acquired prior to the coming into force of this act when having created the necessary conditions, but not later than 31 december 1995.

(2) subsection (1) shall not apply to shares of mnb in economic associations connected with the activities of mnb.



(3) irrespective of subsections (1) and (2), mnb may participate in economic associations established:

A) for the purpose of performance of clearing circulation among financial institutions; furthermore

B) for the purpose of clearing of securities and stock exchange transactions, and/or the custody, management and registration of securities, as well as

C) following the coming into force of this act, with the participation of financial institutions, the post and the stock exchange for the purpose of the development of the infrastructure of financial institutions, clearing circulation, and capital market.

#### Section 85

The provisions of act vi of 1988 on business associations shall be applied to mnb with the distinctions contained in this act.

#### Section 86

This act enters into force on the 1st day of december 1991.

#### Section 87

Section 233 of act iv of 1988 on business associations shall be complemented by the following sentence:

"in respect of the national bank of hungary, deviation from the provisions applying to shareholding companies can be permitted by a separate act."

#### Section 88

Simultaneously with the coming into force of this act, the following shall become invalid:

- section 26, subsection (3), section 27, subsection (2) and sections 29 to 30 of act ii of 1979 on state finances;

- law-decree 36 of 1967 on the national bank of hungary and law-decree 26 of 1984 amending the above, as well as law-decree 29 of 1986;

- section 8 of law-decree 14 of 1987 on transitional provisions and amendments of rules with regard to the coming into force of acts on general turnover tax and income tax payable by private persons;

- government decree no. 14/1970. (v.24.) Korm. On the issuing of coins and paragraph 6 of schedule 1 to government decree no. 88/1990. (iv.30) mt, amending the above government decree, on the amendment and abrogation of certain rules;

- sections 39/a to 40 of government decree no. 23/1979. (vi.28.) Mt on the execution of act ii of 1979 on state finances, amended repeatedly;

- section 3, subsection (1) of government decree no. 39/1984. (xi. 5.) Mt on money circulation and bank credit;

- government decree no. 52/1989. (vi.5.) Mt on certain questions of the system of financial interests of certain financial institutions, amended by government decree no. 58/1990. (iii.23.) Mt and government decree no. 5/1990. (vii.11.) Korm. - with regard to the national bank of hungary;

- decree by the minister of finance, no. 20/1970. (vii.29.) Pm on acceptance of coins issued by the national bank of hungary, and on the issue of coins, containing provisions for abrogation of certain rules;

- decree by the minister of finance, no. 5/1975. (i.21.) Pm on production, safe-keeping and destruction of imitation copies of money;

- decree by the minister of finance, no. 39/1990. (xii.29.) Pm on the regulation of income of the national bank of hungary on the understanding that the provisions of the decree should still be applied in the year 1991 and/or in the course of the distribution of the proceeds of 1991 profit;
- mnb order no. 1/1987. (vii.28.) On central bank control.