Act CXXXVIII of 2007

on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities[1]

With a view to the alignment of Hungarian and Community regulations concerning investment service activities, to improving its transparency, to fostering international competitiveness, to protecting investors and clients, and to ensuring sound supervisory arrangements with regard to the sector, Parliament has adopted the following Act:

PART ONE

PRELIMINARY PROVISIONS

Chapter I

SCOPE

Section 1[2]

(1) Unless provided by international agreement or by this Act to the contrary, this Act shall apply to:

a) the following activities carried out in the territory of Hungary by persons and bodies established in the territory of Hungary:

aa) investment service activities,

ab) ancillary services relating to investment services (hereinafter referred to as “ancillary services”),

ac) commodity exchange services;

b) the following services provided by companies established in the territory of Hungary in other Member States of the European Union or in the territory of another EEA Member State in the form of cross-border services or incorporated as branches:

ba) investment service activities, and

bb) ancillary services;

c) the following activities performed in the territory of Hungary by a foreign company (established in any EEA Member State or in a third country) incorporated as a branch:

ca) investment service activities, and

cb) ancillary services;

d) the following activities performed in the territory of Hungary by a company established in another EEA Member State in the form of cross-border services:

da) investment service activities, and

db) ancillary services; furthermore

e) supervision of the operators mentioned in Paragraphs *a)-d)* under the provisions of this Act.

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1 Promulgated on 28 November 2007.

2 Established by Section 45 of Act LVIII of 2021, effective as of 1 January 2022.

(2) Unless provided by international agreement or by this Act to the contrary, this Act shall apply to:

a) data reporting services carried out in the territory of Hungary by data providers established in Hungary;

b) data reporting services provided by data providers established in the territory of Hungary in other EEA Member States or in the territory of another EEA Member State in the form of cross-border services or incorporated as branches;

c) data reporting services provided in the territory of Hungary by a foreign data provider (established in any EEA Member State or in a third country) incorporated as a branch;

d) data reporting services provided in the territory of Hungary by a data provider established in another EEA Member State in the form of cross-border services; and

e) supervision of the operators mentioned in Paragraphs *a)-d)* under the provisions of this Act;

if considered to be of limited relevance within the internal market as provided for in Article 2(3) of Regulation 600/2014/EU of the European Parliament and of the Council.

Section 1/A[1]

(1) Chapter VI/A shall also apply to:

a) insurance companies - other than small insurance companies and mutual associations covered by Part Six of the Insurance Act -, reinsurance companies and special purpose entities provided for in the Insurance Act;

b) the persons specified in Paragraphs *f)* and *h)* of Section 2, and in Section 9;

c) the investment funds, investment fund managers and depositaries provided for in the Collective Investments Act;

d) the voluntary pension funds defined in Paragraph *a)* Subsection (1) of Section 10 of Act XCVI of 1993 on Voluntary Mutual Insurance Funds, and the fiduciaries and depositaries thereof;

e) the private pension funds provided for in Paragraph *a)* of Subsection (1) of Section 2 of Act LXXXII of 1997 on Private Pensions and Private Pension Funds, and the fiduciaries and depositaries thereof;

f) the institutions for occupational retirement provision provided for in Point 14 of Section 2 of Act CXVII of 2007 on Occupational Retirement Pension and Institutions for Occupational Retirement Provision, and the fiduciaries and depositaries thereof;

if they are members of or participants in a regulated market or a multilateral trading facility.

(2) Sections 144/A and 144/B, and Chapter XXVI/A shall also apply to:

a) the persons described in Section 2;

b) insurance companies - other than small insurance companies and mutual associations covered by Part Six of the Insurance Act -, reinsurance companies and special purpose entities provided for in the Insurance Act;

c) the investment funds, investment fund managers and depositaries provided for in the Collective Investments Act;

d) the voluntary pension funds defined in Paragraph *a)* of Subsection (1) of Section 10 of Act XCVI of 1993 on Voluntary Mutual Insurance Funds, and the fiduciaries and depositaries thereof;

e) the private pension funds provided for in Paragraph *a)* of Subsection (1) of Section 2 of Act LXXXII of 1997 on Private Pensions and Private Pension Funds, and the fiduciaries and depositaries thereof; and

f) the institutions for occupational retirement provision provided for in Point 14 of Section 2 of Act CXVII of 2007 on Occupational Retirement Pension and Institutions for Occupational Retirement Provision, and the fiduciaries and depositaries thereof.

1 Enacted by Section 39 of Act LXIX of 2017, effective as of 3 January 2018.

(3) The provisions of this Act governing management bodies, conflicts of interest, product approval processes, keeping records on services, activities and transactions, requirements for information to clients, competency and compliance tests, the activities of intermediaries, the provision of services through the medium of another investment firm, client order handling, transactions executed with eligible counterparties, supervisory powers, sanctions, the reporting of breaches and on remedies shall also apply to investment firms and credit institutions mutatis mutandis when selling or advising clients in relation to structured deposits.

Section 2

This Act shall not apply to:

a)[1] persons or bodies dealing on own account in financial instruments other than commodity derivatives or emission allowances or derivatives thereof and not providing any other investment services or performing any other investment activities in financial instruments other than commodity derivatives or emission allowances or derivatives thereof unless such persons:

aa) are market makers,

ab) are members of a regulated market or a multilateral trading facility or have direct electronic access to a trading venue, excluding non-financial entities engaged in executing transactions on that trading venue in derivatives which are objectively measurable as reducing risks directly relating to the commercial activity or treasury financing activity of the non-financial entities or their groups,

ac) apply a high-frequency algorithmic trading technique;

ad) deal on own account when executing client orders;

b) persons or bodies which provide investment services exclusively for their parent companies, for their subsidiaries or for other subsidiaries of their parent companies;

c) persons or bodies which provide investment services consisting exclusively in the administration of employee-participation schemes;

d) persons or bodies which provide investment services:

da) exclusively for their parent companies, for their subsidiaries or for other subsidiaries of their parent companies; and

db) consisting exclusively in the administration of employee-participation schemes;

e) persons or bodies providing investment advice in the course of providing another professional activity not covered by this Act provided that the provision of such advice is not specifically remunerated;

f)[2] persons or bodies dealing on own account, including market makers, in commodity derivatives or emission allowances or derivatives thereof, excluding persons or bodies who deal on own account when executing client orders, provided that:

fa) for each of those cases individually and on an aggregate basis this is an ancillary activity to their main business, when considered on a group basis,

fb) those persons are not part of a group the main business of which is the provision of investment services within the meaning of this Act, or the provision of financial service activities under the CIFE, or acting as a market maker in relation to commodity derivatives,

fc) those persons do not apply a high-frequency algorithmic trading technique, and

fd) those persons report to the Authority upon request the basis on which they consider that their activity under this Paragraph is ancillary to their main business;

g)[3] persons or bodies providing investment services, other than dealing on own account, in commodity derivatives or emission allowances or derivatives thereof to the customers or suppliers of their main business, provided that:

1 Established by Subsection (1) of Section 40 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Subsection (1) of Section 46 of Act LVIII of 2021, effective as of 28 February 2022.
3 Established by Subsection (1) of Section 46 of Act LVIII of 2021, effective as of 28 February 2022.

ga) for each of those cases individually and on an aggregate basis this is an ancillary activity to their main business, when considered on a group basis,

gb) those persons are not part of a group the main business of which is the provision of investment services within the meaning of this Act, or the provision of financial service activities under the CIFE, or acting as a market maker in relation to commodity derivatives,

gc) those persons do not apply a high-frequency algorithmic trading technique, and

gd) those persons report to the Authority upon request the basis on which they consider that their activity under this Paragraph is ancillary to their main business;

h)[1] investment services companies providing investment service activities where that service is provided in an incidental manner in the course of a professional activity under the conditions set out in Article 4 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (hereinafter referred to as "Commission Delegated Regulation 2017/565/EU"), and that activity is regulated by legal or regulatory provisions or a code of ethics governing the profession which do not exclude the provision of that service;

i)[2] operators provided for in Act CCXVII of 2012 on Participating in the Scheme for Greenhouse Gas Emission Allowance Trading Within the Community and in the Implementation of the Decision on Effort Sharing who, when dealing in emission allowances, do not execute client orders and who do not provide any investment services or perform any investment activities other than dealing on own account, except if they apply a high-frequency algorithmic trading technique;

j)[3] transmission system operators as defined in Act LXXXVI of 2007 on Electric Energy (hereinafter referred to as "EEA") when carrying out their tasks under Regulation (EC) No. 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No. 1228/2003 (hereinafter referred to as "Regulation 714/2009/EC") or business and trading codes or guidelines provided for in the EEA and adopted pursuant to Regulation 714/2009/EC, any persons acting as service providers on their behalf to carry out their task under those legislative acts, and any operator or administrator of an energy balancing mechanism and electricity network to keep in balance the supplies and uses of electricity when carrying out such tasks;

k)[4] transmission system operators as defined in Act XL of 2008 on Natural Gas (hereinafter referred to as "Gas Act") when carrying out their tasks under Regulation (EC) No. 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005 (hereinafter referred to as "Regulation 715/2009/EC") or business and trading codes or guidelines provided for in the Gas Act and adopted pursuant to Regulation 715/2009/EC, any persons acting as service providers on their behalf to carry out their task under those legislative acts, and any operator or administrator of an energy balancing mechanism and natural gas network to keep in balance the supplies and uses of natural gas when carrying out such tasks;

1 Enacted by Subsection (3) of Section 40 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Subsection (3) of Section 40 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Subsection (3) of Section 40 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted by Subsection (3) of Section 40 of Act LXIX of 2017, effective as of 3 January 2018.

l)[1] the central securities depository, except where they provide investment service activities and ancillary services under this Act as provided for in Article 73 of Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (hereinafter referred to as "Regulation 909/2014/EU");

m)[2] the crowdfunding service providers defined in Article 2(1)(e) of Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.

Section 2/A[3]

(1) Persons or bodies exempt under Paragraphs *f)* and *g)* of Section 2 are not required to meet the conditions laid down in Paragraph *a)* of Section 2 in order to be exempt.

(2) The exemptions under Paragraphs *j)* and *k)* of Section 2 shall apply to persons engaged in the activities set out in these Paragraphs only where they perform investment service activities or provide ancillary services relating to commodity derivatives in order to carry out those activities or provide the services under Paragraphs *j)* and *k)* of Section 2. That exemption shall not apply with regard to the operation of a secondary market, including a platform for secondary trading in financial transmission rights.

Section 3

(1)[4] Except for Section 8, Section 13, Subsections (3)-(5) of Section 17, Sections 20/A-20/B, Section 22, Sections 24-24/G, Section 26/A, Sections 27-31, Sections 37-39, Sections 97-107, Sections 110/A-110/Q, Section 121, Subsections (8)-(9) of Section 123, Section 123/A, Sections 124-141, Sections 155-170 and Sections 172-175, the provisions on investment firms shall apply to investment service activities and ancillary services provided by the Magyar Nemzeti Bank (*National Bank of Hungary*) (hereinafter referred to as "MNB") outside of its main functions defined in the MNB Act.

(2)[5] Unless otherwise provided for in this Act, the provisions on investment firms - except for Subsection (5) of Section 8, Section 8/A, Section 13, Sections 15-17, Sections 19/A-20/B, Section 21/A, Subsections (1)-(3) of Section 22, Section 22/A, Sections 24/A-24/G, Subsection (1) of Section 25, Section 26/A, Section 31/A, Section 37, Subsections (1)-(6) of Section 37/A, Sections 37/B-39, Section 60, Subsection (2a) of Section 78, Sections 97-107, Section 121, Subsections (8) and (9) of Section 123, Section 123/A, Subsections (1)-(2) of Sections 124-127, Sections 128-135, Subsection (5) of Section 136, Sections 137-139, Sections 161/A-161/D, Sections 162-163/C, Paragraph *v)* of Subsection (1) of Section 164, Subsections (7) and (8) of Section 164, and Annex 4 - shall also apply to credit institutions engaged in investment service activities or providing ancillary services, with the proviso that any reference made to investment firms shall also be construed as credit institutions.

1 Enacted by Subsection (3) of Section 40 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Subsection (2) of Section 46 of Act LVIII of 2021, effective as of 10 November 2021.
3 Enacted by Section 41 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Subsection (1) of Section 42 of Act LXIX of 2017, effective as of 3 January 2018.
5 Established by Subsection (1) of Section 10 of Act CX of 2020, effective as of 26 June 2021.

(3)[1] The investment fund managers defined in the Collective Investments Act may engage in investment service activities and provide ancillary services within the scope specified by the Collective Investments Act, with the proviso that their such activities and services shall be subject to the provisions on investment firms set out in Chapter VII - excluding Paragraph *y)* of Subsection (1) of Section 28 -, in Part Four - excluding Sections 73-78 -, in Chapter XXI - excluding Section 123/A -, and in Chapter XXII - excluding Sections 124-139.

(4)[2] Except for Section 8, Sections 12 and 13, Section 16, Subsections (3)-(5) of Section 17, Sections 20/A and 20/B, Sections 21 and 22, Section 22/A, Sections 24-24/G, Section 26/A, Sections 27-31, Sections 37-39, Sections 62 and 63, Sections 97-107, Sections 110/A-110/Q, Section 121, Subsections (7)-(9) of Section 123, Section 123/A, Sections 124-141 and Sections 155-175, the provisions on investment firms shall apply to investment service activities and ancillary services:

a) provided by the Államadósság Kezelő Központ Zrt. (*Government Debt Management Agency*) (hereinafter referred to as "ÁKK Zrt.") other than the management of public debt provided for by law;

b) provided by the Magyar Államkincstár (*Hungarian State Treasury*) (hereinafter referred to as "Treasury") with respect to debt securities issued by the State.

(5)[3] Section 8/A and Section 107 shall not apply to commodity dealers and emission allowance dealers, to insurance companies and investment fund managers defined in Article 4(1)(150) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (hereinafter referred to as "Regulation 575/2013/EU").

Section 3/A[4]

(1)[5] All multilateral systems in financial instruments shall operate under:

a) the provisions of this Act concerning multilateral trading facilities or organized trading facilities; or

b) the provisions of Part Nine of the CMA;

where transparency of the trading venues provided for in Paragraphs *a)* and *b)* shall be ensured in accordance with Title II of Regulation 600/2014/EU.

(2) Any investment firms which, on an organized, frequent, systematic and substantial basis, deal on own account when executing client orders outside a regulated market, a multilateral trading facility or an organized trading facility shall operate in accordance with Title III of Regulation 600/2014/EU.

(3) Without prejudice to Articles 23 and 28 of Regulation 600/2014/EU, all transactions in financial instruments as referred to in Subsections (1) and (2) which are not concluded on multilateral systems or systematic internalizers shall comply with the relevant provisions of Title III of Regulation 600/2014/EU.

Section 3/B[6]

(1) Small and non-interconnected investment firms shall be governed - except for the provisions set out in Section 17, Section 19/A, Section 20/A, Subsections (2)-(4) of Section 21/A, Subsections (2), (4)-(9) of Section 101, Subsections (1) and (2) of Section 123/A, and Annex 4 - by the provisions applicable to investment firms.

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1 Established by Section 80 of Act LXXXV of 2015, effective as of 7 July 2015. Amended by Paragraph a) of Section 65 of Act CCXV of 2015.
2 Established by Subsection (2) of Section 42 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Subsection (2) of Section 10 of Act CX of 2020, effective as of 26 June 2021.
4 Enacted by Section 43 of Act LXIX of 2017, effective as of 3 January 2018.
5 Amended by Paragraph a) of Subsection (1) of Section 70 of Act LVIII of 2021.
6 Enacted by Section 11 of Act CX of 2020, effective as of 26 June 2021.

(2) The Authority shall decide as to whether the provisions of Section 162 on investment firms should apply to small and non-interconnected investment firms on a case-by-case basis, with respect to the principle of proportionality, having regard in particular to the diversity in size and scale of operations and to the range of the investment firm.

(3) The Authority may order the small and non-interconnected investment firm to uphold the provisions of Subsections (1) and (2) of Section 106 proportionately where it considers this appropriate based on its market share or its growth in balance sheet total within a financial year.

(4) Where an investment firm which has not met all of the conditions set out in Article 12(1) of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No. 1093/2010, (EU) No. 575/2013, (EU) No. 600/2014 and (EU) No. 806/2014 (hereinafter referred to as "Regulation 2019/2033/EU") subsequently meets those conditions, the provision set out in Subsection (1) shall cease to apply after a period of six months from the date on which those conditions are met. The provision set out in Subsection (1) shall apply to an investment firm after that period only where the investment firm continued to meet the conditions set out in Article 12(1) of Regulation 2019/2033/EU without interruption during that period and where it notified the Authority accordingly.

(5) Where a small and non-interconnected investment firm determines that it no longer meets all of the conditions set out in Article 12(1) of Regulation 2019/2033/EU, it shall notify the Authority and comply with all requirements prescribed for investment firms within twelve months of the date on which the assessment on non-compliance took place.

(6) Investment firms shall apply the provisions laid down in Annex 4 on performance based remuneration to remuneration awarded for services provided or performance in the financial year following the financial year in which the assessment referred to in Subsection (5) took place.

Section 3/C[1]

(1) Investment firms applying the group capital test provided for in Article 8 of Regulation 2019/2033/EU shall apply the provisions on internal governance, transparency, risk management and remuneration on an individual basis.

(2) Investment firms applying prudential consolidation provided for in Article 7 of Regulation 2019/2033/EU shall apply the provisions on internal governance, transparency, risk management and remuneration on an individual and consolidated basis.

(3) By way of derogation from Subsection (2), the provisions on internal governance, transparency, risk management and remuneration shall not apply to third-country subsidiaries that are subject to supervision on a consolidated basis if the parent investment firm established in Hungary can prove to the Authority that the application of the provisions on internal governance, transparency, risk management and remuneration is unlawful under the laws of the third country where those subsidiary companies are established.

Chapter II

INTERPRETATIVE PROVISIONS

Section 4

1 Enacted by Section 11 of Act CX of 2020, effective as of 26 June 2021.

(1) The abbreviations of legal regulations referred to in this Act are contained in Annex 1.

(2) For the purposes of this Act and other legislation implemented under the authorization of this Act:[1]

1.[2] 'algorithmic trading' shall mean trading in financial instruments where a computer algorithm automatically determines individual parameters of orders such as - in particular - whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention - in accordance with Article 18 of Commission Delegated Regulation 2017/565/EU -, and does not include any system that is only used for:

a) the purpose of routing orders to one or more trading venues,

b) for the processing of orders involving no determination of any trading parameters,

c) for the confirmation of orders, or

d) for the post-trade processing of executed transactions;

1a.[3] 'data provider' shall have the meaning defined in point 36a of Article 2(1) of Regulation 600/2014/EU of the European Parliament and of the Council;

1b.[4] 'parent company' shall have the same meaning as defined in the Accounting Act;

1c.[5]

1d.[6]

2.[7] 'UCITS' shall have the meaning defined in the Collective Investments Act;

2a.[8] 'government securities' shall mean a debt instrument issued by a sovereign issuer;

2b.[9] 'sovereign issuer' shall mean any of the following legal entities that issue debt instruments:

a) the European Union,

b) a Member State of the European Union, including a government department, an agency, or a special purpose vehicle of the Member State,

c) in the case of a federal Member State of the European Union, a member of the federation,

d) a common special purpose vehicle for several Member States,

e) an international financial institution established by two or more Member States which has the purpose of mobilizing funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems, or

f) the European Investment Bank;

3.[10] 'market maker' shall mean a person who is willing to deal on own account by buying and selling financial instruments on a continuous basis at prices defined by it;

4.[11] 'commodity' shall have the same meaning as defined in Commission Delegated Regulation 2017/565/EU;

4a.[12] 'commodity derivatives' shall mean commodity derivatives as defined in Article 2(1)(30) of Regulation 600/2014/EU;

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1 Amended by Paragraph c) of Section 20 of Act CXLV of 2017.
2 Established by Subsection (1) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Subsection (1) of Section 47 of Act LVIII of 2021, effective as of 1 January 2022.
4 Enacted by Subsection (2) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
5 Repealed by Paragraph a) of Section 71 of Act LVIII of 2021, effective as of 1 January 2022.
6 Repealed by Paragraph a) of Section 71 of Act LVIII of 2021, effective as of 1 January 2022.
7 Established by paragraph (2) Section 164 of Act CXCIII of 2011. Amended by Paragraph b) of Subsection (3) of Section 278 of Act XVI of 2014.
8 Enacted by Subsection (3) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
9 Enacted by Subsection (3) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
10 Amended by Paragraph b) of Section 134 of Act LXIX of 2017.
11 Established by Subsection (4) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
12 Enacted by Subsection (5) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.

4b.[1] ‘commodity and emission allowance dealer’ shall mean a commodity and emission allowance dealer as defined in point (150) of Article 4(1) of Regulation 575/2013/EU;

5.[2] ‘transferable securities’ shall mean securities which are negotiable on the capital market, with the exception of instruments of payment;

6.[3] ‘identification data’:

a)[4] ‘personal identification data of natural persons’ shall mean the natural identification data, citizenship, residence address, type and number of identification document,

b)[5] ‘identification data of companies’ shall mean the name, abbreviated name, registered address, address of the Hungarian branch of a non-resident company, registered number, number of the resolution adopted on foundation (registration, admission into the register), registration number, name and position of authorized representatives of companies;

7.[6] ‘investment credit or loan’ shall mean the granting of loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;

8.[7] ‘investment research’ shall mean investment recommendations made according to the CMA relating to financial instruments or the issuers of financial instruments, excluding investment advice;

9.[8] ‘investment advice’ shall mean the provision of personal recommendations to a client in respect of one or more transactions relating to financial instruments, not including publicly available information, facts, circumstances, studies, reports, analyses and advertisements, and the prior information investment firms are required to provide to their clients and any subsequent changes in that information as prescribed under this Act;

10.[9] ‘investment firm’ shall mean any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities for consideration by authorization granted under this Act, exclusive of what is contained in Section 3;

10a.[10] ‘investment firm group’ shall mean an investment firm group as defined in point (25) of Article 4(1) of Regulation 2019/2033/EU;

10b.[11] ‘investment holding company’ shall mean an investment holding company as defined in point (23) of Article 4(1) of Regulation 2019/2033/EU;

11.[12] ‘qualifying interest’ shall have the same meaning as qualifying holding as defined in the Banking Act;

11a.[13] ‘certificate’ shall mean certificates as defined in Article 2(1)(27) of Regulation 600/2014/EU;

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1 Enacted by Subsection (1) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
2 Established: by paragraph (1) Section 142 of Act CLIX of 2010. In force: as of 1. 01. 2011.
3 Enacted: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
4 Amended: by Section 391 of Act LVI of 2009. In force: as of 1. 10. 2009.
5 Established by Subsection (1) of Section 165 of Act CCLII of 2013, effective as of 15 March 2014.
6 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
7 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
8 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
9 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
10 Enacted by Subsection (2) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
11 Enacted by Subsection (2) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
12 Established by Subsection (1) of Section 77 of Act CCXXXVI of 2013, effective as of 1 January 2014.
13 Enacted by Subsection (6) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.

11b.[1] ‘C6 energy derivative contract’ shall mean options, futures, swaps, and any other derivative contracts mentioned in Paragraph *f)* of Section 6 relating to coal or oil that are traded on an OTF and must be physically settled;

11c.[2]

12.[3] ‘swap’ shall mean a complex agreement for the exchange of a financial instrument which, in general, consists of a spot transaction and a futures transaction, and/or several futures transactions and, in general, it results in future cash flow exchanges;

12a.[4] ‘group supervisor’ shall mean a competent supervisory authority responsible for the supervision of compliance with the group capital test of EU parent investment firms and investment firms controlled by EU parent investment holding companies or EU parent mixed financial holding companies;

12b.[5] ‘compliance with the group capital test’ shall mean compliance by a parent company in an investment firm group with the requirements of Article 8 of Regulation 2019/2033/EU;

13.[6] ‘endowment capital’ shall mean the capital provided permanently and without restrictions or encumbrances for the foundation and operation of a branch;

14.[7] ‘EEA Member State’ shall mean any Member State of the European Union and any State that is a party to the Agreement on the European Economic Area;

15.[8] ‘parent investment firm in an EEA Member State’ shall mean an investment firm which holds a dominant influence or participation in an investment firm, credit institution or financial institution, and in which an investment firm, credit institution or financial institution authorized in the same EEA Member State or of a financial holding company set up in the same EEA Member State does not have a dominant influence or participation;

16.[9] ‘parent financial holding company in an EEA Member State’ shall mean a financial holding company in which a credit institution, investment firm or financial holding company authorized in the same Member State does not have a dominant influence or participation;

16a.[10] ‘matched principal trading’ shall mean a transaction where the investment firm or market operator interposes itself between the buyer and the seller to the transaction in such a way that it is never exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the investment firm or market operator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction;

16b.[11] ‘electronic format’ shall mean any durable medium other than paper;

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1 Enacted by Subsection (6) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
2 Repealed by Paragraph a) of Section 71 of Act LVIII of 2021, effective as of 1 January 2022.
3 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
4 Enacted by Subsection (3) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
5 Enacted by Subsection (3) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
6 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
7 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
8 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
9 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
10 Enacted by Subsection (7) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
11 Enacted by Subsection (2) of Section 47 of Act LVIII of 2021, effective as of 28 February 2022.

17.[1] ‘recognized clearing house’ shall mean a financial institution set out in an EEA Member State or an OECD Member State and providing services related to clearing and settlement transactions, recognized as such under the law or by the competent supervisory authority of the home Member State, and the bodies engaged in central counterparty activities;

18.[2]

19.[3] ‘dominant influence’ shall have the meaning defined in the CIFE;

20.[4] ‘senior executive officer’ shall mean a member of the management of an investment firm, so designated under the investment firm’s charter document;

21.[5]

22.[6] ‘EU parent investment firm’ shall mean an EU parent investment firm as defined in point (56) of Article 4(1) of Regulation 2019/2033/EU;

23.[7] ‘EU parent investment holding company’ shall mean an EU parent investment firm as defined in point (57) of Article 4(1) of Regulation 2019/2033/EU;

23a.[8] ‘EU parent mixed financial holding company’ shall mean an EU parent investment firm as defined in point (58) of Article 4(1) of Regulation 2019/2033/EU;

23b.[9] ‘securities financing transaction’ shall have the meaning defined in Article 3 point (11) of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012;

24.[10] ‘securities lending and securities borrowing’ shall mean the conveyance of securities where the lender transfers securities to the borrower subject to a commitment that the borrower will return equivalent securities in terms of quantity and series at some future date stipulated by contract or when requested to do so by the transferor to the transferor, or to a third party designated by the transferor;

25.[11] ‘securities custody account’ shall mean an account for the safekeeping and administration of securities for the account of clients;

26.[12] ‘securities account’ shall have the meaning defined in the CMA;

27.[13] ‘securities secrets’ shall mean all data and information that is at the disposal of an investment firm, an operator of multilateral trading facilities or a commodity dealer concerning specific clients relating to their personal information, financial standing, business operations and investments, ownership and business relations, and their contracts and agreements with any investment firm or commodity dealer, and to the balance and money movements on their accounts;

27a.[14] ‘Authority’ shall mean the MNB acting within its function as supervisory authority of the financial intermediary system;

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1 Established by Subsection (1) of Section 81 of Act LXXXV of 2015, effective as of 1 January 2016.
2 Repealed by Paragraph a) of Section 39 of Act CIV of 2014, effective as of 1 January 2015.
3 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
4 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
5 Repealed by Paragraph a) of Section 112 of Act CCXXXVI of 2013, effective as of 1 January 2014.
6 Established by Subsection (4) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
7 Established by Subsection (4) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
8 Established by Subsection (4) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
9 Enacted by Subsection (1) of Section 8 of Act CXLV of 2017, effective as of 3 January 2018.
10 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
11 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
12 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
13 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
14 Enacted: by paragraph (1) Section 106 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

28.[1] ‘supervisory authority’ shall mean the body vested with powers to exercise supervision over investment firms and commodity dealers relating to their investment service activities and ancillary services, and to the activities in which commodity dealers may be authorized to engage in, this excluding the Authority;

29.[2] ‘branch’ shall have the meaning defined in the FCA and in the CRA;

30.[3] ‘host Member State’ shall mean the EEA Member State, other than the EEA Member State in which an investment firm has a branch or performs services and/or activities;

30a.[4] ‘tied agent’ shall mean a natural or legal person, who, under the full and unconditional responsibility of only one investment firm on whose behalf it acts, promotes investment and/or ancillary services to clients or prospective clients;

31.[5] ‘third country’ shall mean any country that is not an EEA Member State;

31a.[6] ‘third-country firm’ shall mean a firm that would be a credit institution, investment firm performing investment service activities or providing ancillary services if its head office or registered office were located within an EEA Member State;

32.[7] ‘initial capital’ shall mean the initial capital defined in Section 13 available at the time of foundation, constituted in accordance with Article 9 of Regulation 2019/2033/EU;

33.[8] ‘underwriting guarantee’ shall mean a commitment for the subscription or purchase of securities on own account, or a commitment for the subscription or purchase of a certain amount of securities made under agreement in order to prevent the failure of the subscription of sales procedure;

33a.[9] ‘good business reputation’ shall mean all of the requisites to be possessed by the senior executives of the investment firm and by its members with a qualifying interest for the prudent and sound management of the investment firm;

34.[10] ‘positions held with trading intent’ shall mean the positions held intentionally for short-term resale and/or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations. The term “positions” shall include proprietary positions and positions arising from client servicing and market making;

34a.[11] ‘trading venue’ shall mean any regulated market, multilateral trading facility or organized trading facility;

34b.[12] ‘cross-selling practice’ shall mean the offering of an investment service together with another service or product as part of a package or as a condition for the same agreement or package;

34c.[13] ‘small and medium-sized enterprises’ shall mean companies that had an average market capitalization of less than 200,000,000 euro on the basis of end-year quotes for the previous three calendar years;

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1 Established: by paragraph (2) Section 106 of Act CXLIII of 2013. In force: as of 1. 10. 2013.
2 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
3 Established by Subsection (8) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted by Subsection (9) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
5 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
6 Enacted by Subsection (10) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
7 Established by Subsection (5) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
8 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
9 Enacted by Subsection (2) of Section 81 of Act LXXXV of 2015. Amended by Point 1 of Section 44 of Act CX of 2020.
10 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
11 Enacted by Subsection (11) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
12 Enacted by Subsection (11) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
13 Enacted by Subsection (11) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.

34d.[1] ‘SME growth market’ shall mean a multilateral trading facility that is registered as an SME growth market in accordance with Section 154/A;

34e.[2] ‘make-whole clause’ shall mean a clause that aims to protect the investor by ensuring that, in the event of early redemption of a bond, the issuer is required to pay to the investor holding the bond an amount equal to the sum of the net present value of the remaining coupon payments expected until maturity and the principal amount of the bond to be redeemed;

34f.[3] ‘framework contract’ shall mean the basic agreement defined in Article 58 of Commission Delegated Regulation 2017/565/EU;

35.[4] ‘small and non-interconnected investment firm’ shall mean a small and non-interconnected investment firm as defined in Article 12(1) of Regulation 2019/2033/EU;

36.[5] ‘collective investment trust’ shall have the meaning defined in the Collective Investments Act;

37.[6] ‘central credit information system’ shall have the meaning defined in the Act on the Central Credit Information System (hereinafter the referred to as “KHR”);

38.[7] ‘central counterparty’ shall have the meaning defined in the CMA;

38a.[8] ‘direct electronic access’ shall mean an arrangement where a member or participant or client of a trading venue permits a person to use its trading code so the person can electronically transmit orders relating to a financial instrument directly to the trading venue and includes arrangements which involve the use by a person of the infrastructure of the member or participant or client, or any connecting system provided by the member or participant or client, to transmit the orders (direct market access) and arrangements where such an infrastructure is not used by a person (sponsored access), having regard to Article 20 of Commission Delegated Regulation 2017/565/EU;

39.[9] ‘non-resident investment firm’ shall mean an investment firm whose registered seat is not in Hungary;

40.[10] ‘special purpose entity’ shall mean an entity organized for carrying on a securitization or securitizations, as governed in specific other legislation, that may function in the form of a securitization fund or a securitization entity;

41.[11] ‘retail client’ shall mean a client who is not a professional client;

42.[12] ‘subsidiary’ shall mean any company over which a parent company effectively exercises a dominant influence. All subsidiaries of subsidiary companies shall be considered subsidiaries of the parent company;

43.[13] ‘custodianship’ shall mean the safekeeping of financial instruments for the account of clients, including disbursement;

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1 Enacted by Subsection (11) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Subsection (3) of Section 47 of Act LVIII of 2021, effective as of 28 February 2022.
3 Enacted by Section 37 of Act XXXIX of 2023, effective as of 1 January 2024.
4 Established by Subsection (6) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
5 Established by paragraph (3) Section 164 of Act CXCIII of 2011. Amended by Paragraph b) of Subsection (3) of Section 278 of Act XVI of 2014.
6 Established: by paragraph (11) Section 24 of Act CXXII of 2011. In force: as of 11. 10. 2011.
7 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
8 Enacted by Subsection (12) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
9 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009. Amended: by subparagraph c) paragraph (2) Section 178 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
10 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
11 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
12 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
13 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.

44.[1] ‘safe custody services’ shall mean the administration of financial instruments for the account of clients, including the collection of dividends, interest and other payments and other related services such as collateral management;

44a.[2] ‘liquid market’ shall mean a market for a financial instrument or a class of financial instruments, where there are ready and willing buyers and sellers on a continuous basis, assessed in accordance with the following criteria, taking into consideration the specific market structures of the particular financial instrument or of the particular class of financial instruments:

a) the average frequency and size of transactions over a range of market conditions, having regard to the nature and life cycle of products within the class of financial instrument;

b) the number and type of market participants, including the ratio of market participants to traded instruments in a particular product;

c) the average size of spreads, where available;

45.[3] ‘limit order’ shall mean an order to buy or sell a financial instrument at its specified price limit or better and for a specified size;

45a.[4] ‘securities traded on secondary markets’ shall have the meaning defined in the CMA;

46.[5] ‘execution of orders on behalf of clients’ shall mean acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients and includes the conclusion of agreements to sell financial instruments issued by an investment firm or a credit institution at the moment of their issuance;

47.[6] ‘agricultural commodity derivatives’ shall mean derivative contracts relating to products listed in Article 1 of, and Annex I, Parts I to XX and XXIV/1 to, Regulation (EU) No. 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organization of the markets in agricultural products and repealing Council Regulations (EEC) No. 922/72, (EEC) No. 234/79, (EC) No. 1037/2001 and (EC) No. 1234/2007 (hereinafter referred to as “Regulation 1308/2013/EU of the European Parliament and of the Council”), and to products listed in Annex I to Regulation (EU) No. 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organization of the markets in fishery and aquaculture products, amending Council Regulations (EC) No. 1184/2006 and (EC) No. 1224/2009 and repealing Council Regulation (EC) No. 104/2000;

48.[7] ‘minister’ shall mean the minister in charge of the money, capital and insurance markets;

49.[8] ‘ministry’ shall mean the ministry governed by the minister;

49a.[9] ‘multilateral system’ shall mean any system or facility in which multiple third-party buying and selling trading interests in financial instruments are able to interact in the system;

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1 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
2 Enacted by Subsection (13) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
3 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
4 Enacted by Subsection (2) of Section 8 of Act CXLV of 2017, effective as of 3 January 2018.
5 Established by Subsection (14) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
6 Established by Subsection (4) of Section 47 of Act LVIII of 2021, effective as of 28 February 2022.
7 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
8 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
9 Enacted by Subsection (15) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.

49b.[1] ‘wholesale energy product’ shall mean wholesale energy products as defined in Point 4 of Article 2 of Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (hereinafter referred to as “Regulation 1227/2011/EU of the European Parliament and of the Council”);

49c.[2] ‘high-frequency algorithmic trading technique’ shall mean an algorithmic trading technique characterized by:

a) infrastructure intended to minimize network and other types of latencies, including at least one of the following facilities for algorithmic order entry: co-location or proximity hosting of servers or high-speed direct electronic access,

b) system-determination of order initiation, generation, routing or execution without human intervention for individual trades or orders, and

c) high message intraday rates in accordance with Article 19 of Commission Delegated Regulation 2017/565/EU which constitute orders, quotes or cancellations;

49d.[3] ‘gender neutral remuneration policy’ shall have the same meaning as defined in the CIFE;

49e.[4] ‘consolidated situation’ shall mean the consolidated situation as defined in point (11) of Article 4(1) of Regulation 2019/2033/EU;

50.[5] ‘financial analyst’ shall mean a person defined in Commission Delegated Regulation 2017/565/EU;

51.[6] ‘money market instruments’ shall mean - with the exception of payment instruments - instruments, issued as a series, which are normally dealt in on the money market;

51a.[7] ‘switching of financial instruments’ shall mean selling a financial instrument and buying another financial instrument or exercising a right to make a change with regard to an existing financial instrument;

51b.[8] ‘financial enterprise’ shall have the same meaning as defined in point 14 of Article 4(1) of Regulation 2019/2033/EU;

52.[9] ‘placement of financial instruments’ shall mean the marketing of financial instruments and offering them to the public in accordance with the CMA;

52a.[10] ‘market operator’ shall mean a person who manages and/or operates the business of a regulated market and may be the regulated market itself;

53.[11] ‘portfolio management’ shall mean an activity where a client’s assets are managed in accordance with mandates given by clients on a discretionary client-by-client basis, meaning the investment of such assets under predetermined criteria into financial instruments, and to manage such investments on behalf of the client, where the risks related to such financial instruments and the yields produced by them (gains and losses) shall be borne directly by the client;

54.[12] ‘reference data’ shall have the meaning defined in the Act on the Central Credit Information System;

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1 Enacted by Subsection (15) of Section 44 of Act LXIX of 2017. Amended by Paragraph b) of Subsection (1) of Section 70 of Act LVIII of 2021.
2 Enacted by Subsection (15) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Subsection (7) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
4 Enacted by Subsection (7) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
5 Established by Subsection (16) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
6 Established by Subsection (17) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
7 Enacted by Subsection (5) of Section 47 of Act LVIII of 2021, effective as of 28 February 2022.
8 Enacted by Subsection (6) of Section 47 of Act LVIII of 2021, effective as of 2 August 2021.
9 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
10 Enacted by Subsection (18) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
11 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
12 Established: by paragraph (11) Section 24 of Act CXXII of 2011. In force: as of 11. 10. 2011.

55.[1] ‘reference data provider’ shall mean an investment firm licensed to engage in investment lending operations, and/or in securities lending and securities borrowing operations;

56.[2] ‘systematic internalizer’ shall mean an investment firm which, on an organized, frequent and systematic basis, deals on own account to provide for the possibility for transactions by executing client orders outside a regulated market, a multilateral trading facility and organized trading facility without operating a multilateral system;

57.[3]

58.[4] ‘dealing on own account’ shall mean trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments;

58a.[5] ‘structured deposit’ shall mean a deposit as defined in Point 8 of Subsection (1) of Section 6 of the CIFE, which is fully repayable at maturity on terms under which the interest due or a premium will be paid or is at risk, according to a formula involving factors such as:

a) an index or combination of indices, excluding variable rate deposits whose return is directly linked to an interest rate index such as Euribor or Libor,

b) a financial instrument or combination of financial instruments,

c) a commodity or combination of commodities or other physical or non-physical non-fungible assets, or

d) a foreign exchange rate or combination of foreign exchange rates;

58b.[6] ‘structured finance products’ shall mean structured finance products as defined in Article 2(1)(28) of Regulation 600/2014/EU;

59.[7] ‘regulated market’ shall have the meaning defined in the CMA;

60.[8] ‘professional client’ shall mean a client who meets the criteria laid down Section 49 or who is treated as such under Section 48;

61.[9] ‘derivative instrument’ shall mean an instrument the value of which is derived from the price of an underlying financial instrument and which may itself be traded;

61a.[10] ‘derivatives’ shall mean the financial instruments defined in Paragraphs *d)-k)* of Section 6;

61b.[11] ‘organized trading facility’ or ‘OTF’ shall mean a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract;

62.[12] ‘home Member State’ shall mean:

a)[13] if the non-resident investment firm is a natural person, the EEA Member State in which his head office is situated;

b) if the investment firm or non-resident investment firm is a legal person, the EEA Member State in which the investment firm’s registered office is situated;

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1 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
2 Established by Subsection (19) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
3 Repealed by Paragraph a) of Section 112 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
5 Enacted by Subsection (20) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
6 Enacted by Subsection (20) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
7 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
8 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
9 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
10 Enacted by Subsection (21) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
11 Enacted by Subsection (21) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
12 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
13 Established by Subsection (3) of Section 8 of Act CXLV of 2017, effective as of 3 January 2018.

c) if the investment firm or non-resident investment firm is a legal person and under international law it has no registered office, the EEA Member State in which its head office is situated;

d)-f)[1]

63.[2] 'close link' shall mean a situation in which two or more natural or legal persons are linked by either of the following:

a) participation in the form of ownership, direct or by way of control, of 20 per cent or more of the voting rights or capital of a company,

b) controlling influence which means the relationship between a parent company and a subsidiary, any subsidiary company of a subsidiary company also being considered to be a subsidiary of the parent company which is at the head of those companies, or any other similar relationship between any natural or legal person and a legal person,

c) a permanent link of both or all of them to the same person by controlling influence;

64.[3] 'sponsor' shall have the same meaning as defined in Regulation 575/2013/EU;

65.[4] 'durable medium' shall mean any instrument which enables a client to store information addressed personally to that client in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored;

65a.[5] 'exchange-traded fund' shall mean an investment fund of which at least one collective investment instrument is traded throughout the day on at least one trading venue and with at least one market maker which takes action to ensure that the price of its collective investment instruments on the trading venue does not vary significantly from its net asset value and, where applicable, from its indicative net asset value;

65b.[6] 'predominantly commercial group' shall mean any group of which the main business is not the provision of investment services within the meaning of this Act, or the performance of financial service activities within the meaning of the CIFE, or acting as a market maker in relation to commodity derivatives;

66.[7] 'client' shall mean a person who engages in any of the services governed under this Act;

67.[8] 'client identification data' shall mean:

a) concerning natural persons:

aa)[9] natural identification data;

ab)-ad)[10]

ae) nationality;

af) type and number of identification document;

b) concerning legal persons and business associations lacking the legal status of a legal person:

ba) name, abbreviated name;

bb) registered office;

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1 Repealed by Paragraph a) of Section 43 of Act XXXIX of 2023, effective as of 24 June 2023.
2 Established by Subsection (8) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
3 Established by Subsection (4) of Section 77 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
5 Enacted by Subsection (22) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
6 Enacted by Subsection (7) of Section 47 of Act LVIII of 2021, effective as of 28 February 2022.
7 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
8 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
9 Amended: by Section 391 of Act LVI of 2009. In force: as of 1. 10. 2009.
10 Repealed: by Section 392 of Act LVI of 2009. No longer in force: as of 1. 10. 2009.

bc) registered number of legal persons listed in the register for companies, or the number of the resolution adopted on the foundation (registration, admission into the register) of other legal persons, or their registration number;

68.[1]

69.[2] 'client account' shall have the meaning defined in the CMA;

69a.[3] 'managing director' shall mean the chief executive employed by the investment firm and data provider under contract of employment, appointed to manage the investment firm, data provider, and any person so designated in the investment firm's, data provider's instrument of constitution or in any internal policy on operations, who participates in the governance of the investment firm, data provider;

70.[4] 'business secret' shall have the meaning defined in Subsection (1) of Section 1 of Act LIV of 2018 on the Protection of Business Secrets;

70a.[5] 'mixed-activity holding company' shall mean a parent company other than a financial holding company, an investment holding company, a credit institution, an investment firm, or a mixed financial holding company, the subsidiaries of which include at least one investment firm;

71.[6] 'senior executive' shall mean:

a) executive officers - including the managing director provided for in this Act - and supervisory board members,

b) the person appointed by the foreign company to lead the branch, and his direct deputy, and

c) any person so designated in the instrument of constitution or in any internal policy on operations;

72.[7] 'group' shall have the meaning defined in the CMA;

73.[8] 'controlled company' shall mean any company,

a) in which a single person has a majority of the voting rights,

b) of which a single shareholder has the right to appoint or remove a majority of the company's decision-making, management or supervisory body,

c) of which a person alone controls a majority of the voting rights pursuant to an agreement entered into with other shareholders or members of the company in question, or

d) over which a person has the power to exercise, or actually exercises, dominant influence or control as fixed in its charter document or under an agreement;

74.[9] 'ancillary services company' shall mean a company the principal or exclusive activity of which consists of owning or managing real estate property, managing data-processing services, or a similar activity which is ancillary to the principal activity of one or more investment firms, central securities depository, central counterparties or investment fund managers;

75.[10] 'affiliated company' shall have the meaning defined in the CMA;

76.[11] 'close relative' shall mean the persons defined in the Civil Code, including domestic partners;

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1 Repealed by Paragraph a) of Subsection (1) of Section 117 of Act LXXXV of 2015, effective as of 7 July 2015.
2 Numbering amended: by paragraph (1) Section 130 of Act CIII of 2008. In force: as of 01. 01. 2009.
3 Established by Subsection (8) of Section 47 of Act LVIII of 2021, effective as of 1 January 2022.
4 Established and numbering amended: by paragraphs (1) and (4) Section 130 of Act CIII of 2008. Amended by Section 32 of Act LIV of 2018.
5 Enacted by Subsection (9) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
6 Established by Subsection (4) of Section 81 of Act LXXXV of 2015, effective as of 7 July 2015.
7 Enacted: by paragraph (2) Section 116 of Act CL of 2009. In force: as of 1. 01. 2010.
8 Enacted: by paragraph (2) Section 116 of Act CL of 2009. In force: as of 1. 01. 2010.
9 Established by Subsection (10) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
10 Enacted: by paragraph (2) Section 116 of Act CL of 2009. In force: as of 1. 01. 2010.
11 Enacted: by paragraph (2) Section 116 of Act CL of 2009. In force: as of 1. 01. 2010.

77.[1] ‘most relevant market in terms of liquidity’ shall have the meaning defined in Article 9 of Commission Regulation (EC) No. 1287/2006;

78.[2] ‘company’ shall mean any entity, regardless of its legal form, that is regularly engaged in an economic activity;

79.[3] ‘multilateral trading facility’ or ‘MTF’ shall mean a multilateral system which brings together multiple third-party buying and selling interests in financial instruments - in accordance with non-discretionary rules - in a way that results in a contract;

80.[4] ‘security’ shall have the meaning defined in the CMA;

81.[5] ‘consolidating supervisor’ shall have the meaning defined in the CMA;

82.[6] ‘remuneration’ shall have the same meaning as defined in Commission Delegated Regulation 2017/565/EU;

83.[7] ‘performance based remuneration’ shall mean variable remuneration paid by the investment firm to an executive employee or member of staff above and beyond the basic remuneration for performance which reflects a sustainable and risk adjusted performance exceeding the functions laid down in the employment contract, or for carrying out job functions not fixed therein;

84.[8] ‘discretionary pension benefits’ shall have the same meaning as defined in the Banking Act;

85-93.[9]

93a.[10] ‘recovery capacity’ shall mean the capability of an investment firm to restore its financial position following a significant deterioration;

94.[11] ‘recovery plan’ shall mean a plan laying down potential courses of action for investment firms in the case of adverse developments which constitute a serious threat to liquidity or solvency designed to restore the investment firm’s financial stability without benefiting from any extraordinary public financial support;

95.[12] ‘basic remuneration’ shall mean remuneration paid by the investment firm to an executive employee or member of staff under contract between the investment firm and the executive employee or member of staff on a regular basis in the form of wages, which should appropriately reflect relevant professional experience and responsibility as set out in an employee’s job description as part of the terms of employment, including other benefits which are paid to other employees as well;

96.[13]

97.[14] ‘management body in its managerial function’ shall mean the management body defined in the charter document or articles of association acting in its role of decision-making;

98.[15] ‘management body in its supervisory function’ shall mean the management body defined in the charter document or articles of association acting in its role of overseeing and monitoring decision-making by the management body in its managerial function;

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1 Enacted: by paragraph (2) Section 116 of Act CL of 2009. In force: as of 1. 01. 2010.
2 Enacted: by paragraph (2) Section 116 of Act CL of 2009. In force: as of 1. 01. 2010.
3 Established by Subsection (23) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted: by paragraph (2) Section 142 of Act CLIX of 2010. In force: as of 1. 01. 2011.
5 Enacted: by paragraph (2) Section 142 of Act CLIX of 2010. In force: as of 1. 01. 2011.
6 Established by Subsection (24) of Section 44 of Act LXIX of 2017, effective as of 3 January 2018.
7 Established by Subsection (11) of Section 12 of Act CX of 2020, effective as of 26 June 2021.
8 Established by Subsection (5) of Section 77 of Act CCXXXVI of 2013, effective as of 1 January 2014.
9 Repealed by Paragraph a) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
10 Enacted by Section 50 of Act CXVIII of 2019, effective as of 1 January 2020.
11 Established by Subsection (1) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
12 Enacted by Subsection (6) of Section 77 of Act CCXXXVI of 2013, effective as of 1 January 2014.
13 Repealed by Subsection (16) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
14 Enacted by Subsection (6) of Section 77 of Act CCXXXVI of 2013, effective as of 1 January 2014.
15 Enacted by Subsection (6) of Section 77 of Act CCXXXVI of 2013, effective as of 1 January 2014.

99.[1] ‘management body’ shall mean the executive board and supervisory board of the investment firm, data provider, including their members and directors, covering also the executive employees of investment firms, data providers incorporated as branches;

100.[2] ‘public-interest investment firm’ shall mean any investment firm covered by this Act, other than the ones referred to in Section 3;

101.[3] ‘emergency action plan’ shall mean a plan worked out by the investment firm containing clearly defined procedures and arrangements and the relevant deadlines and officers, so as to ensure lawful operation;

102.[4] ‘systemic risk’ shall mean a risk of disruption in the financial system with the potential to have serious negative consequences for the financial system and the economy;

103.[5] ‘internal approach’ shall mean the internal ratings based approach defined in Regulation 575/2013/EU;

104-106.[6]

PART TWO

TAKING UP THE BUSINESS OF INVESTMENT FIRMS AND COMMODITY DEALERS

Chapter III

INVESTMENT SERVICE ACTIVITIES AND ANCILLARY SERVICES

Section 5

(1) Investment service activities shall cover the following services provided within the framework of regular business activities relating to financial instruments:

a) receiving and transmitting client orders;

b) execution of orders on behalf of clients;

c) dealing on own account;

d) portfolio management;

e) investment advice;

f) placement of financial instruments, including a commitment for the purchase of assets (securities or other financial instruments) (underwriting guarantee);

g) placement of financial instruments without any commitment for the purchase of assets (financial instruments); and

h) operation of multilateral trading facilities;

i)[7] operation of an organized trading facility.

(2) ‘Ancillary services’ shall mean:

a) safekeeping and administration of financial instruments for the account of clients;

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1 Established by Subsection (9) of Section 47 of Act LVIII of 2021, effective as of 1 January 2022.
2 Established by Subsection (5) of Section 81 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Enacted by Subsection (6) of Section 77 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Enacted by Subsection (6) of Section 77 of Act CCXXXVI of 2013, effective as of 1 January 2014.
5 Enacted by Subsection (6) of Section 77 of Act CCXXXVI of 2013, effective as of 1 January 2014.
6 Repealed by Paragraph a) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
7 Enacted by Subsection (1) of Section 45 of Act LXIX of 2017, effective as of 3 January 2018.

b)[1] safe custody services relating to securities for the account of clients, including the safekeeping and administration of printed securities for the account of clients, with the exception of maintaining securities accounts at the top tier level (central maintenance service) under Point 2 of Section A of the Annex to Regulation 909/2014/EU;

c) granting credits and loans to investors;

d) advice to companies on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of companies;

e)[2] foreign exchange services where these are connected to the provision of investment services;

f) investment research and financial analysis;

g) services related to underwriting guarantees;

h) investment services and activities as well as ancillary services related to the underlying instruments of the derivatives included under Paragraphs *e)-g)*, *j)* and *k)* of Section 6.

Section 6[3]

Financial instrument means the instruments specified below, including such instruments issued by means of distributed ledger technology:

a) transferable securities;

b) money-market instruments;

c) securities issued by collective investment trusts;

d)[4] options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;

e) options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties to the transaction other than by reason of default or other termination event;

f) options, forward agreements, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a multilateral trading facility, or an organized trading facility, except for wholesale energy products traded on an organized trading facility that must be physically settled in accordance with Article 5 of Commission Delegated Regulation 2017/565/EU (must be physically delivered);

g) options, futures and forward transactions, swaps, forwards and any other derivative contracts relating to commodities not otherwise mentioned in Paragraph *f)*, which have the characteristics of other derivative financial instruments and that can be physically settled and not being for commercial purposes in accordance with Commission Delegated Regulation 2017/565/EU;

h) derivative instruments for the transfer of credit risk;

i) financial contracts for differences;

j) options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties to the transaction other than by reason of default or other termination event;

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1 Established by Subsection (2) of Section 45 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established: by Section 117 of Act CL of 2009. In force: as of 1. 01. 2010.
3 Established by Section 12 of Act LXIX of 2022, effective as of 23 March 2023.
4 Amended by Paragraph a) of Section 35 of Act LXXVI of 2023.

k) any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned under Paragraphs *a)-j)*, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or multilateral trading facility, furthermore, the derivative contracts referred to in Article 8 of Commission Delegated Regulation 2017/565/EU;

l) greenhouse gas emission allowance units and other rights of emission of air polluting substances consisting of any units recognized for compliance with the requirements of Act CCXVII of 2012 on Participating in the Scheme for Greenhouse Gas Emission Allowance Trading Within the Community and in the Implementation of the Decision on Effort Sharing.

Section 6/A[1]

Section 7

(1) Unless otherwise provided for in this Act, only investment firms and credit institutions may engage in investment service activities.

(2) Investment service activities may be taken up and pursued subject to the conditions set out in this Act and in specific other legislation.

(3)[2] An investment firm established in a third country shall be allowed to provide services or perform the activities in Hungary through the establishment of a branch.

(4)[3] An investment firm established in another EEA Member State:

a) may engage in operations in the territory of Hungary through its branch; or

b) may engage in operations in the territory of Hungary in the form of cross-border services.

Section 8

(1)[4] Investment service activities may be carried out and ancillary services may be provided subject to authorization by the Authority, having regard to Subsections (1a)-(4).

(1a)[5] A market operator may begin to engage in the pursuit of investment service activities provided for in Paragraph *h)* or in Paragraph *i)* of Subsection (1) of Section 5 after thirty days following the date of notification of the Authority, where said notification shall be accompanied by proof of compliance with requirements set out in this Act concerning authorization, the management body, qualifying interest, start-up capital, organizational requirements, reporting infringements, algorithmic trading, multilateral trading facilities and organized trading facilities.

(2)[6] The branch of a company established in a third country may engage in the pursuit of investment service activities, and may provide ancillary services to retail and professional clients provided for in Section 49 if authorized by the competent supervisory authority of the State where established for the activity in question, and if the requirements set out in Section 29/A are satisfied. As regards the investment service activities that may be pursued and the ancillary services that may be provided by a company established in a third country in the territory of Hungary the provisions set out in Title VIII of Regulation 600/2014/EU shall also be taken into consideration.

1 Repealed by Paragraph b) of Section 71 of Act LVIII of 2021, effective as of 1 January 2022.
2 Amended: by subparagraph c) paragraph (2) Section 178 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
3 Established by Section 48 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Subsection (1) of Section 49 of Act LXIX of 2017, effective as of 3 January 2018.
5 Enacted by Subsection (2) of Section 49 of Act LXIX of 2017. Amended by Paragraph a) of Section 72 of Act CXXVI of 2018, Point 2 of Section 44 of Act CX of 2020.
6 Established by Subsection (3) of Section 49 of Act LXIX of 2017. Amended by Paragraph b) of Section 72 of Act CXXVI of 2018.

(3)[1] An investment firm established in another EEA Member State may engage in cross-border activities or establish a branch in the territory of Hungary if authorized by the competent supervisory authority of the home Member State for the activity in question and if the requirements set out in Subsection (5) of Section 27 and/or in Subsection (8) of Section 27 are satisfied.

(4)[2] An authorization for providing ancillary services may not be granted in itself, without an authorization to engage in investment service activities, except if the applicant is a central securities depository provided for in the CMA.

(5) In addition to engaging in investment service activities and providing ancillary services, an investment firm may only perform the following:

a) the services listed under Subsection (1) of Section 9;

b) keeping registers of shareholders;

c) providing nominee shareholder services;

d)[3] intermediation of financial services under Paragraph *i)* of Subsection (1) of Section 3 of the CIFE;

e) insurance mediation under the Insurance Act, acting as an agent;

f) securities lending and/or borrowing; and

g) supply of data and information relating to financial instruments for consideration;

h)[4] group financing activities specified in Subsection (1) of Section 6 of the Banking Act;

i)[5] provision and/or distribution of pan-European personal pension products under Regulation 2019/1238/EU of the European Parliament and of the Council.

(6)[6] The provisions of Subsection (5) shall not apply to:

a) an electricity supplier defined in Subsection (1) of Section 46 of Act LXXXVI of 2007 on Electric Energy who performs investment service activities or provides ancillary services defined in Section 5 solely with respect to the financial instruments provided for in Paragraphs *e)-g)* and *j)* and *k)* of Section 6;

b) a natural gas supplier defined in Subsection (1) of Section 28 of Act XL of 2008 on Natural Gas who performs investment service activities or provides ancillary services defined in Section 5 solely with respect to the financial instruments provided for in Paragraphs *e)-g)* and *j)* and *k)* of Section 6;

c) an investment firm participating in trading in emission allowances defined in Paragraph *a)* of Subsection (1) of Section 1 of Act CCXVII of 2012 on Participating in the Scheme for Greenhouse Gas Emission Allowance Trading Within the Community and in the Implementation of the Decision on Effort Sharing and in emission allowances consisting of units recognized for the airline industry, who performs investment service activities or provides ancillary services defined in Section 5 solely with respect to the financial instruments provided for in Paragraph *l)* of Section 6 or to the related financial derivatives provided for in Section 6.

Section 8/A[7]

(1) Investment firms referred to in point (1)(b) of Article 4(1) of Regulation 575/2013/EU shall submit an application for authorization prescribed for credit institutions, on the day when either of the following events takes place:

a) the average of monthly total assets, calculated over a period of twelve consecutive months, is equal to or exceeds thirty billion euro; or

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1 Established by Subsection (4) of Section 49 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Section 82 of Act LXXXV of 2015, effective as of 1 January 2016.
3 Established by Section 118 of Act CL of 2009. Amended by Paragraph b) of Section 65 of Act CCXV of 2015.
4 Enacted by Section 143 of Act CLIX of 2010. Amended by Paragraph a) of Section 111 of Act CCXXXVI of 2013.
5 Enacted by Section 48 of Act LVIII of 2021, effective as of 11 April 2022.
6 Enacted by Subsection (5) of Section 49 of Act LXIX of 2017, effective as of 3 January 2018.
7 Enacted by Section 13 of Act CX of 2020, effective as of 26 December 2020.

b)[1] the average of monthly total assets calculated over a period of twelve consecutive months is less than thirty billion euro, and the company is part of a group in which the total value of the consolidated assets of all companies in the group that individually have total assets of less than thirty billion euro and that provides investment services on own account or carry out the placement of financial instruments, including a commitment for the purchase of assets (securities or other financial instruments) (underwriting guarantee) is equal to or exceeds thirty billion euro, both calculated as an average over a period of twelve consecutive months.

(2) In the authorization of the activity referred to in Subsection (1) the provisions of the CIFE shall apply, where the Authority shall ensure that the process is as streamlined as possible and that information from existing authorizations is taken into account.

(3) Chapters VI and IX of the CIFE shall apply to the prudent operation of investment firms provided for in Subsection (1), including the supervision thereof.

(4) The Authority shall withdraw the investment firm's operating license prescribed for credit institutions if it uses its authorization exclusively to engage in the activities referred to in point (1)(b) of Article 4(1) of Regulation 575/2013/EU and has, for a period of five consecutive years, average total assets below the thresholds set out in point (1)(b) of Article 4(1) of Regulation 575/2013/EU.

Section 9

(1) Commodity dealers may provide the following services within the framework of regular business activities relating to the instruments specified in Subsection (2):

a) receiving and transmitting client orders;

b) execution of orders on behalf of clients;

c)[2] dealing on own account;

d)[3] intermediation of financial services under Paragraph *i)* of Subsection (1) of Section 3 of the CIFE;

e) insurance mediation under the Insurance Act, acting as an agent;

f) intermediation of investment services and ancillary services, acting as a tied agent.

(2) Commodity exchange services may pertain to:

a) goods, including warehouse warrants and dockets detached from warehouse warrants, marketable rights, and their derivatives;

b) options, futures and any other derivative contracts relating to greenhouse gas emission allowance units and other rights of emission of air polluting substances; and

c) the financial instruments defined under Paragraphs *e)-g)* of Section 6.

Section 10

(1) Commodity exchange services may be provided by commodity dealers and investment firms, in due observation of what is contained in Subsection (3).

(2) Operations to provide commodity exchange services may commence on condition that, as laid down under this law and in specific other legislation:

a) all personnel criteria has been satisfied;

b) all requirements relating to technical equipment, information technology and security systems have been satisfied; and

c) the required internal policies and protocols concerning organizational structure, operations, administration, accounting, records and control systems have been adopted.

1 Amended by Paragraph c) of Subsection (1) of Section 70 of Act LVIII of 2021.
2 Established: by Section 119 of Act CL of 2009. In force: as of 26. 12. 2009.
3 Established by Section 119 of Act CL of 2009. Amended by Paragraph b) of Section 65 of Act CCXV of 2015.

(3)[1] A non-resident investment firm shall be allowed to provide commodity exchange services in Hungary only through the establishment of a branch.

Section 11

(1) Commodity exchange services may be provided subject to authorization by the Authority, in due observation of what is contained in Subsection (2).

(2) A non-resident investment firm may provide commodity exchange services through a branch if authorized by the competent supervisory authority of the country where established for the activities in question.

(3)[2] The persons referred to in Article 18(2) and (3) of Commission Regulation (EU) No. 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community [hereinafter referred to as "Commission Regulation (EU) No. 1031/2010"] shall be eligible to bid under these provisions only if authorized by the Authority to provide commodity exchange services relating to the assets specified in Paragraph *b)* of Subsection (2) of Section 9 of this Act as pertaining to the activities defined in Paragraphs *a)* and *b)* of Subsection (1) of Section 9.

Chapter IV

REQUIREMENTS CONCERNING THE EQUIPMENT AND TECHNICAL FACILITIES OF INVESTMENT FIRMS AND COMMODITY DEALERS

IT Systems

Section 12

(1)[3] Investment firms engaged in the investment service activities provided for in Paragraphs *a)-d)* and *f)-i)* of Subsection (1) of Section 5 and in providing the ancillary services specified in Paragraphs *a)* and *b)* of Subsection (2) of Section 5, and the commodity dealers engaged in the activities defined in Subsection (1) of Section 9 are required to set up a regulatory regime concerning the security of their IT systems used for providing their respective services, and to provide adequate protection for the IT system consistent with existing security risks.

(2)[4] The regulatory regime referred to in Subsection (1) shall contain provisions concerning requirements of information technology, regulations for the assessment and handling of security risks stemming from their use, in the fields of computerized corporate governance, planning, development, purchasing, operations, monitoring and independent audit.

(3) The investment firms and commodity dealers referred to in Subsection (1) shall review and update the security risk assessment profile of the information system whenever necessary, or at least every other year.

1 Amended: by subparagraph c) paragraph (2) Section 178 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
2 Enacted: by Section 88 of Act XCVIII of 2013. In force: as of 29. 06. 2013.
3 Established by Section 50 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Subsection (1) of Section 83 of Act LXXXV of 2015, effective as of 7 July 2015.

(4)[1] The investment firms and commodity dealers referred to in Subsection (1) shall draw up organizational and operational protocols in light of the security risks inherent in the use of IT systems, as well as the rules governing responsibilities, records and the disclosure of information, and the control procedures and regulations integrated into the system.

(5)[2] The investment firms and commodity dealers referred to in Subsection (1) shall install an IT monitoring system to monitor the information technology system for security considerations, and shall keep this system operational at all times.

(6)[3] Based on the findings of the security risk analysis, the following utilities shall be installed as consistent with the existing security risks:

a) clear identification of major system constituents (tools, processes, persons) and keeping logs and records accordingly;

b) self-protect function of the information technology security system, checks and procedures to ensure the integrity and complexity of the protection of critical components;

c) frequently monitored user administration system operating in a regulated, controlled environment (access levels, special entitlements and authorizations, powers and responsibilities, entry log, extraordinary events);

d) a security platform designed to keep logs of processes which are deemed critical for the operation of the IT system and that is capable to process and evaluate these log entries regularly (and automatically, if possible), and is capable of managing irregular events;

e) modules to ensure the confidentiality, integrity and authenticity of data transfer;

f) modules for handling data carriers in a regulated and safe environment; and

g) virus protection consistent with the security risks inherent in the system, including protection against other harmful programs.

(7)[4] Based on their security risk assessment profile the investment firms and commodity dealers referred to in Subsection (1) shall implement protection measures to best accommodate their activities and to keep their records safe and current, and shall have adopted the following:

a) instructions and specifications for using their IT system, and plans for future improvements;

b) all such documents which enable the users to continuously and safely operate the IT system designed to support business operations, whether directly or indirectly, even after the supplier or developer of the system terminated its activities;

c) an IT system that is necessary to provide services and equipment kept in reserve to ensure that services can be provided without any interruption, or in the absence of such equipment, solutions used in their stead to ensure the continuity of activities and/or services;

d) an IT system that allows running applications to be safely separated from the environment used for development and testing, as well as proper management and monitoring of upgrades and changes;

e) the software modules of the IT system (applications, data, operating system and their environment) with recovery plans and backup and save features (type of backups, saving mode, reload and restore tests, procedure), to allow the system to be restored within the restoration time limit deemed critical in terms of the services provided;

f) a data storage system capable of frequent retrieval of records specified by law to provide sufficient facilities to ensure that archived materials are stored for the period defined by law, or for at least five years, and that they can be retrieved and restored at any time; and

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1 Established by Subsection (2) of Section 83 of Act LXXXV of 2015, effective as of 7 July 2015.
2 Established by Subsection (2) of Section 83 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Established by Subsection (2) of Section 83 of Act LXXXV of 2015, effective as of 7 July 2015.
4 Established by Subsection (2) of Section 83 of Act LXXXV of 2015, effective as of 7 July 2015.

g) an emergency response plan for extraordinary events which are capable of causing any interruption in services.

(8)[1] The investment firms and commodity dealers referred to in Subsection (1) shall maintain a safe and fireproof place to store the back-up copies referred to in Paragraph *e)* of Subsection (7) separately according to risk factors, and the protection of access at the same levels as the source files must be provided for.

(9)[2] The investment firms and commodity dealers referred to in Subsection (1) shall have available at all times:

a) operating instructions and models for the inspection of the structure and operation of the IT system they have developed themselves or that was developed by others on a contract basis;

b) the syntactical rules and storage structure of data in the information system they have developed themselves or that was developed by others on a contract basis;

c) the scheme of classification of IT system components into security categories defined by the service provider and by the central counterparty;

d) a description of the order of access to data;

e) the documents for the appointment of the data manager and the network administrator;

f) proof of purchase of the software used; and

g) complex and updated records of administration and business software tools comprising the information system.

(10)[3] All software referred to in Subsection (7) shall collectively comprise an integrated system:

a) that is capable of keeping records of the data and information required for regular operations and as prescribed by law;

b) that is capable of keeping reliable records of funds and financial instruments;

c) that has facilities - in the case of investment firms - to keep consolidated and up-to-date records on financial instruments and commodities dealt on the exchange market separately for each client;

d) that has facilities to connect directly or indirectly to national information systems appropriate for the activities of investment firms;

e) that is designed for the use of checking stored data and information; and

f) that has facilities for logic protection consistent with security risks and for preventing tampering.

(11) The internal policies of investment firms and commodity dealers referred to in Subsection (1) shall contain provisions concerning the knowledge required in the field of information technology for filling certain positions.

(12)[4] Investment firms and commodity dealers shall have in place an IT system with facilities to ensure the integrity of system components, to prevent unauthorized access to, and undetected modification of, the IT system. The IT system must be in compliance with overall information security and system integrity requirements. To that end, investment firms and commodity dealers shall implement administrative measures and measures to ensure physical and logical protection in compliance with overall information security and system integrity requirements.

(13)[5] Compliance with the requirements set out in Subsection (12) shall be verified by a certificate issued by an external expert (hereinafter referred to as “certification body”) for the IT system in question. The requirements relating to the certification body and to certification, including the maximum fee chargeable - exclusive of value added tax - for the certification procedure shall be laid down in specific other legislation.

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1 Established by Subsection (2) of Section 83 of Act LXXXV of 2015, effective as of 7 July 2015.
2 Established by Subsection (2) of Section 83 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Established by Subsection (2) of Section 83 of Act LXXXV of 2015, effective as of 7 July 2015.
4 Enacted by Subsection (3) of Section 83 of Act LXXXV of 2015, effective as of 1 January 2016.
5 Established by Subsection (1) of Section 35 of Act CLXXXII of 2016, effective as of 28 December 2016.

(14)[1] The certification body referred to in Subsection (13) shall inform the Authority without delay in writing of any fact concerning the IT system of an investment firm or commodity dealer that adversely affects the continuous functioning of the investment firm or commodity dealer, of any fact of which they have become aware, which constitute a material breach of the laws, or the investment firm's or commodity dealer's internal policy, or forewarn any imminent infringement of such regulations.

(15)[2] The certification body, including its subcontractor, shall be authorized to process data of the audited institution which are deemed necessary for the certification process - including personal data and business secrets - for the purpose of monitoring compliance with requirements to be certified, to the extent required for the certification process, until the conclusion of the certification process, and shall not disclose such data to third parties.

(16)[3] The certification body, including its subcontractor, shall adopt internal regulations designating associates in certain positions vested with authority to access such business secrets during the certification process, so as to acquaint themselves with its content. The associates participating in the procedure shall be subject to the obligation of professional secrecy with respect to the business secrets received in performing the functions of their job also upon termination of their relationship with the certification body.

Initial Capital

Section 13[4]

(1) Subject to the exceptions set out in Subsections (2) and (3), investment firms shall have at least one hundred fifty thousand euro of initial capital for taking up their activities.

(2) Where an investment firm is granted authorization to carry out the investment service activities referred to in Paragraph *c)* or *f)* of Subsection (1) of Section 5, it shall have at least seven hundred fifty thousand euro of initial capital.

(3) Where an investment firm is granted authorization to carry out the investment service activity referred to in Paragraph *a), b), d), e)* or *g)* of Subsection (1) of Section 5, however, it is not allowed to hold client financial instruments and client funds, it shall have at least seventy-five thousand euro of initial capital.

Section 14

The initial capital requirement for commodity dealers to take up their activities is:

a) at least twenty million forints if incorporated as limited companies or branches; or

b) at least ten million forints if incorporated as private limited-liability companies or set up as cooperative societies.

Section 15

(1) The subscribed capital of investment firms must be paid up in cash only, taking also into consideration the provisions set out in Subsection (2).

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1 Enacted by Subsection (3) of Section 83 of Act LXXXV of 2015, effective as of 1 January 2016.
2 Enacted by Subsection (2) of Section 35 of Act CLXXXII of 2016, effective as of 28 December 2016.
3 Enacted by Subsection (2) of Section 35 of Act CLXXXII of 2016, effective as of 28 December 2016.
4 Established by Section 14 of Act CX of 2020, effective as of 26 June 2021.

(2) Any increase in the subscribed capital of an investment firm by way of transfer of funds from other assets apart from its subscribed capital, and when the subscribed capital is determined in connection with merger, fusion or takeover shall be treated as paid up in cash in accordance with Subsection (1).

(3) The subscribed capital of investment firms and commodity dealers may be deposited exclusively at a credit institution which is not participating in the foundation, and/or in which the founder has no participating interest and/or which has no participating interest in the founder.

(4) As regards the investment firms and commodity dealers operating as branches - with the exception set out in Subsection (5) - subscribed capital shall be understood to mean endowment capital.

(5) The endowment capital requirement shall not apply to the branch of an investment firm that is established in another EEA Member State.

(6)[1] The euro amount of the initial capital referred to in Section 13 shall be translated to forint by the official MNB exchange rate in effect on the given day.

Chapter V

ORGANIZATIONAL REGULATIONS OF INVESTMENT SERVICE PROVIDERS AND COMMODITY DEALERS

Section 16

(1) Investment firms may only operate in the form of public limited companies or branches, and commodity dealers may only operate in the form of public limited companies, private limited-liability companies, cooperative societies or branches.

(2)[2] In respect of investment firms and commodity dealers operating as business associations, and for commodity dealers operating in the form of cooperatives the provisions of the Civil Code on legal persons shall apply, and in respect of the branches of foreign companies the provisions of the FCA shall apply, subject to the exceptions laid down in this Act.

(3)[3] An investment firm that is established in the territory of Hungary must also have its head office in the territory of Hungary.

Section 17

(1)[4] Investment firms shall structure their organization to contain separate divisions governed by a set of regulations and policies arranged under a structural scheme of operations with facilities to ensure the adequacy and effectiveness of their systems, internal control mechanisms and arrangements, and to take appropriate measures to address any deficiencies, having regard to the investment firm’s size, scale of operations and to the range of activities:

a) to ensure that the activities and functions listed under Section 5 can be carried out and discharged independently and that the relevant powers and authorities are defined clearly and predictably;

b) to define a system for management and department heads to function independently from one another, without superior and subordinate positions, with a view to reducing the eventuality of any corruption among personnel;

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1 Established by Section 15 of Act CX of 2020, effective as of 26 June 2021.
2 Established by Subsection (3) of Section 165 of Act CCLII of 2013, effective as of 15 March 2014.
3 Amended: by subparagraph e) paragraph (2) Section 178 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
4 Established: by paragraph (3) Section 30 of Act XCVI of 2011. In force: as of 15. 07. 2011.

c) to permit access to information only for authorized personnel, with a view to reducing the possibility of misuse of any information obtained through internal administrative channels;

d) to function in a transparent environment;

e) to strengthen the control procedures incorporated into operating procedures, and thereby to increase objectivity;

f) to ensure that their relevant executive employees and members of staff are aware of the procedures which must be followed for the proper discharge of their responsibilities;

g) to establish effective internal reporting and communication of information at all relevant levels of the investment firm.

(2)[1] Investment firms that are subject to supervision on a consolidated basis shall also satisfy the requirements set out in this Section and in Sections 100-102 jointly with any credit institution or investment firm in which they have controlling influence.

(3)[2] Investment firms are required to have comprehensive, sound and robust governance arrangements proportionate to the nature, scale and complexity of the risks inherent in the business model and the investment firm's investment service activities and ancillary services, comprising also the internal control functions provided for in Subsection (4), which shall include:

a) the investment firm's organizational structure clearly documented in the internal policies;

b) well defined, transparent and consistent lines of responsibilities and functions;

c) adequate internal control mechanisms to monitor, prevent and avoid conflicts of interest;

d) effective processes to identify, measure, manage, monitor and report the risks the investment firm is or might be exposed to;

e) adequate internal control mechanisms, including sound administrative and accounting procedures in compliance with the relevant legislation;

f)[3] gender neutral remuneration policies and practices that are consistent with and promote sound and effective risk management in accordance with the principles laid down in Annex 4;

g) functions to promote the smooth and effective operation of the organization, to maintain confidence in the institution, and protect the economic interests and social goals of the owners and clients relating to the institution.

(4)[4] With a view to implementing the provisions set out in Paragraphs *d)* and *e)* of Subsection (3), hence carrying out the internal control functions, investment firms shall in their internal policies clearly define the business unit or units responsible for carrying out the internal control functions.

(5)[5] In accordance with Subsection (1) of Section 19/A, risk-taking by investment firms shall be based on sound and well-defined criteria fixed in the internal policies.

Section 17/A[6]

(1) An investment firm which manufactures financial instruments for sale to clients shall maintain, operate and review a process for the approval of each financial instrument and significant adaptations of existing financial instruments (hereinafter referred to as "product approval process") before it is marketed or distributed to clients.

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1 Established by Section 84 of Act LXXXV of 2015, effective as of 7 July 2015.
2 Established by Section 84 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Established by Section 16 of Act CX of 2020, effective as of 26 June 2021.
4 Enacted by Section 80 of Act CCXXXVI of 2013, effective as of 1 January 2014.
5 Enacted by Section 80 of Act CCXXXVI of 2013, effective as of 1 January 2014.
6 Enacted by Section 51 of Act LXIX of 2017, effective as of 3 January 2018.

(2) The product approval process shall specify an identified target market of end clients within the relevant category of clients for each financial instrument and shall ensure that all relevant risks to such identified target market are assessed and that the intended distribution strategy is consistent with the identified target market.

(3) An investment firm shall also regularly review financial instruments it offers or markets, taking into account any event that could materially affect the potential risk to the identified target market, to assess at least whether the financial instrument remains consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate.

(4) An investment firm which manufactures financial instruments shall make available to any distributor all appropriate information on the financial instrument and the product approval process, including the identified target market of the financial instrument.

(5) Where an investment firm offers or recommends financial instruments which it does not manufacture, it shall have in place adequate arrangements to obtain the information referred to in Subsection (4) and to understand the characteristics and identified target market of each financial instrument.

(6) The policies, processes and arrangements referred to in this Section shall be without prejudice to all other requirements under this Act and Regulation 600/2014/EU, including those relating to disclosure, suitability or appropriateness, identification and management of conflicts of interests, and inducements.

(7)[1] An investment firm shall be exempted from the requirements set out in Subsections (1)-(4) hereof and in Subsections (2) and (3) of Section 40 where the investment service activity it performs relates to bonds with no other embedded derivative than a make-whole clause or where the financial instruments are marketed or distributed exclusively to eligible counterparties.

Section 18

(1) Investment firms and commodity dealers are required to comply with the following requirements regarding their arrangements, processes and mechanisms, and their records and registers:

a) they must keep such records and accounts as are necessary to enable them at any time and without delay to distinguish financial instruments or funds held for or belonging to one client from financial instruments or funds held for or belonging to any other client, and from the investment firm’s and commodity dealer’s own assets, and to ensure the safeguarding of clients’ rights in relation to financial instruments and funds belonging to them;

b) they must have facilities to record and monitor transactions and exposures (positions) on an ongoing basis;

c) they must introduce measures to prevent the investment firm or the commodity dealers, or their employees engaged under contract of employment or otherwise from using the financial instruments held on behalf of or belonging to clients - in the absence of the prior consent of the client - as their own in any way or form; or

d) they must take the necessary steps to prevent the use of any confidential information pertaining to securities without proper authorization, or for reasons other than for which such information was intended;

e) they must have facilities to keep records of transactions conducted by their employees engaged under contract of employment or otherwise;

f) they must have facilities to ensure compliance with regulations relating to computerized records and registers, data protection, archiving and data processing; and

g) they must have facilities to ensure compliance with the relevant regulations and policies, including the requirements of consistency, transparency and controllability.

1 Enacted by Section 49 of Act LVIII of 2021, effective as of 28 February 2022.

(2) The accounting, records and information systems of investment service providers and commodity dealers must have sufficient facilities:

a) to provide information on the investment firm's or commodity dealer's financial situation on a daily basis;

b) to provide information at any given time concerning the value of financial instruments and the balance of funds held on behalf of or belonging to clients;

c) to keep records of data disclosed by the investment firm or commodity dealer as prescribed by law.

(2a)[1] Investment firms shall document all procedures and systems in such a way to enable the Authority to monitor compliance with the prudential requirements set out in this Act and in Regulation 2019/2033/EU.

(3)[2] The Governor of the MNB, acting within his function as supervisory authority of the financial intermediary system shall, with a view to promoting sound and effective risk management, lay down in a decree prudential requirements relating to exposures in default and restructured receivables.

Department of Internal Control

Section 19[3]

(1) Investment firms shall introduce in internal control function in accordance with Article 24 of Commission Delegated Regulation 2017/565/EU.

(2) Commodity dealers shall establish an internal control unit, independent from all other internal functions, and shall draw up procedures and policies for the internal control unit with a view:

a) to enforcing supervisory decisions and the rules and regulations of the commodity dealer, and to improving efficiency in the authorized operations and to providing an adequate flow of information for the management of the commodity dealer;

b) to monitoring compliance with supervisory decisions and the rules and regulations of the commodity dealer, and to revealing any infringement of regulations and any discrepancies; and

c) to preventing any infringement of supervisory decisions and the rules and regulations of the commodity dealer, and to restoring operations within the framework of the law in the event of any infringement.

(3) Commodity dealers shall appoint a person to direct the internal control unit (hereinafter referred to as "internal controller"), and shall notify the Authority accordingly, thirty days before the proposed date of appointment.

(4) The internal controller shall send his report to the supervisory board and the management body of the commodity dealer, and shall, if necessary, have the reports made available to the Authority.

(5) The internal controller of a commodity dealer:

a) shall have a university-level degree, or shall be a certified chartered accountant with at least three years of professional experience, and

b) shall produce an official certificate from the body operating the penal register for the purpose of verification of having no prior criminal record with respect to the criminal offenses specified in Subsection (5) of Section 22, or a similar document that is deemed equivalent under the applicant's national law.

(6) The managing director shall exercise employer's rights over the internal controller directly.

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1 Enacted by Section 17 of Act CX of 2020, effective as of 26 June 2021.
2 Enacted by Section 34 of Act CLXXVIII of 2015, effective as of 1 January 2016.
3 Established by Section 52 of Act LXIX of 2017, effective as of 3 January 2018.

Responsibilities Pertaining to the Treatment of Risks and to Risk Taking[1]

Section 19/A[2]

(1) The investment firm's management body in its supervisory function shall be responsible for the investment firm's risk exposures.

(2) The management body in its supervisory function shall devote sufficient time to learn about risks and to consideration of risk issues, and shall ensure that adequate resources are allocated to the management of all material risks as well as in the valuation of assets, the use of external credit ratings and internal models relating to those risks so as to ensure that the relevant strategic decisions are fully prepared and properly substantiated.

(3) The investment firm shall set up and operate an appropriate information system so as to establish reporting lines to the management body that cover all material risks the investment firm is or might be exposed to, and to supply up-to-date information through the management information system on risk management policies and changes thereof.

Section 20[3]

Investment firms shall introduce a procedure in accordance with Article 23 of Commission Delegated Regulation 2017/565/EU relating to risk management.

Section 20/A[4]

(1)[5] An investment firm, where the value of its on and off-balance sheet assets is on average exceeds one hundred million euro over the four-year period immediately preceding the given financial year shall establish a risk exposure and management committee that shall monitor continuously the risk strategy and the risk appetite of the investment firm.

(2)[6] The members of the risk exposure and management committee shall be members of the management body in its managerial function who do not perform any executive function in the investment firm concerned. If the management body in its managerial function of the investment firm does not have at least three members who do not perform any executive function in the investment firm concerned, independent members of the management body in its supervisory function may participate in the risk exposure and management committee.

(3) Members of the risk exposure and management committee shall have appropriate knowledge and expertise to carry out the functions provided for in Subsection (4).

(4) The tasks of the risk exposure and management committee shall inter alia include the following:

a) advise the executive employees on the investment firm's overall current and future risk appetite and risk strategy,

b) assist the management body in its managerial function in overseeing the implementation of the risk strategy,

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1 Established by Section 81 of Act CCXXXVI of 2013, effective as of 1 January 2014.
2 Enacted by Section 81 of Act CCXXXVI of 2013, effective as of 1 January 2014.
3 Established by Section 53 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted by Subsection (1) of Section 83 of Act CCXXXVI of 2013, effective as of 1 January 2014.
5 Established by Section 18 of Act CX of 2020, effective as of 26 June 2021.
6 Amended by Point 3 of Section 44 of Act CX of 2020.

c) review whether prices of investment services and ancillary services offered to clients take fully into account the investment firm's business model and risk strategy, and

d)[1]

(5)[2]

(6) The investment firm shall provide access for the risk exposure and management committee and the management body in its supervisory function, in the performance of their duties, to the risk management function and to external expert advice.

(7) The management body in its supervisory function shall, in the performance of its duties, have adequate access to information on the risk situation of the investment firm, to the risk management function and to external expert advice.

(8)-(9)[3]

Section 20/B[4]

(1) Investment firms whose balance sheet total for the previous year exceed two hundred billion forints are required to set up and operate an effective, comprehensive and independent business unit responsible for the risk management function covering all material risks of the investment firm.

(2) Investment firms that are significant in terms of their size, and the nature, scope and complexity of their activities shall establish a business unit responsible for the risk management function composed of members with appropriate knowledge, skills and expertise, which shall have sufficient resources, authority, and access to information necessary for carrying out such duties.

(3) The business unit responsible for the risk management function shall:

a) ensure that all material risks are identified, measured and properly reported;

b) be actively involved in elaborating the risk strategy and in all material risk management decisions; and

c) deliver a complete view of the whole range of risks of the investment firm.

(4) The business unit responsible for the risk management function may report directly to the management body in its supervisory function, and can raise concerns and warn that body, where appropriate, where specific risk developments affect or may affect the investment firm's operations.

(5) Taking into account the regulations of this Act on conflicts of interest, the investment firm shall appoint an independent senior manager with sufficient knowledge and expertise, vested with distinct responsibility for exercising and directing the risk management function, where the nature, scale and complexity of the activities of the investment firm so justify. The prior approval of the management body in its supervisory function is required to terminate the employment of the head of the risk management function with or without notice.

Audit Committee[5]

Section 20/C[6]

1 Repealed by Paragraph b) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
2 Repealed by Paragraph b) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
3 Repealed by Section 63 of Act XLIV of 2016, effective as of 4 June 2016.
4 Enacted by Subsection (1) of Section 83 of Act CCXXXVI of 2013, effective as of 1 January 2014.
5 Enacted by Section 60 of Act XLIV of 2016, effective as of 4 June 2016.
6 Enacted by Section 60 of Act XLIV of 2016, effective as of 4 June 2016.

(1) Public-interest investment firms shall set up and operate an audit committee according to the provisions of the Civil Code on legal persons, taking into account that any reference made in the provisions of the Civil Code on legal persons to a limited company and general meeting shall be construed as an investment firm and its supreme body.

(2) The chairman of the audit committee shall be appointed by its members or by the supervisory body of the public-interest investment firm.

(3) In addition to what is contained in Subsection (1) of Section 3:291 of the Civil Code, the audit committee shall, inter alia:

a) monitor the effectiveness of the public-interest investment firm's internal quality control and risk management systems and its financial reporting process and submit recommendations or proposals where deemed necessary;

b) monitor the statutory audit of the annual and consolidated annual account, taking into account any findings and conclusions by the authority in charge of the public oversight of auditors as provided for in Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors (hereinafter referred to as "Auditors Act") made during the quality assurance review provided for in the Auditors Act;

c) review and monitor the independence of licensed statutory auditors or the audit firms in accordance with the relevant legislation, and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

(4) Investment firms with a market share of less than 5 per cent in respect of their balance-sheet total may set up a joint risk exposure and management and audit committee.

(5) Subsection (1) shall not apply to any public-interest investment firm that operates in the form of a private limited company, if supervised on a consolidated basis, and the audit committee of its subsidiary established in Hungary performs the tasks defined in Subsection (3) with respect to the investment firm as well.

(6) Subsections (1) and (2) shall not apply to any public-interest investment firm that operates in the form of a private limited company, if the investment firm's management body in its supervisory function performs the tasks defined in Subsection (3) with respect to the investment firm as well.

(7) In the case provided for in Subsection (6), the investment firm shall disclose on its own website that the functions of the audit committee are performed by the investment firm's management body in its supervisory function, and how it is composed.

Responsibility Attaching to Compliance with Statutory Provisions and Internal Policies and to the Safeguarding of Client Assets[1]

Section 21[2]

(1) Investment firms shall introduce a procedure in accordance with Article 22 of Commission Delegated Regulation 2017/565/EU relating to monitoring compliance with statutory provisions and internal policies.

1 Established by Section 54 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Section 55 of Act LXIX of 2017, effective as of 3 January 2018.

(2) Investment firms shall appoint an officer with appropriate qualifications and power for the purpose of discharging the investment firm's obligations relating to the safeguarding of client financial instruments and client funds. The investment firm shall have discretion to decide whether to delegate that task upon the officer appointed as his only function, or one of two or more other functions.

General Liability[1]

Section 21/A[2]

(1) The management body in its managerial function shall be responsible:

a) to ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards; and

b) to oversee the process of data disclosure and communications.

(2) The investment firm's management body in its managerial function shall approve and periodically review the strategies and policies for the segregation of duties in the organization and the prevention of conflicts of interest, for taking up, managing, monitoring and mitigating the risks the investment firm is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle.

(3) The management body in its managerial function shall have responsibility for the implementation of the strategies and policies provided for in Subsection (2).

(4) The management body in its managerial function, if it finds any discrepancies in carrying out the review provided for in Subsection (2), shall take the measures necessary to eliminate and remedy such discrepancies, and shall take the decisions required.

Chapter VI

PERSONNEL CRITERIA RELATING TO THE OPERATIONS OF INVESTMENT FIRMS AND COMMODITY DEALERS

Section 22

(1)[3] The investment firms incorporated as public limited companies shall be managed under contract of employment by at least two natural persons having three years of professional experience in the field.

(1a)[4] The persons nominated to be elected or appointed as senior executives of investment firms, investment holding companies and mixed financial holding companies:

a)[5] shall provide proof - having regard to Subsection (6) - of having no prior criminal record with respect to the criminal offenses specified in Subsection (5);

b) shall have a university-level degree;

c) shall have at least three years of professional experience in the relevant field, and at least three years of management experience in the fields of finance or economics;

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1 Enacted by Section 84 of Act CCXXXVI of 2013, effective as of 1 January 2014.
2 Enacted by Section 84 of Act CCXXXVI of 2013, effective as of 1 January 2014.
3 Established by Section 19 of Act CX of 2020, effective as of 26 December 2020.
4 Enacted by Section 87 of Act LXXXV of 2015. Amended by Point 4 of Section 44 of Act CX of 2020.
5 Established by Subsection (2) of Section 310 of Act L of 2017, effective as of 1 January 2018.

d)[1] shall not be subject to prohibition to exercise a profession or activity in the fields of economics or finance;

e) shall provide proof of having good business reputation.

(2) The staff of executive employees of the Hungarian branches of non-resident investment firms - exclusive of the branches of investment firms established in other EEA Member States - shall include at least one Hungarian citizen who is considered a resident according to foreign exchange laws and who has had a permanent residence in Hungary for at least one year.

(3) Investment firms shall appoint one of the executive employees to the post of senior executive officer to oversee operations.

(4)[2] Any credit institution that is engaged in investment service activities shall appoint a person with at least three years of professional experience, who is able to provide proof - having regard to Subsection (6) - of having no prior criminal record with respect to the criminal offenses specified in Subsection (5) hereof, to manage investment service activities.

(5)[3] For the purposes of Subsections (1a) and (4) of this Section, Section 23, Subsection (2a) of Section 37, Paragraph *d)* of Subsection (4) of Section 37 and Paragraph *a)* of Subsection (1) of Section 116 the following criminal offenses shall be taken into account:[4]

a) any infringement of certain provisions under Chapter XV, Tile III of Act IV of 1978 on the Criminal Code (hereinafter referred to as “Act IV/1978”) in force until 30 June 2013, specifically, false accusation (Act IV/1978, Section 233), misleading of authority (Act IV/1978, Section 237), perjury (Act IV/1978, Section 238), subornation of perjury (Act IV/1978, Section 242), suppressing extenuating circumstances (Act IV/1978, Section 243), harboring a criminal (Act IV/1978, Section 244), the criminal offenses specified in titles VII and VIII of Chapter XV of Act IV/1978, acts of terrorism (Act IV/1978, Section 261), violation of international economic sanctions (Act IV/1978, Section 261/A), seizure of an aircraft, of any means of railway, water or road transport or of any means of freight transport (Act IV/1978, Section 262), illegal possession of explosives and destructive devices (Act IV/1978, Section 263), criminal misuse of firearms and ammunition (Act IV/1978, Section 263/A), criminal misuse of military items and services, and dual-use items (Act IV/1978, Section 263/B), affiliation with organized crime (Act IV/1978, Section 263/C), crimes in connection with nuclear energy (Act IV/1978, Section 264/B), criminal misuse of weapons prohibited by international convention (Act IV/1978, Section 264/C), taking the law into one’s own hands (Act IV/1978, Section 273), the criminal offenses specified in Title III of Chapter XVI of Act IV/1978, and the criminal offenses specified in Chapters XVII and XVIII of Act IV/1978,

1 Established by Section 32 of Act LXXVI of 2023, effective as of 1 January 2024.
2 Established by Subsection (3) of Section 310 of Act L of 2017, effective as of 1 January 2018.
3 Established by paragraph (1) Section 304 of Act CCXXIII of 2012. Amended by Paragraph a) of Section 116 of Act LXXXV of 2015.
4 Amended by Point 5 of Section 44 of Act CX of 2020.

b)[1] crimes in connection with atomic energy (Criminal Code, Section 252), misuse of classified information (Criminal Code, Section 265), false accusation (Criminal Code, Section 268), misleading of authority (Criminal Code, Section 271), perjury (Criminal Code, Section 272), subornation of perjury (Criminal Code, Section 276), suppressing extenuating circumstances (Criminal Code, Section 281), harboring a criminal (Criminal Code, Section 282), the criminal offenses specified in Chapter XXVII of the Criminal Code, acts of terrorism (Criminal Code, Sections 314-316/A), failure to report a terrorist act (Criminal Code, Section 317), terrorist financing (Criminal Code, Sections 318-318/A) or incitement to war (Criminal Code, Section 331), unlawful seizure of a vehicle (Criminal Code, Section 320), participation in a criminal organization (Criminal Code, Section 321), criminal misuse of explosives or blasting agents (Criminal Code, Section 324), criminal misuse of firearms and ammunition (Criminal Code, Section 325), crimes with weapons prohibited by international convention (Criminal Code, Section 326), violation of international economic sanctions (Criminal Code, Section 327), misprision of violation of international economic sanctions (Criminal Code, Section 328), criminal misuse of military items and services (Criminal Code, Section 329), criminal misuse of dual-use items (Criminal Code, Section 330), and the criminal offenses defined in Chapters XXXIII and XXXV-XLIII of the Criminal Code.

(6)[2] Where having no prior criminal record is prescribed mandatory by this Act, it applies with respect to the criminal offenses provided for in Subsection (5), and it shall be verified:

a) in the case of Hungarian citizens, by means of an official certificate made out according to Subsection (1) of Section 71 of Act XLVII of 2009 on the Penal Register, on the Register of Judgments Delivered by the Courts of Member States of the European Union Against Hungarian Nationals, and on the Register of Biometric Data Related to Criminal Prosecution and Law Enforcement, obtained by the Authority or supplied by the client;

b) in the case of non-Hungarian citizens, by means of a document that qualifies - under the national law of the non-Hungarian citizen - as an official instrument provided for in Paragraph *a)*, obtained by said non-Hungarian citizen and made available to the Authority enclosed with the application.

Section 22/A[3]

(1)[4] Before the appointment of a senior executive of an investment firm, the candidate must be notified - in order to obtain prior consent - to the Authority before the proposed date of appointment, and may be appointed if having been granted authorization by the Authority.

(2) The senior executive and the investment firm shall notify the Authority without delay if any grounds for exclusion should arise with respect to the senior executive after the authorization has been granted. The Authority shall have powers to withdraw or suspend the authorization granted for the appointment or election of a senior executive, if the condition underlying the authorization no longer applies, or if any grounds for exclusion should arise after the authorization had been granted.

(3) If the senior executive is not elected or appointed within three months from the time of the authorization, the authorization procedure for the election or appointment of the senior executive shall be reiterated. The provisions of Subsection (1) shall also apply to the reiterated authorization procedure.

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1 Amended by Section 51 of Act XXXIX of 2017.
2 Enacted by Subsection (4) of Section 310 of Act L of 2017, effective as of 1 January 2018.
3 Enacted by Section 88 of Act LXXXV of 2015, effective as of 7 July 2015.
4 Amended by Section 2 of Act CXCI of 2017.

Section 22/B[1]

(1)[2] In the application of Paragraph *c)* of Subsection (2) of Section 116/A, the following shall be recognized as professional qualification:

a) a university-level degree in the relevant field; or

b)[3] a degree in intermediate level education, and:

ba) the skills and credentials for the function of bank sales and investments,

bb) the skills and credentials to serve as a chartered accountant certified for financial institutions,

bc) the skills and credentials for the function of stock exchange services,

bd) a High Bankers' Certificate issued by the Magyar Bankszövetség (*Hungarian Banking Association*),

be) qualifications which are recognized as the equivalent of the requirements set out in Subparagraphs *ba)-bd)*; or

c)[4] have an official certificate of capital market examination issued by the MNB according to the Ministerial Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination.

(2) For the purposes of Paragraph *a)* of Subsection (1), university-level degree in a relevant field shall mean:

a) a university or college diploma in economics obtained under the Act on Higher Education, or a degree in economics obtained in basic or masters training within the framework of economic sciences according to the Act on Higher Education;

b) a law degree;

c) a diploma in accountancy;

d) a diploma in higher education or post graduate qualification in the banking profession;

e) engineer's degree in agricultural economics of university or college level, or masters training, or technical manager in basic faculty training, or engineer's degree in agricultural economics and rural development in basic faculty training; and

f) in possession of an university-level degree, special banker's training or training in economics in continuous professional development or specialized further training in tertiary education in the field of public administration.

(3)[5] If the examinee passed the examination by misleading the Authority, by supplying false data, in the absence if statutory requirements or by breaching the examination rules, the Authority shall void the exam of such person. If the Authority has already issued the official certificate of examination, it shall move to have it revoked.

Section 23[6]

For the management of business operations, the commodity dealer shall appoint a person with at least two years of professional experience, who is able to provide proof - having regard to Subsection (6) of Section 22 - of having no prior criminal record with respect to the criminal offenses specified in Subsection (5) of Section 22, and of not being subject to prohibition to exercise a profession or activity in the fields of economics or finance.

1 Enacted by Section 88 of Act LXXXV of 2015, effective as of 7 July 2015.
2 Amended by Paragraph c) of Section 134 of Act LXIX of 2017.
3 Established by Section 50 of Act LVIII of 2021, effective as of 1 January 2022.
4 Amended by Paragraph d) of Section 134 of Act LXIX of 2017, Paragraph a) of Subsection (2) of Section 70 of Act LVIII of 2021.
5 Enacted by Section 56 of Act LXIX of 2017. Amended by Paragraph b) of Subsection (2) of Section 70 of Act LVIII of 2021.
6 Established by Section 33 of Act LXXVI of 2023, effective as of 1 January 2024.

Section 24

(1)[1] For the purposes of Subsections (1), (1a) and (4) of Section 22, and Section 23, the criteria of experience may be satisfied by employment in the fields of investment and finances:

a) at an investment firm;
b) at a financial institution;
c) at a stock exchange or commodities exchange;
d) at an investment fund manager;
e) at a venture capital fund manager;
f) at the MNB;
g) at the ÁKK Zrt. or at the Treasury;
h) at an administrative agency;
i) at a commodity dealer;
j) at the central depository; or
k) at a central counterparty;
l) at an insurance company or pension fund;

acting in the capacity of an officer, public official, government official, State official or employee.

(1a)[2] In addition to what is contained in Subsection (1) hereof, for the purposes of Subsection (1) of Section 22 the criteria of experience may be satisfied by employment in the fields of investment and finances:

a) at a company engaged in the trading of greenhouse gas emission allowance units and other rights of emission of air polluting substances, in the case of investment firms providing investment services exclusively in respect of the financial instruments provided for in Paragraph *l)* of Section 6 and the related financial derivatives provided for in Section 6;
b) at an electricity or natural gas supplier in the case of investment firms providing investment services exclusively in respect of the financial instruments provided for in Paragraphs *e)-g), j)* and *k)* of Section 6 related to electricity and natural gas;

acting in the capacity of an officer or employee.

(2)[3] Professional experience earned in a foreign country may be recognized if gained through employment in an institution or international financial institution equivalent to the organizations specified in Subsections (1) and (1a).

Section 24/A[4]

In addition to the requirements set out in Section 22, members of the investment firm’s management body in its managerial function shall be of sufficiently good repute.

Section 24/B[5]

Investment firms shall devote adequate human and financial resources to the induction and training of members of the management body in its managerial function.

Section 24/C[6]

1 Established by Section 71 of Act LXIV of 2016, effective as of 1 July 2016.
2 Enacted by Section 9 of Act CXLV of 2017, effective as of 3 January 2018.
3 Amended by Paragraph d) of Section 20 of Act CXLV of 2017.
4 Enacted by Subsection (1) of Section 85 of Act CCXXXVI of 2013, effective as of 1 January 2014.
5 Enacted by Subsection (1) of Section 85 of Act CCXXXVI of 2013, effective as of 1 January 2014.
6 Established by Section 60 of Act CXXVI of 2018, effective as of 31 March 2019.

(1)[1] All members of the management body shall commit sufficient time to perform their functions in the investment firm.

(2) The management body shall possess adequate collective knowledge, skills and experience to be able to understand the investment firm's activities, including the main risks.

Section 24/D

(1) Investment firms whose balance sheet total for the previous year exceed two hundred billion forints are required to establish a nomination committee.

(2)[2] The members of the nomination committee may be composed of members of the management body in its supervisory function who do not perform any executive function in the investment firm concerned.

(3) The nomination committee shall:

a) identify and recommend candidates to fill management body vacancies;

b) prepare a description of the roles and capabilities for a particular appointment to the management body, and assess the time commitment expected;

c) evaluate the balance of knowledge, skills and experience of individual members of the management body;

d) evaluate the balance of knowledge, skills and experience of the management body collectively at least annually, and report to the management body accordingly;

e) periodically, and at least annually, assess the structure, size, composition and performance of the management body and make recommendations with regard to any discrepancies;

f) decide on a target for the representation of genders in the management body and prepare a policy on how to meet that target;

g) periodically review the policy of the management body for selection and appointment of senior management of the investment firm and make recommendations to the management body in its managerial function based on its findings; and

h) take account, periodically, to ensure that the management body's decision making is not unduly influenced.

(4) In recommending candidates the nomination committee shall take account to ensure that the person recommended has the highest qualification possible, and to this end it shall develop internal policies.

(5)[3] Investment firms shall make public the ratio of genders provided for in Paragraph *f)* of Subsection (3), and the strategy used to determine such ratio and the means used for the implementation of that strategy.

(6)[4] The Authority shall prepare analyses and comparisons relying on the policies referred to in Subsections (4) and (5) on the practices of investment firms, and shall send it to the European Banking Authority (hereinafter referred to as "EBA").

(7) Investment firms shall make available to the nomination committee the resources that it considers to be appropriate for carrying out the tasks provided for in Subsection (3), access to data and information, including external advice where deemed necessary.

Section 24/E[5]

In respect of investment firms, employer's rights over the managing directors shall be exercised by the management body in its managerial function.

1 Amended by Paragraph a) of Section 57 of Act CXVIII of 2019.
2 Established by Subsection (1) of Section 51 of Act CXVIII of 2019, effective as of 1 January 2020.
3 Established by Subsection (2) of Section 51 of Act CXVIII of 2019, effective as of 1 January 2020.
4 Established by Subsection (2) of Section 51 of Act CXVIII of 2019, effective as of 1 January 2020.
5 Enacted by Subsection (1) of Section 85 of Act CCXXXVI of 2013, effective as of 1 January 2014.

Section 24/F[1]

The management body in its supervisory function is a body consisting of at least three but not more than nine members, whose members - with the exception of the employees' representatives - may not be in the employment of the investment firm.

Reporting of Breaches[2]

Section 24/G[3]

(1)[4] Investment firms, and the Authority shall establish effective and reliable mechanisms to encourage reporting of potential or actual breaches of the provisions of this Act, regulations pertaining to prudent operation, including Regulation 2019/2033/EU, by executive officers and employees.

(2) The mechanisms referred to in Subsection (1) shall include at least:

a) procedures for the receipt of reports on breaches and their follow-up;

b) appropriate protection for employees who report breaches committed within the investment firm against discrimination or other types of unfair treatment; and

c) protection of personal data concerning both the person who reports the breaches committed within the investment firm and the natural person who is allegedly responsible for a breach.

(3)[5] Investment firms are required to have in place appropriate procedures for their employees to report breaches internally, within the investment firm, through a specific and independent channel.

(4)[6] The provisions related to reporting infringements shall also apply to data providers and to market operators as well.

Conflict of Interest

Section 25[7]

Section 26

(1) The conditions for engaging in business operations and for keeping the relevant records relating to the executive employees, employees and other personnel of an investment firm engaged in any other form of work related relationship shall be laid down in the investment firm's internal policies.

(2) Investment firms shall keep records on the persons engaged in the activities referred to in Subsection (1), indicating the type of activities as well.

Section 26/A[8]

1 Enacted by Subsection (1) of Section 85 of Act CCXXXVI of 2013, effective as of 1 January 2014.
2 Enacted by Subsection (2) of Section 85 of Act CCXXXVI of 2013, effective as of 1 January 2014.
3 Enacted by Subsection (2) of Section 85 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Amended by Paragraph c) of Section 72 of Act CXXVI of 2018, Point 6 of Section 44 of Act CX of 2020.
5 Amended by Paragraph d) of Section 72 of Act CXXVI of 2018.
6 Established by Section 38 of Act XXXIX of 2023, effective as of 24 June 2023.
7 Repealed by Paragraph c) of Subsection (2) of Section 135 of Act LXIX of 2017, effective as of 3 January 2018.
8 Enacted by Section 86 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(1) Investment firms whose balance sheet total for the previous year exceed two hundred billion forints, members of the management body shall not hold more than one of the following combinations of directorships at the same time:

a) one executive directorship with two non-executive directorships; or

b) four non-executive directorships.

(2) For the purposes of Subsection (1), the following shall count as a single directorship:

a) executive or non-executive directorships held within the same group;

b) executive directorships held within:

ba) institutions which are members of the same institutional protection scheme, or

bb) companies in which the investment firm mentioned in Subsection (1) holds a qualifying holding.

(3) The restriction provided for in Subsection (1) shall not apply to directorships in organizations which do not pursue commercial objectives.

(4)[1] The Authority may authorize a member of the management body and the director of the investment firm specified in Subsection (1) to hold one additional non-executive directorship, above and beyond the restriction provided for in Subsection (1).

Chapter VI/A[2]

ALGORITHMIC TRADING[3]

Section 26/B[4]

(1) An investment firm that engages in algorithmic trading shall have in place effective systems and risk control mechanisms suitable to the business it operates to ensure that its trading systems:

a) are resilient and have sufficient capacity;

b) are subject to appropriate trading thresholds and limits;

c) are able to prevent the sending of erroneous orders or the systems otherwise functioning in a way that may create or contribute to a disorderly market;

d) cannot be used for any purpose that is contrary to Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (hereinafter referred to as “Regulation 596/2014/EU”) or to the rules of a trading venue to which it is connected.

(2) An investment firm that engages in algorithmic trading:

a) shall have in place effective business continuity arrangements to deal with any failure of its trading systems, and

b) shall ensure that its systems are fully tested and properly monitored so as to ensure that they meet the requirements laid down in Subsection (1) and in this Subsection.

(3) An investment firm that engages in algorithmic trading shall notify this to the Authority and the competent supervisory authority responsible for the place where the trading venue is situated, at which the investment firm engages in algorithmic trading as a member or participant of the trading venue. The Authority may require the investment firm to provide, on a regular or ad-hoc basis, a description:

a) of the nature of its algorithmic trading strategies,

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1 Established by Section 57 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Section 58 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Section 58 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted by Section 58 of Act LXIX of 2017, effective as of 3 January 2018.

b) of the details of the trading parameters or limits to which the system is subject,

c) of the key compliance and risk control mechanism that it has in place to ensure the conditions laid down in Subsections (1) and (2) are satisfied, and

d) of the details of the testing of its systems.

(4) The Authority may, at any time, request further information from an investment firm about its algorithmic trading and the systems used for that trading.

(5) The Authority shall, on the request of a competent supervisory authority of a trading venue at which the investment firm as a member or participant of the trading venue is engaged in algorithmic trading and without undue delay, communicate the information referred to in Subsections (3) and (4) that it receives from the investment firm that engages in algorithmic trading.

(6) The investment firm shall arrange for records to be kept in relation to the information referred to in Subsections (3) and (4) and shall ensure that those records be sufficient to enable the Authority to monitor compliance with the requirements of this Act.

(7) An investment firm that engages in a high-frequency algorithmic trading technique shall store in an approved form accurate and time sequenced records of all its placed orders, including cancellations of orders, executed orders and quotations on trading venues and shall make them available to the Authority upon request.

Section 26/C[1]

(1) An investment firm that engages in algorithmic trading to pursue a market making strategy shall, taking into account the liquidity, scale and nature of the specific market and the characteristics of the instrument traded:

a) carry out this market making continuously during a specified proportion of the trading venue's trading hours, except under exceptional circumstances, with the result of providing liquidity on a regular and predictable basis to the trading venue;

b) enter into a binding written agreement with the trading venue which shall at least specify the obligations of the investment firm in accordance with Paragraph *a)*; and

c) have in place effective systems and control mechanisms to ensure that it fulfills its obligations under the agreement referred to in Paragraph *b)* at all times.

(2) For the purposes of this Section and of Section 316/A of the CMA, an investment firm that engages in algorithmic trading shall be considered to be pursuing a market making strategy when, as a member or participant of one or more trading venues, its strategy, when dealing on own account, involves posting firm, simultaneous two-way quotes of comparable size and at competitive prices relating to one or more financial instruments on a single trading venue or across different trading venues, with the result of providing liquidity on a regular and frequent basis to the overall market.

Section 26/D[2]

(1) An investment firm that provides direct electronic access to a trading venue shall have in place effective systems and control mechanisms which:

a) ensure a proper assessment and review of the suitability of clients using the service, and

b) ensure that

ba) clients using the service are prevented from exceeding appropriate pre-set trading and credit thresholds,

bb) trading by clients using the service is properly monitored, and

bc) the appropriate risk control mechanism prevents trading that may create risks to the investment firm itself or that could create or contribute to a disorderly market or could be contrary to Regulation 596/2014/EU or the rules of the trading venue.

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1 Enacted by Section 58 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Section 58 of Act LXIX of 2017, effective as of 3 January 2018.

(2) Investment firms may provide direct electronic access only if the control mechanisms referred to in Subsection (1) are in place and functional.

(3) The investment firm shall be responsible for ensuring that clients using that service comply with the requirements of this Act and the rules of the trading venue. The investment firm shall monitor the transactions in order to identify infringements of those rules, disorderly trading conditions or conduct that may involve market abuse and that is to be reported to the Authority.

(4) The investment firm shall ensure that there is a binding written agreement between the investment firm and the client regarding the essential rights and obligations arising from the provision of direct electronic access. The agreement shall contain a clause stipulating that the investment firm retains responsibility for compliance with the provisions of this Act.

(5) An investment firm that provides direct electronic access to a trading venue shall notify the Authority and the competent supervisory authorities of the Member State of the trading venue at which the investment firm provides direct electronic access.

(6) The Authority may require the investment firm to provide, on a regular or ad-hoc basis, a description of the systems and controls referred to in Subsection (1) and evidence that those have been applied.

(7) The Authority shall, on the request of a competent supervisory authority of a trading venue in relation to which the investment firm provides direct electronic access, communicate without undue delay the information referred to in Subsection (6) that it receives from the investment firm.

(8) The investment firm shall arrange for records to be kept in relation to the information referred to in this Section and shall ensure that those records be sufficient to enable the Authority to monitor compliance with the requirements of this Act.

Section 26/E[1]

An investment firm that acts as a general clearing member for other persons shall have in place effective systems and control mechanisms to ensure that clearing services are only applied to persons who are suitable and meet clear criteria and that appropriate requirements are imposed on those persons to reduce risks to the investment firm and to the market. The investment firm shall ensure that there is a binding written agreement between the investment firm and the person regarding the essential rights and obligations arising from the provision of that service.

PART THREE

AUTHORIZATION OF INVESTMENT SERVICE ACTIVITIES, COMMODITY EXCHANGE SERVICES, AND AUTHORIZATION OF THE ACQUISITION OF A HOLDING IN INVESTMENT FIRMS AND COMMODITY DEALERS

Chapter VII

AUTHORIZATION OF INVESTMENT SERVICE ACTIVITIES

Section 27

1 Enacted by Section 58 of Act LXIX of 2017, effective as of 3 January 2018.

(1) The Authority shall grant authorization to engage in activities or to provide services separately for each activity or service, or collectively in a single authorization, provided that the applicant is able to comply with the provisions set out in this Act and in other legal regulations implemented by authorization of this Act, there is no legal impediment that would prevent the Authority from the effective exercise of its supervisory functions over the applicant.

(2) The Authority's authorization is not required for carrying out the activity or providing the service referred to in Section 5, for any non-resident investment firm established in another EEA Member State in the form of cross-border services or through Hungarian branches, and if authorized by the competent supervisory authority of the country where established for the activities in question.

(3) The authorization issued by the Authority under this Act pertaining to the relevant activities and services shall constitute an entitlement to engage in investment service activities and to provide ancillary services in other EEA Member States in due observation of what is contained in Subsections (4) and (5).

(4) Where an investment firm that is authorized by the Authority to engage in investment service activities and/or to provide ancillary services wishes to provide cross-border services in another EEA Member State, it shall notify the Authority before the commencement of operations and shall provide in the notice:

a) an indication of the Member State in which it wishes to provide services;

b) an indication of the investment service activities and the ancillary services which it wishes to carry out or provide; and

c) a statement as to whether or not it plans to appoint tied agents;

d)[1] an indication of the person of the tied agent provided for in Paragraph *a)* of Subsection (1) of Section 112, if plans to use a tied agent.

(4a)[2] Where an investment firm plans to engage in investment service activities or to provide ancillary services with respect to either or all of the financial instruments provided for in Paragraph *j)* or *k)* of Section 6 in another EEA Member State in the form of cross border activity or service,

a) authorization is required for the planned investment service activities and/or ancillary services with respect to all of the financial instruments provided for in Paragraphs *j)* and *k)* of Section 6; and

b) in the notice referred to in Subsection (4) hereof reference shall be made to Point 10 of Section C of Annex I to Directive 2014/65/EU with respect to the financial instruments provided for in Paragraphs *j)* and *k)* of Section 6.

(5) An investment firm that has been authorized by the Authority to engage in investment service activities and/or to provide ancillary services may commence operations in another EEA Member State if:

a) the notice sent to the Authority in accordance with Subsection (4) has been delivered to the competent supervisory authority of the Member State referred to in Paragraph *a)* of Subsection (4), and if the investment firm was notified thereof; or

b) one month has elapsed since receipt of the notice sent to the Authority in accordance with Subsection (4).

(6) The provisions contained in Subsections (4) and (5) shall also apply if the investment firm makes any changes in its investment service activities.

(7)[3] Where an investment firm that is authorized by the Authority to engage in investment service activities and/or to provide ancillary services wishes to set up a branch in another EEA Member State, it shall notify the Authority before setting up the branch and shall provide in the notice:

a) an indication of the Member State in which it wishes to provide services, plus an address in this Member State at which documents can be obtained;

b) an indication of the investment service activities and the ancillary services which it wishes to carry out or provide; and,

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1 Enacted by Section 10 of Act CXLV of 2017, effective as of 3 January 2018.
2 Enacted by Subsection (1) of Section 59 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established: by paragraph (1) Section 122 of Act CL of 2009. In force: as of 1. 01. 2010.

c) a statement as to whether or not it plans to appoint tied agents;
d) an indication of the appointed managers of the branch.

In cases where the branch of the investment firm wishes to use a tied agent whose registered office, home address (temporary residence) is located in an EEA Member State other than where the investment firm is established, such tied agent shall be subject to the provisions of this Act relating to branches.

(7a)[1] Where an investment firm plans to establish a branch in another EEA Member State, and that branch plans to engage in investment service activities or to provide ancillary services with respect to either or all of the financial instruments provided for in Paragraph *j)* or *k)* of Section 6,

a) authorization is required for the planned investment service activities and/or ancillary services with respect to all of the financial instruments provided for in Paragraphs *j)* and *k)* of Section 6; and

b) in the notice referred to in Subsection (7) hereof reference shall be made to Point 10 of Section C of Annex I to Directive 2014/65/EU with respect to the financial instruments provided for in Paragraphs *j)* and *k)* of Section 6.

(8) The branch of an investment firm that has been authorized by the Authority to engage in investment service activities and/or to provide ancillary services may commence operations in another EEA Member State if:

a) following receipt of the notice referred to in Subsection (7) by the Authority, the competent supervisory authority of the Member State referred to in Paragraph *a)* of Subsection (7) has notified the investment firm of its consent; or

b) two months have elapsed since receipt of the notice sent by the Authority to the competent supervisory authority of the Member State referred to in Paragraph *a)* of Subsection (7), and if the said supervisory authority failed to respond during this period.

(9)[2] If the Authority refuses to communicate the information referred to in Subsection (7) to the competent supervisory authority of the host Member State, it shall give reasons for its refusal to the investment firm concerned within three months of receiving all the information referred to in Subsection (7).

(10)[3] The provisions contained in Subsections (7) and (8) shall also apply if the branch of the investment firm makes any changes in its investment service activities.

Section 28

(1)[4] Applications for authorization to engage in investment service activities shall have attached - having regard to Subsection (1a) - the following following:

a) the charter document or any amendments of the charter document;

b) a copy of the register of shareholders;

c)[5] proof of payment of the initial capital in the amount prescribed and a declaration, with the relevant documentary evidence attached, that the funds used to pay up the initial capital are part of the founder’s legitimate income;

d) a description of the activity for which the authorization is requested and the organizational and operational procedures that contain a description of the applicant’s decision-making and management structure;

e)[6] a statement on having a main office in the territory of Hungary from which to direct the operations of the investment firm;

f) if having several business locations, a description of the equipment and technical facilities featured in the location where the activity is planned to be performed;

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1 Enacted by Subsection (2) of Section 59 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted: by paragraph (2) Section 122 of Act CL of 2009. In force: as of 1. 01. 2010.
3 Numbering amended: by paragraph (2) Section 122 of Act CL of 2009. In force: as of 1. 01. 2010.
4 Amended by Paragraph a) of Section 311 of Act L of 2017.
5 Established by Section 20 of Act CX of 2020, effective as of 26 June 2021.
6 Amended: by subparagraph c) paragraph (2) Section 178 of Act CXCIII of 2011. In force: as of 1. 01. 2012.

g) the name of any business association in which the applicant has a participating interest, indicating the company's address and scope of activities and the extent or percentage of the share;

h) a description of its accounting policy and accounting system;

i) the draft regulations concerning its business records;

j) the draft regulations concerning its revision and control regime;

k) a business plan;

l) a detailed description of the equipment and technical facilities prescribed by this Act and by specific other legislation;

m) copies of the documents verifying compliance with the organizational requirements prescribed in this Act;

n) copies of documents to verify compliance with the requirements concerning personnel qualifications prescribed by this Act and by specific other legislation;

o)[1] drafts of the standard terms and conditions, standard service agreement, internal regulations and procedures for the prevention of money laundering and terrorist financing, and for the implementation of restrictive measures imposed by the European Union and the UN Security Council relating to liquid assets and other financial interests, internal regulations for the handling of money and valuables, and drafts of the execution policy and the conflict of interest policy;

p)[2] detailed description of ownership structure, except for actions for the amendment of the scope of activities, supported by documentary evidence, and - if possible - information about beneficial owners;

q) the auditor's confirmation stating that the investment firm's information and computer system has sufficient facilities to satisfy the requirements laid down in Subsection (2) of Section 18;

r) drafts of internal regulations for monitoring, weighting, controlling and handling risks;

s) a draft of the internal regulations relating to the trading book;

t) in the case of investment firms that are subject to supervision on a consolidated basis or supplementary supervision, a description of the apparatus for the disclosure of information related to supervision on a consolidated basis or supplementary supervision and a statement from the persons with a close link to the investment firm guaranteeing to provide the data, facts and information that are necessary for supervising the investment firm on a consolidated basis or for supplementary supervision;

u)[3] a statement from each natural person closely affiliated with the investment firm containing his consent to have the personal data he has disclosed to the investment firm processed and released for the purposes of supervision on a consolidated basis or supplementary supervision;

v) the identification data of persons or bodies with a close link to any parent company of any investment firm that is subject to supervision on a consolidated basis or supplementary supervision;

w)[4] certificate of the Investor Protection Fund in proof of having submitted an application for admission and in proof of payment of the affiliation fee, if the application pertains to an insured activity and if joining the Fund is prescribed as mandatory by law;

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1 Amended by Subsection (1) of Section 88 of Act LIII of 2017.
2 Established by Section 60 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established: by paragraph (1) Section 24 of Act LXXXIII of 2013. In force: as of 22. 06. 2013.
4 Enacted: by paragraph (1) Section 132 of Act CIII of 2008. In force: as of 01. 01. 2009.

x)[1] the rules of procedure, approved by the management body of the investment firm, to be applied in the event of an emergency situation seriously jeopardizing the liquidity or solvency of the investment firm, and - if the investment firm is not covered by supervision on a consolidated basis - a recovery plan drawn up according to Section 102;

y)[2] a copy of the statement on joining the Resolution Fund.

(1a)[3] If the applicant is an entity other than a natural person established in Hungary, the documents for verifying the details specified in Paragraph *a)* of Subsection (1) shall be obtained by the Authority.

(2) Persons applying for authorization to provide safe custody services shall enclose, in addition to what is contained in Subsection (1), internal regulations concerning security, account management and depository procedures.

(3) Persons applying for authorization to engage in investment lending operations shall enclose, in addition to what is contained in Subsection (1), proof of having joined the KHR.

(4) Non-resident persons applying for authorization to engage in the activities of investment firms shall, in addition to what is contained in Subsections (1)-(3):

a) indicate the places where they carry out activities;

b) specify the decision-making powers of its executive employees, and of the bodies whose consent is mandatory for certain decisions.

(5) Non-resident persons applying for authorization to engage in investment service activities shall enclose a statement of the competent supervisory authority of the home state in evidence of there being no grounds for exclusion regarding the executive employee - of citizenship other than Hungarian - filling and occupying such office.

(6)[4] Where an investment firm is seeking an authorization to extend its business to other activities, the application shall have enclosed the documents not previously submitted under Subsection (1).

Section 29

The Authority shall request the opinion of the competent supervisory authorities of other EEA Member States concerned prior to issuing an authorization to engage in investment service activities or to provide ancillary services if the applicant investment firm:

a) is a subsidiary of an investment firm, credit institution or insurance company established in another EEA Member State;

b) is a subsidiary of the parent company of an investment firm, credit institution or insurance company established in another EEA Member State;

c) has an owner, whether a natural or legal person, with a dominant influence in an investment firm, credit institution or insurance company that is established in another EEA Member State.

Section 29/A[5]

(1) At the request of a company established in a third country, the Authority shall authorize the branch of an investment firm established in a third country to engage in the pursuit of investment service activities and to provide ancillary services if:

a) it shows the authorization received from the competent supervisory authority of the country where established;

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1 Enacted by Subsection (2) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014. Amended by Paragraph a) of Section 37 of Act CIV of 2014.
2 Enacted by Section 26 of Act CIV of 2014, effective as of 1 January 2015.
3 Enacted by Subsection (6) of Section 310 of Act L of 2017, effective as of 1 January 2018.
4 Enacted: by paragraph (2) Section 132 of Act CIII of 2008. In force: as of 01. 01. 2009.
5 Enacted by Section 61 of Act LXIX of 2017, effective as of 3 January 2018.

b) the Authority has signed an agreement with the competent supervisory authority of the third country where the investment firm is established which fully complies with the standards laid down in Article 26 of the Organization for Economic Cooperation and Development (hereinafter referred to as "OECD") Model Tax Convention on Income and on Capital and ensures an effective exchange of information in tax matters, including any multilateral tax agreements;

c) the Authority has signed a cooperation agreement with the competent supervisory authority of the third country where the investment firm is established;

d) the third country where the investment firm is established is not listed as a Non-Cooperative Country and Territory by the Financial Action Task Force (hereinafter referred to as "FATF");

e) meets the requirements on initial capital;

f) its executive officers meet the relevant conditions; and

g) able to provide proof of being a member of a recognized compensation scheme intended to protect investors.

(2) An investment firm established in a third country intending to obtain authorization for establishing a branch shall provide the Authority with the following information enclosed with the application:

a) the name and address of the authority responsible for its supervision in the country where established, with the proviso that if two or more such authorities are involved, information about jurisdiction shall also be provided;

b) the investment firm's name, legal form and registered address, its business establishments, names of management body members, names of major owners;

c) organizational structure and organizational and operational regulations of the branch;

d) scheme of operations of the branch;

e) description of the functions planned to be outsourced;

f) proof of availability of the initial capital; and

g) proof of executive officers' compliance with statutory requirements.

(3) The branch of an investment firm established in a third country shall:

a) ensure on-going compliance with the provisions of this Act concerning endowment capital;

b) apply Chapter V of this Act;

c) apply Chapter VI/A of this Act;

d) apply Chapters X-XIII of this Act;

e)[1] apply the provisions of this Act on conflict of interest and on the reporting of infringements;

f) apply Chapter XX of this Act;

g) apply Chapters XXIII-XXV of this Act;

h) apply Chapter XXV/B of this Act; and

i) Articles 3-26 of Regulation 600/2014/EU.

(4) The Authority shall decide whether or not to grant authorization within six months of the submission of the complete application of an investment firm established in a third country. The competent supervisory authority of the investment firm established in a third country shall be informed of that decision.

Section 30

(1) The Authority shall refuse to grant authorization to engage in investment service activities if:

a) the applicant fails to comply with the requirements set out in this Act or in specific other legislation adopted by authorization of this Act;

b) the applicant fails to provide sufficient proof of compliance with the requirements set out in Paragraph *a)*;

1 Amended by Paragraph e) of Section 72 of Act CXXVI of 2018.

c) the applicant has close ties with a person or body established in a third country where there are legal impediments liable to prevent the Authority from the effective exercise of its supervisory functions over the investment firm, or there are difficulties involved in their enforcement; or

d) the applicant has provided misleading or false information;

e)[1] whether there are reasonable grounds to suspect that, in connection with the activity of the applicant, money laundering or terrorist financing within the meaning of the relevant legislation is being or has been committed or attempted, or that the proposed activity could increase the risk thereof;

(2) In respect of the branches of non-resident investment firms, the Authority shall refuse to grant authorization to engage in investment service activities if:

a) there is no valid and effective international cooperation agreement - based on mutual recognition of supervisory authorities which covers the supervision of branches - between the Authority and the supervisory authority competent for the place where the applicant is established;

b)[2] the country in which the applicant is established does not have legal regulations on money laundering and terrorist financing that conform to the requirements prescribed under Hungarian law;

c)[3] the applicant does not have adequate data management protocol that conforms to the requirements prescribed by the relevant legislation and directly applicable acts of the European Union;

d) the applicant fails to supply a statement in which it offers full guarantees for the liabilities incurred by its branch under its corporate name;

e) the applicant fails to submit the permit for the foundation of a branch issued by the supervisory authority competent for the place where he is established, and/or its declaration of approval or acknowledgment;

f) the legal system of the country where the applicant is established fails to guarantee prudent and sound management; or

g) the applicant’s main office is not in the country where he is established.

Section 31

(1) The Authority shall withdraw the authorization for investment service activities if:

a)[4] the conditions and requirements based on which it was issued are no longer satisfied;

b)[5] the Authority has withdrawn the authorization of the credit institution, or the authorization of the investment fund manager provided for in Section 5 of the Collective Investments Act, or the authorization of the insurance company, except for the case described under Subsection (3) of this Section;

c) the investment firm fails to pay any of its undisputed debts within five days of the date on which they are due and its holdings (assets) do not provide cover for satisfying the known claims of creditors;

d) the authorized operator fails to commence within twelve months the activities to which the authorization pertains, or it has not engaged in such activities for more than six consecutive months;

e) the authorized operator retires from the activity to which the authorization pertains;

1 Enacted by Section 62 of Act LXIX of 2017, effective as of 3 January 2018.
2 Amended by Subsection (2) of Section 88 of Act LIII of 2017.
3 Amended by Paragraph a) of Section 68 of Act XXXIV of 2019.
4 Established by Section 21 of Act CX of 2020, effective as of 26 June 2021.
5 Established by Section 56 of Act CCXV of 2015, effective as of 2 January 2016.

f) the authorized operator repeatedly or seriously violates the provisions laid down in this Act and in specific other legislation regarding the activity to which the authorization pertains, or the obligations specified in the regulations of the Investor Protection Fund;

g) the authorization of the founder of the branch has been revoked by the supervisory authority responsible for the place where the founder is established;

h) the investment firm fails to comply with any recapitalization obligations within the deadline prescribed by the Authority;

i) the investment firm fails to comply with any capital adequacy requirement within the deadline specified by the Authority;

j) authorization was obtained by misleading the Authority or through any other illegal conduct.

(2)[1] With the exception set out in Paragraphs *b)* and *c)* Subsection (1), the Authority shall withdraw the authorization it has granted to authorize investment service activities when the authorized operator has settled all undisputed debts owed to clients, or if his contractual liabilities are carried forward by commitment from another investment firm. The Authority may stipulate certain conditions and requirements, which must be satisfied - according to the relevant regulations - before the investment firm is permitted to terminate operations.

(3) If the Authority has withdrawn the authorization of a credit institution that is also authorized to engage in investment service activities, and this credit institution is in compliance with the requirements on investment firms at the time of withdrawal of the authorization, such credit institution may be transformed to function as an investment firm in accordance with the relevant provisions of the CIFE.

(4) The Authority shall suspend the authorization to engage in investment service activities for a predetermined period if the conditions and requirements based on which it was issued are no longer satisfied, however, they can be remedied within a period of six months.

(5)[2] The activity license of an investment firm under resolution as provided for in Act XXXVII of 2014 on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System (hereinafter referred to as “Resolution Act”) shall not be withdrawn before the resolution procedure is terminated.

Section 31/A[3]

The branch of an investment firm established in a third country shall report to the Authority the following information on an annual basis:

a) the scale and scope of the services and activities carried out in Hungary;

b) if performing the activity listed in Paragraph *c)* of Subsection (1) of Section 5, the monthly minimum, average and maximum exposure to counterparties in EEA Member States;

c) if performing the activity listed in Paragraph *f)* of Subsection (1) of Section 5, the total value of financial instruments originating from counterparties in EEA Member States underwritten over the previous twelve months;

d) the aggregated value of the assets corresponding to the services and activities performed by the branch;

e) a detailed description of the investor protection arrangements available to the clients of the branch, including the rights of those clients resulting from the recognized investor-compensation scheme;

f) the risk management policy and arrangements applied for the services and activities performed by the branch;

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1 Amended by Paragraph c) of Section 65 of Act CCXV of 2015.
2 Enacted by Subsection (3) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
3 Enacted by Section 22 of Act CX of 2020, effective as of 26 June 2021.

g) the governance arrangements, including senior executives and key function holders for the activities of the branch;
h) upon the Authority's request, any other information considered by the Authority to be necessary to enable comprehensive monitoring of the activities of the branch.

Chapter VIII

AUTHORIZATION OF COMMODITY EXCHANGE SERVICES

Section 32

The Authority shall grant authorization to engage in activities separately for each activity or service, or collectively in a single authorization, provided that the applicant is able to comply with the provisions set out in this Act and other legal regulations implemented by authorization of this Act.

Section 33

(1)[1] Applications for authorization to engage in the activities referred to in Subsection (1) of Section 9 shall have attached - having regard to Subsection (1a) - the following following:
a) the charter document and any amendments of the charter document;
b) proof of payment of the initial capital in the amount prescribed and a declaration, with the relevant documentary evidence attached, that the funds used to pay up the subscribed capital or finance the purchase of shares are part of the founder's or buyer's legitimate income;
c) a description of the activity for which the authorization is requested and the organizational and operational procedures that contain a description of the applicant's decision-making and management structure;
d) the name of any business association in which the applicant commodity dealer has a participating interest, indicating the company's address and scope of activities and the extent or percentage of the share;
e) a description of its accounting policy and accounting system;
f) the draft regulations concerning its business records;
g) the draft regulations concerning its revision and control regime, which comprises the control department and its procedures as well as the requirements for the subsequent control of management integrated into these procedures;
h)[2] drafts of the standard terms and conditions, standard service agreement, internal regulations and procedures for the prevention of money laundering and terrorist financing, and for the implementation of restrictive measures imposed by the European Union and the UN Security Council relating to liquid assets and other financial interests, internal regulations for the filing system, internal control policies and internal regulations relating to administrative procedures;
i) copies of documents to verify compliance with the requirements concerning personnel qualifications and credentials;
j) a detailed description of the equipment and technical facilities prescribed by this Act and by specific other legislation;
k) the auditor's confirmation stating that the investment firm's information and computer system has sufficient facilities to satisfy the requirements laid down in Subsection (2) of Section 18;

1 Amended by Paragraph a) of Section 311 of Act L of 2017.
2 Amended by Subsection (1) of Section 88 of Act LIII of 2017.

l)[1] a detailed description of compliance with the requirements set out in Article 59 of Commission Regulation (EU) No. 1031/2010, if the activity under Paragraph *c)* for which the applicant has requested authorization pertains to Subsection (3) of Section 11.

m) in the case of commodity dealers operating as branches, a certificate of the competent supervisory authority of the home state in evidence of being authorized for the activity in question;

n) in the case of commodity dealers operating as branches, a description of the decision-making and management powers of executive employees.

(1a)[2] If the applicant is an entity other than a natural person established in Hungary, the documents for verifying the details specified in Paragraph *a)* of Subsection (1) shall be obtained by the Authority.

(2) Non-resident persons applying for authorization to engage in the activity specified in Subsection (1) of Section 9 shall, in addition to what is contained in Subsection (1):

a) indicate the places where they carry out activities;

b) specify the decision-making powers of its executive employees and of the bodies whose consent is required for certain decisions.

(3) Non-resident persons applying for authorization to engage in the activity specified in Subsection (1) of Section 9 shall enclose a statement of the competent supervisory authority of the home state in evidence of there being no grounds for exclusion regarding the executive employee - of citizenship other than Hungarian - filling and occupying such office.

Section 34

The Authority shall request the opinion of the competent supervisory authorities of other EEA Member States concerned prior to issuing an authorization to commodity dealers to engage in activities if the applicant commodity dealer:

a) is a subsidiary of an investment firm, credit institution or insurance company established in another EEA Member State;

b) is a subsidiary of the parent company of an investment firm, credit institution or insurance company established in another EEA Member State;

c) has an owner, whether a natural or legal person, with a dominant influence in an investment firm, credit institution or insurance company that is established in another EEA Member State.

Section 35

(1) The Authority shall refuse to grant authorization to commodity dealers to engage in activities if:

a) the applicant fails to comply with the requirements set out in this Act or in specific other legislation adopted by authorization of this Act;

b) the applicant fails to provide sufficient proof of compliance with the requirements set out in Paragraph *a)*; or

c) the applicant has provided misleading or false information.

(2) In respect of the branches of non-resident commodity dealers, the Authority shall refuse to grant authorization to engage in activities if:

a) there is no valid and effective international cooperation agreement - based on mutual recognition of supervisory authorities which covers the supervision of branches - between the Authority and the supervisory authority competent for the place where the applicant is established;

1 Established: by Section 89 of Act XCVIII of 2013. In force: as of 29. 06. 2013.
2 Enacted by Subsection (7) of Section 310 of Act L of 2017, effective as of 1 January 2018.

b)[1] the country in which the applicant is established does not have legal regulations on money laundering and terrorist financing that conform to the requirements prescribed under Hungarian law;

c)[2] the applicant does not have adequate data management protocol that conforms to the requirements prescribed by the relevant legislation and directly applicable acts of the European Union;

d) the applicant fails to supply a statement in which it offers full guarantees for the liabilities incurred by its branch under its corporate name;

e) the applicant fails to submit the permit for the foundation of a branch issued by the supervisory authority competent for the place where he is established, and/or its declaration of approval or acknowledgment;

f) the legal system of the country where the applicant is established fails to guarantee prudent and sound management of service providers; or

g) the applicant's main office is not in the country where he is established.

Section 36

(1) The Authority shall withdraw the authorization of commodity dealers to engage in activities if:

a) the conditions and requirements based on which it was issued are no longer satisfied, and cannot be remedied within a reasonable period of time;

b) the commodity dealer's entitlement for trading in the regulated market has been terminated;

c) the authorized operator fails to commence within twelve months the activities to which the authorization pertains, or it has not engaged in such activities for more than six consecutive months;

d) the authorized operator retires from the activity to which the authorization pertains;

e) the authorized operator repeatedly or seriously violates the provisions laid down in this Act and in specific other legislation regarding the activity to which the authorization pertains, or the obligations specified in the regulations of the Investor Protection Fund;

f) the authorization of the founder of the branch has been revoked by the supervisory authority responsible for the place where the founder is established;

g) the commodity dealer fails to comply with any recapitalization obligation within the deadline specified by the Authority;

h) the authorization was obtained by misleading the Authority or through any other illegal conduct.

(2) The Authority shall − in consideration of the provisions set out in Subsection (3) − withdraw the authorization it has granted to authorize the operations of a commodity dealer when the authorized operator has settled all undisputed debts owed to clients, or if his contractual liabilities are carried forward by commitment from another commodity dealer.

(3) The Authority may stipulate certain conditions and requirements, which must be satisfied - according to the relevant regulations - before the commodity dealer is permitted to terminate operations.

(4) The Authority shall suspend the authorization of commodity dealers to engage in activities for a predetermined period if the conditions and requirements based on which it was issued are no longer satisfied, however, they can be remedied within a reasonable period of time.

Chapter IX

1 Amended by Subsection (2) of Section 88 of Act LIII of 2017.
2 Amended by Paragraph a) of Section 68 of Act XXXIV of 2019.

AUTHORIZATION OF THE ACQUISITION OF QUALIFYING INTEREST[1]

Acquisition of a Qualifying Interest in an Investment Firm[2]

Section 37[3]

(1) The Authority's prior consent is required for the acquisition of a qualifying interest in an investment firm.

(1a)[4] By way of derogation from Subsection (1), the Authority's consent is not required if the person acquiring a qualifying interest is of the same group as the investment firm and the acquisition of qualifying interest or the higher limit is the result of merger, division or transformation within the group.

(2) The application for the authorization referred to in Subsection (1) shall have - having regard to Subsection (2b) - the following enclosed:[5]

a) the applicant's natural identification data;

b) evidence concerning the legitimacy of the financial means for acquiring the qualifying interest;

c) documents issued within thirty days to date to verify of having no outstanding debts owed to the competent tax authority, customs authority or to the social security system of the applicant's country of origin;

d) proof that other holdings and business activities of the applicant are not harmful to the prudent management of the financial institution;

e)[6]

f) the applicant's statement in which he declares that he meets the conditions set out in Subsections (4) and (5);

g) if the applicant is other than a natural person, the complete text of the applicant's charter document as amended to date, a certificate issued within thirty days to date in proof that the applicant was established (registered) in compliance with the relevant national regulations and is not adjudicated in bankruptcy, liquidation or dissolution proceedings, and its executive employees are not subject to any disqualifying factors;

h)[7] the applicant's statement in which he declares that following the acquisition of a qualifying interest the head office of the investment firm located in the territory of Hungary shall not loose its function to direct operations;

i)[8] if the applicant is other than a natural person, a detailed description of the applicant's ownership structure supported by documentary evidence, and - if possible - information about beneficial owners;

j) the statements prescribed in Paragraphs *t)* and *u)* of Subsection (1) of Section 28;

k) the consent of a natural person with close links to the investment firm as a result of the acquisition of a qualifying interest to have his personal data processed for the purposes of supervision on a consolidated basis or for supplementary supervision.

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1 Established: by paragraph (1) Section 133 of Act CIII of 2008. In force: as of 01. 01. 2009.
2 Established: by paragraph (1) Section 133 of Act CIII of 2008. In force: as of 01. 01. 2009.
3 Established: by paragraph (8) Section 63 of Act CX of 2009. In force: as of 1. 01. 2010. Shall be applied after this date.
4 Enacted by Section 39 of Act XXXIX of 2023, effective as of 1 September 2023.
5 Amended by Paragraph b) of Section 311 of Act L of 2017.
6 Repealed: by subparagraph b) paragraph (1) Section 191 of Act CXCIII of 2011. No longer in force: as of 1. 01. 2012.
7 Amended: by subparagraph b) paragraph (2) Section 178 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
8 Established by Subsection (1) of Section 63 of Act LXIX of 2017, effective as of 3 January 2018.

(2a)[1] The applicant, if a natural person, shall - at the time of submission of the application for authorization under Subsection (1) hereof - provide proof - having regard to Subsection (6) of Section 22 - to the Authority of having no prior criminal record with respect to the criminal offenses specified in Subsection (5) of Section 22.

(2b)[2] If the applicant is a Hungarian citizen or an entity other than a natural person established in Hungary, the documents for verifying the details specified in Paragraphs *c), g)* and *i)* of Subsection (2) shall be obtained by the Authority.

(3) If the taxpayer is listed in the register of taxpayers free of tax debt obligations it shall be recognized as equivalent to the tax certificate that may be obtained from the state tax authority.

(4) A qualifying interest may be held in an investment firm subject to the following conditions:

a) the activities of the holder or his influence on the investment firm shall not endanger the independent, sound and prudent management of the investment firm;

b) the character of business activities and relations of the holder, or his direct or indirect ownership in other companies shall be structured in a manner so as not to obstruct supervisory activities;

c) the holder must have good business reputation;

d)[3] the holder shall provide proof - having regard to Subsection (6) of Section 22 - of having no prior criminal record with respect to the criminal offenses specified in Subsection (5) of Section 22;

e)[4] the holder shall not be subject to prohibition to exercise a profession or activity in the fields of economics or finance.

(5) The conduct of the applicant or his influence in the investment firm shall be considered to endanger the independent, sound and prudent management of the investment firm, if:

a) the competent supervisory authority has suspended the applicant’s voting rights within a period of five years preceding the time of submission of the application;

b) the applicant is (has been) holding a qualifying interest or is (has been) an executive employee or executive manager of an investment firm, financial institution or insurance company,

ba)[5] that was able to avoid insolvency solely as a result of intervention by its supervisory authority and whose personal responsibility for this situation was established by definitive administrative decision or final court ruling, or

bb)[6] that had to be liquidated and whose responsibility for this situation was established by a definitive administrative decision or final court ruling;

c)[7] the applicant has seriously or systematically violated the provisions of this Act or another legislation pertaining to the management of investment firms, and it has been so established by the competent supervisory authority, another authority by definitive administrative decision or final court ruling dated within the previous five years.

(6) The Authority shall refuse to authorize the acquisition of or increasing the extent of qualifying interest if the applicant or the holder fails to meet the conditions set out in Subsections (1)-(5) above.

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1 Established by Subsection (8) of Section 310 of Act L of 2017, effective as of 1 January 2018.
2 Enacted by Subsection (8) of Section 310 of Act L of 2017, effective as of 1 January 2018.
3 Established by Subsection (9) of Section 310 of Act L of 2017, effective as of 1 January 2018.
4 Enacted by Section 34 of Act LXXVI of 2023, effective as of 1 January 2024.
5 Amended by Paragraph c) of Section 311 of Act L of 2017.
6 Amended by Paragraph c) of Section 311 of Act L of 2017.
7 Amended by Paragraph d) of Section 311 of Act L of 2017.

(6a)[1] The Authority shall refuse to authorize the acquisition of or increasing the extent of qualifying interest if there are reasonable grounds to suspect that, in connection with the applicant's acquisition of qualifying interest, money laundering or terrorist financing within the meaning of the relevant legislation is being or has been committed or attempted, or that the proposed acquisition of qualifying interest could increase the risk thereof.

(6b)[2] Moreover, the Authority shall refuse to authorize the acquisition, or increasing the extent, of qualifying interest if the laws or administrative provisions of a third country governing one or more natural or legal persons with which the applicant has close links, or difficulties involved in their enforcement, prevent the effective exercise of the Authority's supervisory functions.

(7)[3] Prior to the granting of authorization for merger, for the acquisition of qualifying interest, or for any amendment of the articles of association resulting in changes in the powers of the management body, if the investment firm is subject to supervision on a consolidated basis or if the investment firm is covered by supervision on a consolidated basis, the Authority - if deemed necessary for exercising supervision on a consolidated basis - shall consult the competent authority of the EEA Member State where a investment firm to which supervision on a consolidated basis applies jointly with the investment firm requesting the authorization is established.

(8)[4] The Authority may decide not to consult - as provided for in Subsection (7) - in cases of urgency or where such consultation may jeopardize the effectiveness of the implementation of the decision. In that case, the Authority shall, immediately after the decision is made, inform the competent supervisory authorities of the other EEA Member States concerned.

Section 37/A[5]

(1) For the purposes of determining the extent of qualifying interest, the voting rights shall be calculated - irrespective of any provisions for restrictions on voting rights - on the basis of all the shares to which voting rights are attached, as provided for the investment firm's charter document.

(2) For the purposes of determining the extent of qualifying interest, apart from the applicant's shares, the voting rights referred to in Subsections (3) and (4) shall also be taken into consideration.

(3) For the purposes of determining the extent of qualifying interest, the voting rights of:

a) any investment fund management company or management company engaged in the management of UCITS, if the investment fund management company or the management company engaged in the management of UCITS is controlled by the applicant and if able to exercise the voting rights attached to the securities it manages,

b) any investment firm or credit institution, if the credit institution or investment firm is controlled by the applicant and if able to exercise the voting rights attached to the portfolio it manages

1 Enacted by Subsection (2) of Section 63 of Act LXIX of 2017. Amended by Point 7 of Section 44 of Act CX of 2020.
2 Enacted by Subsection (1) of Section 11 of Act CXLV of 2017, effective as of 13 January 2018.
3 Enacted by Section 87 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Enacted by Subsection (2) of Section 11 of Act CXLV of 2017, effective as of 21 November 2017.
5 Enacted: by Section 134 of Act CIII of 2008. In force: as of 01. 01. 2009. Shall not apply to cases pending at 01. 01. 2009 with the exception that persons having a qualifying holding in a credit institutions, insurance company or investment firm already in existence or in the process of authorization at 01. 01. 2009 in accordance with the provisions in effect on the day preceding 01. 01. 2009 shall comply with the requirements set out in Act CXII of 1996, Act LX of 2003 and the Act CXXXVIII of 2007 relating to qualifying interest by 31 March 2009.

under direct or indirect instructions from the applicant or another controlled company of the applicant, or in any other way.

(4) For the purposes of determining the extent of qualifying interest, voting rights attached to shares shall be recognized as the voting right of the applicant in any of the following cases, where the voting right:

a) is exercised by the applicant and a third party under an agreement, which permits the concerted exercise of the voting rights for the parties to the agreement;

b) is exercised by the applicant under an agreement providing for the temporary transfer of the voting rights in question;

c) is exercised by the applicant, in the case of voting rights attaching to shares which are lodged as collateral, under an agreement which provides for the exercise of such voting rights;

d) is exercised by the applicant under the right of beneficial interest;

e) is exercised by the applicant's controlled company within the meaning of Paragraphs *a)-d);*

f) is exercised by the applicant, if functioning as a custodian, at its discretion in the absence of specific instructions from the depositor;

g) is exercised by a third party in its own name on behalf of the applicant, under an agreement with the applicant; or

h) is exercised by the applicant, if functioning as a proxy, at its discretion in the absence of specific instructions from the principal.

(5) For the purposes of determining the extent of qualifying interest, voting rights held by the applicant's controlled company shall not be taken into account, if the applicant and the aforesaid controlled company provides a statement at the time of acquiring the share in question to the effect that:

a) those rights are not exercised, or exercised by a third party independently from the applicant and its controlled company, and that the shares will be disposed of within one year of acquisition;

b) those rights are exercised by a third party - independently from the applicant and its controlled company - according to specific instructions received from the holders on paper or by way of electronic means;

c) they are not involved in the decisions relating to the appointment and removal of members for the investment firm's decision-making, management or supervisory bodies.

(6) In determining the extent of qualifying interest, voting rights held by any investment firm or credit institution that is controlled by the applicant shall not be taken into account, if the investment firm or credit institution is authorized to provide portfolio management services, and it is permitted to exercise the voting rights attached to the portfolio it manages:

a) under instructions received on paper or by way of electronic means,

b) independently from the applicant.

(7)[1] In determining the extent of qualifying interest, voting rights or shares which investment firms may hold as a result of the activity under Paragraph *f)* of Subsection (1) of Section 5 shall not be taken into account, provided that those rights are, on the one hand, not exercised or otherwise used to intervene in the management of the issuer and, on the other, disposed of within one year of acquisition.

Section 37/B[2]

1 Enacted by Section 12 of Act CXLV of 2017, effective as of 13 January 2018.

2 Enacted: by Section 134 of Act CIII of 2008. In force: as of 01. 01. 2009. Shall not apply to cases pending at 01. 01. 2009 with the exception that persons having a qualifying holding in a credit institutions, insurance company or investment firm already in existence or in the process of authorization at 01. 01. 2009 in accordance with the provisions in effect on the day preceding 01. 01. 2009 shall comply with the requirements set out in Act CXII of 1996, Act LX of 2003 and the Act CXXXVIII of 2007 relating to qualifying interest by 31 March 2009.

(1) Where an applicant wishes to increase his holding of qualifying interest so as to exceed the twenty, thirty-three or fifty per cent limit, an application shall be submitted to the Authority containing the information specified in Subsection (2).

(1a)[1] By way of derogation from Subsection (1) of Section 37, the Authority's consent is not required if the persons acquiring a participating interest in excess of the limit is of the same group as the investment firm and the acquisition of qualifying interest or the higher limit is the result of merger, division or transformation within the group.

(2) The application referred to in Subsection (1) shall indicate:

a) the percentage of qualifying interest at the time of notification;

b) the extent of qualifying interest proposed to be acquired; and

c) the information referred to in Subsection (2) of Section 37.

(3) The holder of qualifying interest shall lodge a notice to the Authority, containing the same information as referred to in Subsection (2), if wishing to reduce his existing qualifying interest below either of the limits specified in Subsection (1), with the percentage of reduction indicated instead of the one mentioned in Paragraph *b)* of Subsection (2).

(4) The Authority shall verify receipt of the application specified in Subsections (1) and (3) in writing, within two working days (hereinafter referred to as "certificate of receipt"), sent to the applicant or the holder of qualifying interest, and shall specify in the certificate the administrative time limit described in Subsection (1) of Section 38. This provision shall also apply to insufficient information procedures as described in Subsection (2) of Section 38.

(5)[2] After issuing the certificate of receipt and if the application is accompanied by all supporting documentation required by law, the Authority shall verify such fact to the applicant and the holder of qualifying interest (certificate of completeness) in writing, and shall indicate in the certificate the administrative time limit described in Subsection (1) of Section 38.

Section 38[3]

(1)[4] The Authority shall decide within sixty working days of the date of issue of the certificate of completeness (hereinafter referred to as "administrative time limit") as regards the proposed acquisition of an interest, as to whether compliance with the relevant provisions of this Act can be ascertained after the fact. If, based on the findings of the assessment, the Authority refused to authorize the acquisition, or increasing the extent, of qualifying interest, the applicant shall be informed in writing thereof within two working days of completion of the assessment, at the latest inside the administrative time limit, and shall give reasons for its decisions.

(2) If the information supplied according to Subsection (2) of Section 37/B is found deficient, the Authority may request - in writing - additional information or to have the deficiencies remedied within fifty working days from the date of the certificate of receipt, indicating the information specifically required for completion of the evaluation process (hereinafter referred to as "insufficient information procedure").

(3)[5] The time limit for compliance with the request for additional information is twenty working days.

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1 Enacted by Subsection (1) of Section 40 of Act XXXIX of 2023, effective as of 1 September 2023.
2 Enacted by Subsection (2) of Section 40 of Act XXXIX of 2023, effective as of 1 September 2023.
3 Established: by Section 135 of Act CIII of 2008. In force: as of 01. 01. 2009. Shall not apply to cases pending at 01. 01. 2009 with the exception that persons having a qualifying holding in a credit institutions, insurance company or investment firm already in existence or in the process of authorization at 01. 01. 2009 in accordance with the provisions in effect on the day preceding 01. 01. 2009 shall comply with the requirements set out in Act CXII of 1996, Act LX of 2003 and the Act CXXXVIII of 2007 relating to qualifying interest by 31 March 2009.
4 Established by Subsection (1) of Section 64 of Act LXIX of 2017. Amended by Section 42 of Act XXXIX of 2023.
5 Amended: by Section 392 of Act LVI of 2009. In force: as of 1. 10. 2009.

(4) The time limit for compliance with the request for additional information shall be thirty working days, if:

a) the applicant is established in a third country, or

b)[1] the applicant is not subject to supervision according to the national laws of EEA Member States on the transposition of Directives 2009/65/EC, 2009/138/EC, 2013/36/EU and 2014/65/EU of the European Parliament and of the Council.

(5)[2]

(6) Following compliance with the insufficient information procedure the Authority shall be entitled to request further information from the applicant. However, the time limit prescribed for the disclosure of such information shall be included in the administrative time limit.

Section 38/A[3]

If the applicant:

a) is an authorized investment firm established in any EEA Member State;

b) is an authorized credit institution established in any EEA Member State;

c) is an authorized insurance company established in any EEA Member State;

d) is an authorized reinsurance company established in any EEA Member State;

e) is an authorized management company engaged in the management of UCITS established in any EEA Member State;

f) is the parent of either of the companies mentioned in Paragraphs *a)-e)*;

g) is controlled by either of the companies mentioned in Paragraphs *a)-e)*;

the Authority shall consult in accordance with Section 171 the competent supervisory authorities of jurisdiction by reference to place where the investment firm, credit institution, insurance company, reinsurance company and the management company engaged in the management of UCITS is located.

Section 39[4]

(1) If the Authority fails to refuse to grant its consent within the administrative time limit specified in Subsection (1) of Section 38 for the acquisition of or for increasing the extent of qualifying interest, its consent shall be considered as granted.

(2) If the acquisition of or increasing the extent of qualifying interest is authorized, the applicant shall conclude the transaction within a period of six months.

(3) If the requirements for authorization for the acquisition of a qualifying interest are no longer satisfied, the Authority shall suspend the holder’s voting rights until the unlawful situation is terminated or until new evidence is furnished concerning such requirements.

(4) The investment firm shall notify the Authority within two working days upon receipt of notice concerning the identification data of the person acquiring a qualifying interest in the investment firm, including the percentage of his share and any changes therein.

(5) Any person who has acquired a qualifying interest in an investment firm, or altered his existing share according to Subsections (1) and (3) of Section 37/B, shall notify the Authority within two working days following the time of acquiring the qualifying interest.

Good Business Reputation[5]

1 Established by Subsection (2) of Section 64 of Act LXIX of 2017, effective as of 3 January 2018.
2 Repealed: by Section 392 of Act LVI of 2009. No longer in force: as of 1. 10. 2009.
3 Enacted: by Section 136 of Act CIII of 2008. In force: as of 01. 01. 2009.
4 Established: by Section 137 of Act CIII of 2008. In force: as of 01. 01. 2009.
5 Enacted by Section 89 of Act LXXXV of 2015, effective as of 7 July 2015.

Section 39/A[1]

(1) The burden of proof for good business reputation shall lie with the applicant, or shall be adduced by the party bearing a vested interest in persuading the Authority to recognize it as being true.

(2) The applicant may provide proof of good business reputation in any manner he proposes, but the Authority may prescribe other specific credentials (documents) to be provided.

(3) The Authority shall be entitled to contact the competent foreign authority directly as part of its procedure to resolve a person's good business reputation.

(4) If the Authority refuses to accept the proof provided to substantiate a good business reputation, it shall be stated in a resolution.

PART FOUR

REGULATIONS RELATING TO INVESTMENT SERVICE ACTIVITIES AND THE PROVISION OF ANCILLARY SERVICES

Chapter X

INFORMATION TO CLIENTS

General Provisions

Section 40[2]

(1) In the performance of contracts concluded with clients and when executing client orders within the framework of investment service activities and provision of ancillary services, investment firms shall act honestly, fairly and efficiently in compliance with the relevant legislation and professional standards, and in accordance with the best interests of its clients.

(2) Investment firms which manufacture financial instruments for sale to clients shall ensure that those financial instruments are designed to meet the needs of an identified target market of end clients within the relevant category of clients, the strategy for distribution of the financial instruments is compatible with the identified target market, and the investment firm takes reasonable steps to ensure that the financial instrument is distributed to the identified target market.

(3) An investment firm shall understand the financial instruments they offer or recommend, assess the compatibility of the financial instruments with the needs of the clients to whom it provides investment services, also taking account of the identified target market of end clients as referred to in Subsection (2) of Section 17/A, and ensure that financial instruments are offered or recommended only when this is in the interest of the client.

1 Enacted by Section 89 of Act LXXXV of 2015, effective as of 7 July 2015.
2 Established by Section 65 of Act LXIX of 2017, effective as of 3 January 2018.

(4) All information, including investment research and marketing communications, addressed by the investment firm to clients or potential clients shall be fair, clear, balanced and accurate as provided for in Article 44 of Commission Delegated Regulation 2017/565/EU, and shall not supply any information to clients and potential clients that is misleading. Marketing communications shall be clearly identifiable as such.

(5) Having regard to Sections 41-43, the investment firm shall provide appropriate information in good time to clients or potential clients with regard to the investment firm and its services, the financial instruments and proposed investment strategies, execution venues and all costs and related charges. That information shall include the following:

a) when investment advice is provided, the investment firm must, in good time before it provides investment advice, inform the client:

aa) whether or not the advice is provided on an independent basis,

ab) whether the advice is based on a broad or on a more restricted analysis of different types of financial instruments and, in particular, whether the range is limited to financial instruments issued or provided by entities having close links with the investment firm or any other legal or economic relationships, such as contractual relationships, so close as to pose a risk of impairing the independent basis of the advice provided,

ac) whether the investment firm will provide the client or potential client with a periodic assessment of the suitability of the financial instruments recommended to that client or potential client;

b) the information on financial instruments and proposed investment strategies must include appropriate guidance on and warnings of the risks associated with investments in those instruments or in respect of particular investment strategies and whether the financial instrument is intended for retail or professional clients, taking account of the identified target market in accordance with Subsection (2) of Section 17/A;

c) the information on all costs and associated charges must include information relating to both investment service activities and ancillary services, including the cost of advice, where relevant, the cost of the financial instrument recommended or marketed to the client and how the client may pay for it, also encompassing any third-party payments.

(6) The information about all costs and charges referred to in Subsection (5), including costs and charges in connection with the investment service activities and ancillary services and the financial instrument, which are not caused by the occurrence of underlying market risk, shall be aggregated to allow the client to understand the overall cost as well as the cumulative effect on return of the investment. Where the client so requests, an itemized breakdown shall be provided. Where applicable, such information shall be provided to the client on a regular basis, at least annually, during the life cycle of the investment. The information shall be provided in accordance with Article 50 of Commission Delegated Regulation 2017/565/EU.

(6a)[1] Where the agreement to buy or sell a financial instrument is concluded using a means of distance communication which prevents the prior delivery of the information on costs and charges, the investment firm may provide the information on costs and charges either in electronic format or on paper, where requested by a retail client, without undue delay after the conclusion of the transaction, provided that the following conditions are met:

a) the client has consented to receiving the information without undue delay after the conclusion of the transaction; and

b) the investment firm has given the client the option of delaying the conclusion of the transaction until the client has received the information.

1 Enacted by Subsection (1) of Section 52 of Act LVIII of 2021, effective as of 28 February 2022.

(6b)[1] In addition to the requirements set out in Subsection (6), the investment firm shall be required to give the client the option of receiving the information on costs and charges over the phone prior to the conclusion of the transaction.

(7) The information referred to in Subsections (5) and (6) hereof, and also in Subsections (4)-(6) of Section 41 shall be provided in a comprehensible form in such a manner that clients or potential clients are reasonably able to understand the investment service activities and ancillary services, and the nature and risks of the investment service and of the specific type of financial instrument that is being offered and, consequently, to take investment decisions on an informed basis. That information may be provided in a standardized format as well.

(7a)[2] Investment firms shall provide all information required to be provided by this Act to clients or potential clients in electronic format, except where the retail client or potential retail client who has requested receiving the information on paper, in which case that information shall be provided on paper, free of charge. Investment firms shall inform retail clients or potential retail clients that they have the option of receiving the information on paper.

(7b)[3] Investment firms shall inform existing retail clients that receive the information required to be provided by this Act on paper of the fact that they will receive that information in electronic format at least eight weeks before sending that information in electronic format. Investment firms shall inform those retail clients that they have the choice either to continue receiving information on paper or to switch to information in electronic format. Investment firms shall also inform existing retail clients that an automatic switch to the electronic format will occur if they do not request the continuation of the provision of the information on paper within that eight week period. Existing retail clients who already receive the information required to be provided by this Act in electronic format do not need to be informed.

(8) Where investment service activities or ancillary services are offered as part of a financial product which is already subject to the provisions of the CIFE and/or the Consumer Credit Act with respect to information requirements, that service shall not be additionally subject to the obligations set out in Subsections (4)-(7).

Section 41[4]

(1) Where an investment firm informs the client or potential client that investment advice is provided on an independent basis, that investment firm shall:

a) assess a sufficient range of financial instruments available on the market which must be sufficiently diverse with regard to their type and issuers or product providers to ensure that the client's investment objectives can be suitably met and must not be limited to financial instruments issued or provided by:

aa) the investment firm itself or by companies having close links with the investment firm, or

ab) other companies with which the investment firm has such close legal or economic relationships, such as contractual relationships, as to pose a risk of impairing the independent basis of the advice provided;

b) not accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to clients.

(2) By way of derogation from Paragraph *b)* of Subsection (1), minor non-monetary benefits that are capable of enhancing the quality of service provided to a client and are of a scale and nature such that they could not be judged to impair compliance with the investment firm's duty to act in the best interest of the client must be clearly disclosed and are excluded from Paragraph *b)* of Subsection (1).

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1 Enacted by Subsection (1) of Section 52 of Act LVIII of 2021, effective as of 28 February 2022.
2 Enacted by Subsection (2) of Section 52 of Act LVIII of 2021, effective as of 28 February 2022.
3 Enacted by Subsection (2) of Section 52 of Act LVIII of 2021, effective as of 28 February 2022.
4 Established by Section 66 of Act LXIX of 2017, effective as of 3 January 2018.

(3) Information on investment advice shall be provided in accordance with Article 52 of Commission Delegated Regulation 2017/565/EU, and information on investment advice provided on an independent basis shall be made available in accordance with Article 53 of Commission Delegated Regulation 2017/565/EU.

(4) Within the framework of portfolio management the investment firm shall not accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to clients. Minor non-monetary benefits that are capable of enhancing the quality of service provided to a client and are of a scale and nature such that they could not be judged to impair compliance with the investment firm's duty to act in the best interest of the client shall be clearly disclosed and are excluded from this Subsection.

(5) Investment firms are regarded as not fulfilling their obligations under Section 110 or under Subsection (1) of Section 40 where they pay or are paid any fee or commission, or provide or are provided with any non-monetary benefit in connection with the provision of investment service activities or ancillary services, to or by any party except the client or a person on behalf of the client, other than where the payment or benefit:

a) is designed to enhance the quality of the relevant service to the client; and

b) does not impair compliance with the investment firm's duty to act honestly, fairly and professionally in accordance with the best interest of its clients.

(6) The investment firm shall clearly disclose to the client the existence, nature and amount of the payment or benefit referred to in Subsection (5), or, where the amount cannot be ascertained, the method of calculating that amount, in a manner that is comprehensive, accurate and understandable, prior to the performance of the investment service activity or the provision of the ancillary service. Where applicable, the investment firm shall also inform the client on mechanisms for transferring to the client the fee, commission, monetary or non-monetary benefit received in relation to the performance of the investment service activity or the provision of the ancillary service.

(7) The payment or benefit which enables or is necessary for the performance of the investment service activity or the provision of the ancillary service, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which by its nature cannot give rise to conflicts with the investment firm's duties to act honestly, fairly and professionally in accordance with the interests of its clients, is not subject to the requirements set out in Subsection (5).

(7a)[1] The performance of analysis services by third parties to investment firms providing portfolio management or other investment services or ancillary services to clients is to be regarded as fulfilling the obligations under Subsection (1) of Section 40 if:

a) before the execution or analysis services have been provided, an agreement has been entered into between the investment firm and the analysis service provider, identifying the part of any combined charges or joint payments for execution services and analysis that is attributable to analysis;

b) the investment firm informs its clients about the joint payments for execution services and analysis services made to the analysis service provider; and

c) the analysis for which the combined charges or the joint payment is made concerns issuers whose market capitalization for the period of thirty-six months preceding the provision of the analysis did not exceed one billion euro, as expressed by end-year quotes for the years when they are or were listed or by the own-capital for the financial years when they are or were not listed.

1 Enacted by Section 53 of Act LVIII of 2021, effective as of 28 February 2022.

(7b)[1] For the purpose of Subsection (7a), analysis shall be understood as covering analysis material or services concerning one or several financial instruments or other assets, or the issuers or potential issuers of financial instruments, or as covering analysis material or services closely related to a specific industry or market such that it informs views on financial instruments, assets or issuers within that industry or market. Analysis shall also comprise material or services that

a) explicitly or implicitly recommend or suggest an investment strategy and provide a substantiated opinion as to the present or future value or price of financial instruments or assets, or

b) otherwise contain analysis and original insights and reach conclusions based on new or existing information that could be used to inform an investment strategy and be relevant and capable of adding value to the investment firm's decisions on behalf of clients being charged for that analysis.

(8) An investment firm which performs investment service activities or provides ancillary services to clients shall ensure that it does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients. In particular, it shall not make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular financial instrument to a retail client when the investment firm could offer a different financial instrument which would better meet that client's needs.

(9) When an investment service is offered together with another service or product as part of a package or as a condition for the same agreement or package, the investment firm shall inform the client whether it is possible to buy the different components separately and shall provide for a separate evidence of the costs and charges of each component. Where the risks resulting from such an agreement or package offered to a retail client are likely to be different from the risks associated with the components taken separately, the investment firm shall provide an adequate description of the different components of the agreement or package and the way in which its interaction modifies the risks.

(10) Unless otherwise prescribed in this Act, the information provided under Section 40 and under this Section shall be made available in good time as is necessary for the client to read and understand the information provided to take an informed decision.

Section 41/A[2]

(1) The requirements laid down in Paragraph *c)* of Subsection (5) of Section 40 shall not apply to services provided to professional clients except for investment advice and portfolio management.

(2)[3] The requirements laid down in Subsections (1b) and (3)-(5) of Section 44, Section 67, Section 69 and Section 69/A shall not apply to services provided to professional clients, unless those professional clients inform the investment firm either in electronic format or on paper that they wish to exercise the rights provided for in Subsections (1b) and (3)-(5) of Section 44, Section 67, Section 69 and Section 69/A.

(3) Investment firms shall keep a record of the client communications referred to in Subsection (2).

Section 42[4]

1 Enacted by Section 53 of Act LVIII of 2021, effective as of 28 February 2022.
2 Enacted by Section 54 of Act LVIII of 2021, effective as of 28 February 2022.
3 Established by Section 13 of Act LXIX of 2022, effective as of 1 January 2023.
4 Established by Section 55 of Act LVIII of 2021, effective as of 28 February 2022.

Where, according to this Act, investment firms are required to provide information in a durable medium, such obligation shall be performed in accordance with Article 3 of Commission Delegated Regulation 2017/565/EU.

Chapter XI

CONTRACTING

Obligation to Provide Prior Information

Section 43[1]

(1) Investment firms are required to ensure that natural persons giving investment advice or information about financial instruments, investment service activities or ancillary services to clients on behalf of the investment firm possess the necessary knowledge and competence to fulfil their obligations under this Act relating to the provision of information to clients.

(2) Investment firms shall fulfill their obligation to provide prior information to clients subject to content and formal requirements provided for in Chapter X and under Articles 45-51 of Commission Delegated Regulation 2017/565/EU.

Obligation to Obtain Prior Information

Section 44

(1)[2] Any investment firm that is engaged in providing investment advice or portfolio management services shall, to the extent required for such activities under Subsection (2) prior to the signature of the contract or - in the case of a framework agreement - before the execution of orders:

a) obtain the necessary information regarding the client's or potential client's knowledge and experience in the investment field relevant to the financial instrument or transaction, his risk profile to determine whether it is appropriate to enable the client to take investment decisions on an informed basis; and

b) obtain the necessary information regarding the client's or potential client's financial situation and his investment objectives;

so as to enable the firm to recommend to the client or potential client the investment products or financial instruments that are suitable for that person and that are in accordance with that person's ability to bear losses.

(1a)[3] Where an investment firm provides investment advice recommending a package of services or products bundled pursuant to Subsection (9) of Section 41, the overall bundled package shall be suitable for the client or potential client.

(1b)[4] When providing either investment advice or portfolio management that involves the switching of financial instruments, investment firms shall obtain the necessary information on the client's investment and shall analyze the costs and benefits of the switching of financial instruments. When providing investment advice, investment firms shall inform the client whether or not the benefits of the switching of financial instruments are greater than the costs involved in such switching.

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1 Established by Section 68 of Act LXIX of 2017, effective as of 3 January 2018.
2 Amended by Paragraph e) of Section 134 of Act LXIX of 2017.
3 Enacted by Subsection (1) of Section 69 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted by Section 56 of Act LVIII of 2021, effective as of 28 February 2022.

(2)[1] Having in possession the information obtained according to Subsection (1) (hereinafter referred to as “fitness test”), the investment firm providing investment advice or portfolio management services to the client shall assess compliance of the service offered with the requirements set out in Articles 54 and 55 of Commission Delegated Regulation 2017/565/EU.

(3)[2] In the case of services offered within the framework of providing investment advice, the investment firm shall, before the transaction is made, provide the client with a statement on suitability in a durable medium (hereinafter referred to as “suitability statement”) specifying the advice given and how that advice meets the preferences, objectives and other characteristics of the retail client.

(4)[3] Where the agreement to buy or sell a financial instrument is concluded using a means of distance communication which prevents the prior delivery of the suitability statement, the investment firm may provide the written statement on suitability in a durable medium immediately after the client has concluded the agreement, provided both the following conditions are met:

a) the client has consented to receiving the suitability statement without undue delay after the conclusion of the transaction; and

b) the investment firm has given the client the option of delaying the transaction in order to receive the suitability statement in advance.

(5)[4] Where an investment firm provides portfolio management services or has informed the client that it will carry out a periodic assessment of suitability in accordance with Subsection (1), the periodic report provided for in Article 54 of Commission Delegated Regulation 2017/565/EU shall contain an updated statement of how the investment meets the client’s preferences, objectives and other characteristics of the retail client.

(6)-(9)[5]

Section 45

(1)[6] Where an investment firm is engaged in investment service activities, other than what is mentioned under Subsection (1) of Section 44, it shall, to the extent required for such activities prior to the signature of the contract or - in the case of a framework agreement - before the execution of orders ask the client or potential client, subject to the exception set out in Subsection (3), provide information regarding his knowledge and experience in the investment field:

a) relevant to the specific type of transaction;

b) relevant to the specific type of financial instrument; and

c) relevant to the risks involved;

so as to enable the investment firm to provide to the client or potential client the service relating to the transactions and financial instruments that are suitable for him.

(1a)[7] Where a package of services or bundle of products is envisaged pursuant to Subsection (9) of Section 41, the assessment shall consider whether the overall bundled package is appropriate for the client or potential client.

(2)[8] As regards the assessment of experience and knowledge referred to in Subsection (1) hereof (hereinafter referred to as “compliance test”) the investment firm shall proceed in accordance with Articles 55 and 56 of Commission Delegated Regulation 2017/565/EU.

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1 Established by Subsection (2) of Section 69 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Subsection (2) of Section 69 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Subsection (2) of Section 69 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Subsection (2) of Section 69 of Act LXIX of 2017, effective as of 3 January 2018.
5 Repealed by Paragraph d) of Subsection (2) of Section 135 of Act LXIX of 2017, effective as of 3 January 2018.
6 Established: by paragraph (1) Section 139 of Act CIII of 2008. In force: as of 01. 01. 2009.
7 Enacted by Subsection (1) of Section 70 of Act LXIX of 2017, effective as of 3 January 2018.
8 Established by Subsection (2) of Section 70 of Act LXIX of 2017, effective as of 3 January 2018.

(3)[1] The provisions of Subsection (1) shall not apply where an investment firm concludes the agreement specified in Paragraph *a)* or *b)* of Subsection (1) of Section 5 with a client or potential client - with or without ancillary services, except for granting credit under Paragraph *c)* of Subsection (2) of Section 5 without offering a credit line for the client's loans, current accounts and overdraft facilities - and:

a) the transactions relate to shares admitted to trading on a regulated market or in an equivalent third country market, or to a multilateral trading facility, excluding collective investment instruments issued by an AIF provided for in the Collective Investments Act in the form of shares, and excluding shares that embed a derivative; or

b) the transactions relate to debt securities or other forms of securitized debt admitted to trading on a regulated market or in an equivalent third country market, or to a multilateral trading facility, excluding those instruments that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved; or

c) the transactions relate to money-market instruments, excluding those instruments that embed a derivative or incorporate a structure which makes it difficult for the client to understand the risk involved; or

d) the transactions relate to collective investment instruments in UCITS, excluding structured UCITS as referred to in the second subparagraph of Article 36(1) of Regulation 583/2010/EU; or

e) the transactions relate to structured deposits, excluding those that incorporate a structure which makes it difficult for the client to understand the risk involved or the cost of exiting the product before term; or

f) the transactions relate to other non-complex financial instruments which meet the conditions laid down in Article 57 of Commission Delegated Regulation 2017/565/EU; and

the agreement related to the transaction is provided at the initiative of the client or potential client, and - at that time - the client or potential client has been clearly informed that the investment firm is not required to assess the suitability of the financial instrument for achieving the client's investment objectives, meaning that it does not apply the provisions contained in Subsection (1), and therefore the client does not benefit from the corresponding consequences, and the investment firm complies with its obligations under Section 110.

(4)-(7)[2]

Section 46

(1) If, relying on the information obtained under Subsection (1) of Section 45, the investment firm is of the opinion that the financial instrument or transaction to which the contract pertains is not appropriate to the client or potential client, the investment firm shall warn the client or potential client.

(2) In cases where the client or potential client elects not to provide the information referred to under Subsection (1) of Section 45, or if the investment firm considers the information provided insufficient, the investment firm shall warn the client or potential client that such a decision will not allow the firm to determine whether the service or product envisaged is appropriate for him.

(3)[3] That warning referred to in Subsections (1) and (2) may be provided in a standardized format.

Categorization of Clients

1 Established by Subsection (3) of Section 70 of Act LXIX of 2017, effective as of 3 January 2018.
2 Repealed by Paragraph e) of Subsection (2) of Section 135 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Subsection (1) of Section 71 of Act LXIX of 2017, effective as of 3 January 2018.

Section 47

(1)[1] Investment firms engaged in investment service activities or providing ancillary services shall, before the signature of the contract, categorize their clients and potential clients in accordance with Sections 48, 49 and 51 and shall treat them according to such categorization.

(2) The categorization referred to in Subsection (1) shall not be required if:

a) the contract is signed under an existing framework agreement and the client has already been categorized relating to the transaction or financial instrument to which the contract pertains; or

b) the client or potential client is recognized as an eligible counterparty in connection with the transaction after being bound by any agreement.

(3) The investment firm shall inform the clients affected in writing or in another form of a durable medium concerning:

a) their categorization;

b) any changes in their categorization; and

c)[2] any right that clients have to request a different categorization under Subsection (4) of Section 48, Section 49 or under Subsections (3) and (4) of Section 51, and about any changes in their rights that may occur in consequence of such request.

Section 48

(1) The following shall be considered professional clients:

a) investment firms;

b) commodity dealers;

c) credit institutions;

d) financial institutions;

e) insurance companies;

f) investment funds and investment fund managers, collective investment trusts;

g) venture capital funds and venture capital fund managers;

h) private pension funds and voluntary mutual insurance funds;

i)[3] local businesses, meaning:

ia) with regard to financial instruments provided for in Paragraph *l)* of Section 6 or the related financial derivatives specified in Section 6, a person who deals with such financial instrument arising out of, or in connection with, compliance with the obligation provided for in Act CCXVII of 2012 on Participating in the Scheme for Greenhouse Gas Emission Allowance Trading Within the Community and in the Implementation of the Decision on Effort Sharing,

ib) with regard to energy derivative contracts provided for in Paragraphs *e)-g)*, and *j)* and *k)* of Section 6, a person who is involved in the supply of natural gas or electricity under the Gas Act or the EEA, respectively;

j) central depositories;

k) institutions for occupational retirement provision;

l) exchange markets;

m) central counterparties;

n) all other companies which are recognized as such by the country in which they are established;

o) the preferential companies described in Subsection (2);

p) the preferential bodies described in Subsection (3); and

q) all other persons and bodies principally engaged in investment service activities, including special purpose entities.

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1 Established: by paragraph (1) Section 140 of Act CIII of 2008. In force: as of 01. 01. 2009.
2 Established: by paragraph (2) Section 140 of Act CIII of 2008. In force: as of 01. 01. 2009.
3 Established by Section 72 of Act LXIX of 2017, effective as of 3 January 2018.

(2) The preferential companies mentioned in Paragraph *o)* of Subsection (1) shall cover all companies which meet at least two of the following criteria, relying on the last audited accounting report, and calculated according to the official MNB exchange rate in effect on the balance sheet date:

a) the balance sheet total is at least twenty million euros;

b) the annual net turnover is at least forty million euros;

c) they have at least two million euros in own funds.

(3) In the application of Paragraph *p)* of Subsection (1), 'preferential body' shall mean:

a) the central government of any EEA Member State;

b)[1] the regional government of any EEA Member State;

c) ÁKK Zrt. and similar public bodies of other EEA Member States charged with the management of public debt;

d) the MNB, and the central bank of any EEA Member State and the European Central Bank;

e) the World Bank;

f) the International Monetary Fund;

g) the European Investment Bank; and

h) other bodies active in international finance that were created by virtue of international agreement or intergovernmental agreement.

(4) An investment firm shall afford to professional clients, at their request or - if they were classified as professional clients upon the investment firm's initiative - with their express agreement the same conditions that apply to retail clients in connection with their investment service activities and ancillary services.

(5) The agreement entered into by virtue of Subsection (4) shall be fixed in writing and it shall contain:

a) an indication that the client is treated as a professional client, and that the conditions that apply to retail clients are applied at his request;

b) an indication of the financial instruments or transactions to which the conditions of retail clients apply.

Section 49

(1) The investment firm may - upon compliance with the requirements set out in Subsections (2)-(4) - recategorize a retail client, at his request, and treat him as a professional client, if this client is able to satisfy at least two of the following criteria:

a) the client has carried out transactions, worth at least forty thousand euros each or four hundred thousand euros in total for the year, or its equivalent in another currency as translated by the official MNB exchange rate in effect on the day of transaction, at an average frequency of, at least, ten per quarter over the preceding year;

b) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds five hundred thousand euros or its equivalent in another currency as translated by the official MNB exchange rate in effect on the day preceding the day of submission of the request;

c) the client works or has worked in the financial sector under contract of employment or any other form of employment relationship for at least one year within a preceding period of five years at:

ca) an investment firm;

cb) a commodity dealer;

cc) a credit institution;

cd) a financial institution;

ce) an insurance company;

cf) an investment fund manager;

cg) a collective investment trust;

1 Amended by Paragraph f) of Section 134 of Act LXIX of 2017.

ch) a venture capital fund manager;
ci) a private pension fund;
cj) a voluntary mutual insurance fund;
ck) a body providing clearing or settlement services;
cl) a central depository;
cm) an institution for occupational retirement provision;
cn) a central counterparty; or
co) an exchange market;
in a professional position, which requires knowledge of the financial instruments and investment service activities envisaged in the relationship of the investment firm and the client.

(2) The client is required to submit the request referred to in Subsection (1) to the investment firm in writing, indicating the specific financial instrument or transaction in connection with which the professional client classification is requested.

(3) In the case of a request submitted under Subsection (1), the investment firm shall inform the client concerning the differences in the categorization of professional clients and retail clients, and the related consequences.

(4) The investment firm shall annex to the contract the request mentioned in Subsection (1), together with the client's written statement of understanding and acknowledgment of the information described in Subsection (3).

Section 50

(1) The investment firm shall withdraw the categorization for professional treatment awarded under Section 49 at the retail client's request if:
a) the client has withdrawn the request mentioned in Subsection (2) of Section 49, in writing;
b) the client informs the investment firm of any change upon which the client no longer fulfils the initial conditions described in Subsection (1) of Section 49;
c) the investment firm becomes aware of any change as a result of which the client no longer fulfils the initial conditions described in Subsection (1) of Section 49.

(2) In the case of any client whose categorization for professional treatment has been withdrawn by the investment firm, the conditions relating to retail clients shall apply in the future.

Section 51

(1) Eligible counterparties are:
a)[1] the companies specified under Paragraphs *a)-m)* of Subsection (1) of Section 48;
b) the companies referred to in Subsection (2) of Section 48;
c) the bodies referred to in Subsection (3) of Section 48; and
d)[2] all other companies which are recognized as such by the State in which they are established.

(2)[3] Where an investment firm is engaged in the investment service activities and provides the related ancillary services under Paragraphs *a)-c)* of Subsection (1) of Section 5 to an eligible counterparty covered under Subsection (1) hereof, the provisions of Subsections (1)-(7) and (8) of Section 40, Section 41, Sections 43-46, Section 55, Section 62, Section 63, Subsection (1) of Section 64, Section 67 and Section 69 shall not apply.

1 Amended by Paragraph g) of Section 134 of Act LXIX of 2017.
2 Amended by Paragraph h) of Section 134 of Act LXIX of 2017.
3 Established by Section 57 of Act LVIII of 2021, effective as of 28 February 2022.

(3) The clients recognized according to Paragraph *b)* or *c)* of Subsection (1) as eligible counterparties may request the investment firm not to apply the provisions set out in Subsection (2) in respect of certain specific transactions or a general principle. In this case, unless the eligible counterparty affected expressly requests otherwise - the provisions for treatment of professional clients shall be applied.

(4) An investment firm shall afford to clients recognized according to Subsection (1) as eligible counterparties, at their request, the same conditions that apply to retail clients in connection with their investment service activities and ancillary services provided under Paragraphs *a)-c)* of Subsection (1) of Section 5.

(5)[1] The agreement entered into by virtue of Subsection (3) or (4) shall be fixed in writing and shall be subject to the provisions contained in Subsection (5) of Section 48, and in Article 71 of Commission Delegated Regulation 2017/565/EU.

Formal and Content Requirements Relating to Contracts

Section 52

(1)[2] Investment firms shall execute all framework contracts with clients in writing.

(2)[3] Investment firms shall enter the framework contracts provided for in Subsection (1) hereof in the records defined in Section 55.

(3) Investment firms may not use for the identification of a client a pseudonym or any other reference suitable to conceal the identity of the client or to obscure the identification procedure.

Section 53[4]

Refusal of Service

Section 54

(1) An investment firm shall refuse to establish a contractual relationship for investment service activities and ancillary services, and shall refuse the execution of an order received under an existing framework agreement if:

a) a transaction involves insider dealing or market manipulation;

b)[5] the requested transaction is unlawful or violates the regulations of the regulated market or an equivalent third country stock exchange, central counterparty or central securities depository;

c) the client or potential client refused to identify himself or to cooperate in an identification procedure, or if the identification procedure fails for any other reason;

d) unable to obtain the information specified in this Subsection, which is deemed necessary to carry out the fitness test according to Subsections (1)-(5) of Section 44; or

e)[6] according to the result of the fitness test conducted under Subsection (1) of Section 44 the service requested is not recommended to the client regarding the financial instrument in question.

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1 Amended by Paragraph i) of Section 134 of Act LXIX of 2017.
2 Established by Section 41 of Act XXXIX of 2023, effective as of 1 January 2024.
3 Established by Section 41 of Act XXXIX of 2023, effective as of 1 January 2024.
4 Repealed by Paragraph a) of Section 73 of Act CXXVI of 2018, effective as of 29 December 2018.
5 Established by Section 90 of Act LXXXV of 2015, effective as of 1 January 2016.
6 Established: by paragraph (2) Section 142 of Act CIII of 2008. In force: as of 01. 01. 2009.

(2) Investment firms shall notify the Authority without delay concerning any incidence where they have refused to enter into an agreement or to execute an order under Paragraph *a)* of Subsection (1).

Chapter XII

RECORD-KEEPING OBLIGATION RELATING TO CONTRACTS

Records of Contracts and Client Orders

Section 55

(1)[1] Investment firms shall maintain uniform, continuous and chronological records of all services provided and all activities and transactions performed, ensuring compliance with the provisions set out in Articles 72-75 of Commission Delegated Regulation 2017/565/EU.

(2) The records of investment firms referred to in Subsection (1) shall contain facilities to determine as to whether a particular transaction was performed on own account or on behalf of a client.

(3)[2] With a view to discharging the obligation of keeping records on transaction orders made under framework contracts previously concluded with clients, investment firms may ask clients to supply information for identification purposes.

(4)[3] Records shall include the recording of telephone conversations or electronic communications relating to, at least, transactions concluded when dealing on own account and the provision of client order services that relate to the reception, transmission and execution of client orders. Such telephone conversations and electronic communications shall also include those that are intended to result in transactions concluded when dealing on own account or in the provision of client order services that relate to the reception, transmission and execution of client orders, even in the case where those conversations or communications do not result in the conclusion of such transactions or in the provision of client order services.

(5)[4] For the purpose of recording such telephone conversations and electronic communications, an investment firm shall take all reasonable steps to record relevant telephone conversations and electronic communications, made with, sent from or received by equipment provided by the investment firm to an employee or agent or the use of which by an employee or agent has been accepted or permitted by the investment firm.

(6)[5] An investment firm shall notify its new and existing clients that telephone communications or conversations between the investment firm and its clients that result or may result in some form of transactions will be recorded. Such a notification may be made once, before the provision of investment services to new and existing clients.

(7)[6] An investment firm shall not perform, by telephone, investment service activities and shall not provide, by telephone, ancillary services to clients who have not been notified in advance about the recording of their telephone communications or conversations, where such investment service activities or ancillary services relate to the reception, transmission and execution of client orders.

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1 Established by Subsection (1) of Section 73 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Subsection (2) of Section 73 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Subsection (3) of Section 73 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted by Subsection (3) of Section 73 of Act LXIX of 2017, effective as of 3 January 2018.
5 Enacted by Subsection (3) of Section 73 of Act LXIX of 2017, effective as of 3 January 2018.
6 Enacted by Subsection (3) of Section 73 of Act LXIX of 2017, effective as of 3 January 2018.

(8)[1] Orders may be placed by clients through other channels, however such communications must be made in a durable medium such as mails, faxes or emails, or documentation of client orders made at meetings. In particular, the content of relevant face-to-face conversations with a client may be recorded by using written minutes or notes. Such orders shall be considered equivalent to orders received by telephone.

(9)[2] An investment firm shall take all reasonable steps to prevent an employee or agent from making, sending or receiving relevant telephone conversations and electronic communications on privately-owned equipment in which the investment firm is unable to record or copy the content thus transmitted.

(10)[3] Investment firms shall comply with the provisions set out in Subsections (4)-(9) hereof having regard to Article 76 of Commission Delegated Regulation 2017/565/EU, with the proviso that the records maintained in accordance with this provision shall be kept for a period of five years and, where requested by the Authority, for a period of up to seven years, and shall be provided to the client involved upon request.

Section 56[4]

Safeguarding Client Funds and Financial Instruments

Section 57

(1) Investment firms must use the financial instruments and funds held for or belonging to their clients for the purposes as instructed by the clients.

(2) Investment firms may not use the financial instruments and funds they manage and those held for or belonging to clients as their own in any way or form, and shall provide adequate facilities to ensure that their clients have access to their financial instruments and funds at any given time.

(3) Investment firms shall maintain their records and accounts subject to the following requirements:

a) they must maintain their records and accounts in a way that ensures their accuracy, and in particular their correspondence to the financial instruments and funds held for clients;

b) they must keep such records and accounts as are necessary to enable them at any time and without delay to distinguish financial instruments and funds held for or belonging to clients from their own financial instruments and funds.

(4)[5] An investment firm may deposit client financial instruments and funds with a third party only if the third party in question is able to comply with the requirements set out in Subsections (1)-(3).

(5) With a view to the enforcement of Subsection (4), investment firms must conduct, on a regular basis but at least once each month, reconciliations between their internal accounts and records and those of any third parties by whom financial instruments and funds are held.

1 Enacted by Subsection (3) of Section 73 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Subsection (3) of Section 73 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Subsection (3) of Section 73 of Act LXIX of 2017, effective as of 3 January 2018.
4 Repealed by Paragraph f) of Subsection (2) of Section 135 of Act LXIX of 2017, effective as of 3 January 2018.
5 Established by Subsection (1) of Section 91 of Act LXXXV of 2015, effective as of 7 July 2015.

(6)[1] Investment firms must introduce adequate organizational arrangements to minimize the risk of the loss or diminution of client funds and financial instruments, or of rights in connection with those funds and financial instruments, as a result of misuse of the funds and financial instruments, capital investment fraud or market manipulation, poor administration, inadequate record-keeping or negligence.

(7)[2] Collateral may be established on financial instruments and client account balances, excluding securities, held by investment firms with the proviso that client account balances, financial instruments identified by detailed description, acquired by the lienor - recognized as a consumer - following the conclusion of the pledge agreement, may also be accepted as collateral, and the right to direct satisfaction from the collateral may be exercised in respect of such secured claim as well. To that end, client account balances shall be taken into account at their nominal value existing on the effective date of the right to satisfaction, whereas financial instruments shall be taken into account at market value, or in the absence thereof, at a value that can be determined at that time independent from the parties.

(8)[3] Subsection (7) shall also apply to the collateral security on payment account receivables arising out of, or in connection with, the investment service activities of credit institutions or their provision of ancillary services.

(9)[4] In the case of collateral security, if provided in connection with financial instruments whose market price is not listed publicly, or whose market price cannot be determined at a given time independent from the parties, the lien holder shall be able to exercise the right defined in Subsection (1) of Section 5:138 of the Civil Code if the valuation method for the financial instrument is fixed in the pledge agreement.

(10)[5] Investment firms shall ensure that any person they employ under contract of employment or any other work-related contractual relationship shall not be able to exercise the right of disposition over any client account or securities account as the client’s representative, with the exception of the client accounts and securities accounts of close relatives, and excluding the power of representation invoked on the basis of law, court or regulatory decision, or under instrument of constitution.

(11)[6] An investment firm may not enter into a security arrangement where the opportunity of disposing the pledged funds or financial instruments may open for a third party for the settlement of any liability that is not covered by the security arrangement, except where this is prescribed by law applicable under the jurisdiction of a third country where the client’s funds or financial instruments are held.

(12)[7] The investment firm shall inform the client if it is obligated to enter into a security arrangement mentioned in Subsection (11), and shall inform the client about the related risks as well. That information shall form an integral part of the agreement to be concluded with the client.

(13)[8] When so requested by the Authority, the MNB acting within its resolution function or the receiver, the investment firm shall disclose:

a) the balance of the clients’ funds and financial instruments;

b) information concerning deposits of client funds and financial instruments, including the details of safe custody accounts and substantive elements of the agreement concluded with the depositary;

c) description of outsourced functions and the particulars of third parties to whom such functions are outsourced;

d) the name of key personnel participating in the related procedures, including the person appointed under Subsection (2) of Section 21 for safeguarding the financial instruments and funds of clients;

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1 Amended by Section 54 of Act CIII of 2016.
2 Established by Subsection (1) of Section 27 of Act CIV of 2014, effective as of 1 January 2015.
3 Established by Subsection (2) of Section 91 of Act LXXXV of 2015, effective as of 7 July 2015.
4 Enacted by Subsection (2) of Section 27 of Act CIV of 2014, effective as of 1 January 2015.
5 Established by Section 60 of Act LIII of 2016, effective as of 1 July 2016.
6 Enacted by Section 74 of Act LXIX of 2017, effective as of 3 January 2018.
7 Enacted by Section 74 of Act LXIX of 2017, effective as of 3 January 2018.
8 Enacted by Section 74 of Act LXIX of 2017, effective as of 3 January 2018.

e) agreements relevant for the purpose of establishing the ownership rights of clients relating to the funds and financial instruments.

(14)[1] The investment firm shall prepare a written analysis to evidence that a title transfer financial collateral arrangement may be worth and may be justified to be concluded with a client recognized as a business entity. In that written analysis the investment firm shall take into account:

a) correlation between liabilities to the client title and the transfer financial collateral arrangement should be weak, and that the probability of default on the client's part is low or negligible;

b) the value of funds and financial instrument covered by the title transfer financial collateral arrangement should be considerably higher (or unlimited) than the client's obligation;

c) the client's funds and financial instrument covered by the title transfer financial collateral arrangement should be sufficiently high, irrespective of the number and the types of individual agreements.

(15)[2] Before entering into a title transfer financial collateral arrangement, the investment firm shall inform the professional client and the eligible counterparty concerning the risks arising out of or in connection with the agreement, and on the effect the agreement may have on the funds and financial instruments.

Section 58

(1) With the exception set out in Subsection (2), investment firms may not use financial instruments held for or belonging to a client.

(2) An investment firm may be allowed to use the financial instruments of a client if having in possession of the client's prior written consent for use of the financial instruments, covering also the specific purpose of use.

(3) A investment firm may be allowed to enter into arrangements for securities financing transactions in respect of financial instruments which are held on behalf of a client in an omnibus account maintained by a third party, or otherwise use financial instruments held in such an account for their own account or for the account of another client unless, in addition to the conditions set out in Subsection (2), if:

a) each client whose financial instruments are held together in an omnibus account has given prior express consent in accordance with Subsection (2); or

b) the investment firm has in place systems and controls which ensure that only financial instruments belonging to clients who have given prior express consent in accordance with Subsection (2) are so used.

(4) The records of the investment firm shall include:

a) details of the client on whose instructions the use of the financial instruments has been effected; and

b) the number of financial instruments used belonging to each client who has given his consent;

so as to enable the accurate assessment and correct allocation of any loss.

(5)[3] Investment firms shall take appropriate measures to prevent the unauthorized use of client financial instruments for their own account or the account of any other person such as:

a) the conclusion of agreements for borrowing securities or for unwinding the position with clients who does not have enough provision on its account on the settlement date;

b) the close monitoring of its projected ability to deliver on the settlement date and the putting in place of remedial measures if this cannot be done; and

c) the close monitoring and prompt requesting of undelivered securities outstanding on the settlement day and beyond.

1 Enacted by Section 74 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Section 74 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Section 75 of Act LXIX of 2017, effective as of 3 January 2018.

(6)[1] Investment firms shall have facilities to ensure:

a) that the borrower of client financial instruments provides appropriate collateral,

b) that the firm monitors the continued appropriateness of such collateral, and

c) that it takes the necessary steps to maintain the balance with the value of client instruments.

Section 59

(1)[2] An investment firm shall be authorized to make arrangements - having regard to Subsection (2) - for the safekeeping of client financial instruments with a third party selected with due skill, care and diligence. The investment firm shall periodically review such third party and the procedures used for the safekeeping of financial instruments on a regular basis or at least once a year exercising due skill, care and diligence, and shall send the ensuing report to the Authority at the latest by the fifteenth of the following month.

(2) The third party with whom the investment firm proposes to make the aforementioned arrangement for the safekeeping of client financial instruments must satisfy the following criteria:

a) must be able to meet the requirements set out in Subsections (1)-(3) of Section 57; and

b) must be subject to supervision by the competent supervisory authority of the country where established with respect to custodianship, with the exceptions set out under Subsection (3).

(3) If the custodian is not subject to supervision by the competent supervisory authority of the country where established with respect to custodianship, the investment firm may enter into an agreement with such third party if:

a) it is deemed essential because of the special nature of the financial instruments or the investment services provided in connection with such financial instruments; or

b) the investment firm provides services in holding financial instruments on behalf of a professional client within its profile of investment service activities or ancillary services, and that professional client requests the firm in writing to deposit them with a third party in that third country.

(4)[3] The investment firm shall ensure compliance with the requirements set out in Subsections (2) and (3) also if the third party selected for the safekeeping of client financial instruments enters into an agreement with another third party for the performance of those functions.

Section 60

(1) Investment firms are required, on receiving any client funds under an agreement within the framework of investment service activities or ancillary services or upon the execution of a client order, promptly to place those funds - held for or belonging to the client - into one or more accounts opened with any of the following:

a) a central bank;

b) a credit institution;

c) a credit institution authorized in a third country to engage in the activities of credit institutions; or

d) a qualifying money market fund.

(2)[4] For the purposes of Paragraph *d)* of Subsection (1), a ‘qualifying money market fund’ means a UCITS provided for in the Collective Investments Act, authorized by the competent supervisory authority of the home Member State, it is supervised by this authority and satisfies the following conditions:

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1 Enacted by Section 75 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Section 92 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Enacted by Section 76 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Section 13 of Act CXLV of 2017, effective as of 3 January 2018.

a) its primary investment objective must be to maintain the net asset value at the value of the investment;

b) it must, with a view to achieving that primary investment objective, invest exclusively in high quality money market instruments with a maturity or residual maturity of not more than three hundred and ninety-seven days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of sixty days;

c) the primary investment objective referred to in Paragraph *b)* may also be achieved by investing on an ancillary basis in deposits with credit institutions;

d) in the case of the redemption of collective investment instruments issued by UCITS, it must provide liquidity through same day or next day settlement.

(3)[1] For the purposes of Paragraph *b)* of Subsection (2), a money market instrument shall be considered to be of high quality if the UCITS manager performs its own documented assessment of the credit quality of money market instruments that allows it to consider a money market instrument as high quality. Where one or more credit rating agencies registered and supervised by the European Securities and Markets Authority have provided a rating of the instrument, the UCITS manager's internal assessment should have regard to, inter alia, those credit ratings as well.

(4) Where an investment firm does not deposit client funds with a central bank mentioned in Paragraph *a)* of Subsection (1), it shall exercise all due skill, care and diligence in the selection, appointment and periodic review of the institution referred to in Paragraphs *b)-d)* of Subsection (1) where the funds are placed, and shall periodically review such institutions for compliance with the regulations for the holding of funds on a regular basis or at least one a year.

(5) Investment firms shall, in accordance with Subsection (4), before entering into an agreement with an institution for the holding of client funds, take into account:

a)[2] the expertise and reputation of such institutions;

b) their compliance with the conditions set out in Subsections (1)-(3) of Section 57.

(6)[3] An investment firm may deposit client funds into a qualifying money market fund subject to the client's express prior consent made in writing. Before consent is granted, the investment firm shall inform clients that funds placed with a qualifying money market fund will not be held in accordance with the requirements for safeguarding client funds set out in this Act.

(7)[4] Where investment firms deposit client funds with a credit institution, bank or money market fund of the same group as the investment firm, the funds that they deposit with any such group entity or combination of any such group entities shall be limited so that they do not exceed 20 per cent of all such funds.

(8)[5] An investment firm may exceed the 20 per cent limit referred to in Subsection (7) where it is able to demonstrate that, in view of the nature, scale and complexity of its business, and also the safety offered by the credit institution, bank or money market fund of the group provided for in Subsection (7), and including in any case the small balance of client funds the investment firm holds the 20 per cent limit referred to in Subsection (7) is not proportionate. Investment firms shall periodically - but at least on an annual basis - review the assessment made in accordance with the above and shall notify their initial and reviewed assessments to the Authority.

Chapter XIII

PERFORMANCE OF CONTRACTS AND EXECUTION OF ORDERS

1 Established by Section 13 of Act CXLV of 2017, effective as of 3 January 2018.
2 Amended by Paragraph c) of Section 116 of Act LXXXV of 2015.
3 Established by Subsection (1) of Section 77 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted by Subsection (2) of Section 77 of Act LXIX of 2017, effective as of 3 January 2018.
5 Enacted by Subsection (2) of Section 77 of Act LXIX of 2017, effective as of 3 January 2018.

Section 61[1]

Obligation to Execute Orders on Terms Most Favorable to the Client

Section 62

(1) Investment firms shall execute client orders on terms most favorable to the client, where orders executed in line with the execution policy set up according to Subsection (1) of Section 63, shall be considered as being executed on terms most favorable to the client.

(2)[2] Investment firms shall implement best execution as per Subsection (1) under the following criteria:

a) the price (net price) of the financial instruments to which the order pertains;

b) the costs involved;

c) the time required for executing the order;

d) the likelihood of execution and settlement; and

e) the size of the order;

f)[3] the characteristics of the order, or any other consideration that may prove essential for execution of the order.

(2a)[4] In determining the relative importance of the factors referred to in Subsection (2), investment firms shall consider the criteria referred to in Article 64 of Commission Delegated Regulation 2017/565/EU.

(3) For the purposes of determining best execution in accordance with Subsection (1) when executing retail client orders, the investment firm shall take into consideration the costs charged to the client related to execution.

(4)[5] For the purposes of determining best execution when executing client orders, in cases where more than one venue provided for in Article 64(1) of Commission Delegated Regulation 2017/565/EU is listed in the firm’s execution policy - drawn up according to Subsection (1) of Section 63 - is capable of executing a particular order, the investment firm’s own commissions and costs for executing the order on each of the eligible execution venues should be taken into account in order to assess and compare the results for the client that would be achieved by executing the order on each such venue - as applied under Article 64(3) of Commission Delegated Regulation 2017/565/EU.

(5)[6] An investment firm shall not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular execution venue.

(6)[7] Where an investment firm has received specific instructions from a client relating to the criteria listed under Subsection (2), the order shall be executed according to such instructions.

(7)[8] Investment firms shall be able to prove to their clients, at their request, by demonstrating the application of their execution policy, that they have executed client orders in accordance with the investment firm’s execution policy, and shall demonstrate to the Authority, on request, that they acted in accordance with the provisions of this Section and Section 63.

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1 Repealed by Paragraph b) of Section 73 of Act CXXVI of 2018, effective as of 29 December 2018.
2 Established: by paragraph (5) Section 30 of Act XCVI of 2011. In force: as of 15. 07. 2011.
3 Enacted by Subsection (1) of Section 78 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Subsection (2) of Section 78 of Act LXIX of 2017, effective as of 3 January 2018.
5 Established by Subsection (3) of Section 78 of Act LXIX of 2017, effective as of 3 January 2018.
6 Established by Subsection (4) of Section 78 of Act LXIX of 2017, effective as of 3 January 2018.
7 Established: by paragraph (1) Section 143 of Act CIII of 2008. In force: as of 01. 01. 2009.
8 Established by Subsection (5) of Section 78 of Act LXIX of 2017, effective as of 3 January 2018.

(8)[1] Following execution of a transaction on behalf of a client the investment firm shall inform the client where the order was executed.

Section 63[2]

(1) Investment firms are required to establish effective arrangements - in accordance with Article 66 of Commission Delegated Regulation 2017/565/EU - to allow them to obtain, for their client orders, the best possible result consistently (hereinafter referred to as "execution policy").

(2) The execution policy shall include, in respect of each class of financial instruments, information on the different trading venues where the investment firm executes its client orders and the factors affecting the choice of execution venue. The execution policy shall at least include those venues that enable the investment firm to obtain on a consistent basis the best possible result for the execution of client orders.

(3) Investment firms shall provide appropriate information to their clients on their order execution policy. That information shall explain clearly, in sufficient detail and in a way that can be easily understood by clients, how orders will be executed by the investment firm for the client. Investment firms shall obtain the prior consent of their clients to the execution policy.

(4) Where the execution policy provides for the possibility that client orders may be executed outside a trading venue, the investment firm shall, in particular, inform its clients about that possibility. Investment firms shall obtain the prior express consent of their clients before proceeding to execute their orders outside a trading venue. Investment firms may obtain such consent either in the form of a general agreement or in respect of individual transactions.

(5) Investment firms who execute client orders are required to summarize and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where they executed client orders in the preceding year, including information on the quality of execution obtained.

(6) Investment firms who execute client orders are required to monitor the effectiveness of their order execution policy in order to identify and, where appropriate, correct any deficiencies. They shall assess, on a regular basis, whether the execution venues included in the execution policy provide for the best possible result for the client or whether they need to make changes to their execution arrangements, taking account of, inter alia, the information published under Subsection (5) hereof and under Subsection (8) of Section 62. Investment firms shall notify their clients with whom they have an ongoing client relationship of any material changes to their order execution arrangements or execution policy.

Client Order Handling and Allocation

Section 64

(1) The investment firms engaged in the activity specified in Paragraph *b)* of Subsection (1) of Section 5 shall, when carrying out client orders:

a) ensure that orders executed on behalf of clients are promptly and accurately recorded and allocated;

b) carry out otherwise comparable client orders sequentially and promptly, with the exception set out in Subsection (2); and

c) they must inform a retail client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

(2) The requirement of carrying out client orders promptly shall not apply:

a) in connection with client limit orders;

1 Established by Section 61 of Act CXXVI of 2018, effective as of 29 December 2018.
2 Established by Section 79 of Act LXIX of 2017, effective as of 3 January 2018.

b) where the characteristics of the order or prevailing market conditions make this impracticable; or

c) the interests of the client require otherwise.

(3) Where an investment firm did not execute a client order by virtue of Paragraph *a)* of Subsection (2), and the order applied to transactions in shares admitted to trading on a regulated market, it shall ensure - with the exception set out in Subsection (4) - that the limit order is promptly made public in a manner which is easily accessible to other market participants, and can be easily executed as soon as market conditions allow, unless the client expressly instructs otherwise.

(4)[1] The obligation set out in Subsection (3) may be waived if the client limit order is considered large in scale at the given trading venue compared with normal market size as determined under Article 4 of Regulation 600/2014/EU.

(5)[2] Investment firms shall comply with Subsections (1)-(4) hereof having regard to Articles 67 and 70 of Commission Delegated Regulation 2017/565/EU.

Section 65[3]

Investment firms:

a) shall proceed in accordance with Article 68 of Commission Delegated Regulation 2017/565/EU in the case of aggregation and allocation of orders,

b) shall proceed in accordance with Article 69 of Commission Delegated Regulation 2017/565/EU in the case of aggregation and allocation of transactions for own account.

Deferred Payment Arrangements

Section 66

(1) Investment firms may agree to provide deferred payment arrangements to their clients in connection with investment service activities.

(2) Investment firms may provide deferred payment arrangements to clients if:

a) the investment firm is authorized to carry out the activity referred to in Paragraph *b)* of Subsection (1) of Section 5;

b) in connection with the placement of securities, the investment firm participates as an agent for the buyer; or

c) in connection with the placement of securities, the investment firm is involved in the placement procedure itself.

(3) With respect to deferred payment arrangements provided under Paragraph *b)* of Subsection (2), the investment firm shall pay the installments on behalf of the client to a special deposit account when due.

(4)[4] Investment firms shall inform their clients concerning the rules applicable to deferred payment arrangements.

(5) The provisions on investment loans shall also apply to deferred payment arrangements, with the exception that the period of deferred payment may not extend beyond fifteen days from the client’s payment due date.

Reporting Obligations in Respect of Execution of Orders

1 Established by Section 80 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Section 80 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Section 81 of Act LXIX of 2017, effective as of 3 January 2018.
4 Amended by Paragraph c) of Section 73 of Act CXXVI of 2018.

Section 67[1]

(1) Investment firms shall, where they have carried out an order within the framework of investment service activities, other than for portfolio management, shall, in respect of that order promptly provide the client, in a durable medium, with the essential information concerning the execution of that order in accordance with Articles 59 and 61 of Commission Delegated Regulation 2017/565/EU.

(2) Subsection (1) shall not apply where orders executed on behalf of clients relate to bonds funding mortgage loan agreements - concluded in accordance with the Consumer Credit Act - with the said clients.

Section 68[2]

Investments firms which provide the service of portfolio management to clients within the framework of investment service activities are required to provide each such client with a periodic statement in a durable medium containing information specified in Articles 60 and 62 of Commission Delegated Regulation 2017/565/EU by the tenth working day of the following month, covering the period up to the last day of the reference month.

Section 69[3]

Within the framework of their investment service activities investment firms that hold client financial instruments or client funds for or belonging to clients are required to provide each such client with a periodic statement in a durable medium containing information specified in Article 63 of Commission Delegated Regulation 2017/565/EU, by the tenth working day of the following month, covering the period up to the last day of the reference month.

Section 69/A[4]

Within the framework of their investment service activities - apart from portfolio management services - investment firms are required to send a monthly statement, up to the last day of the month, to each client on their financial instruments or funds, in writing or in another form of durable medium. The statement shall include the following information:

a) details of all the financial instruments or funds held by the investment firm for or belonging to the client on the last day of the month covered by the statement;

b) the extent to which any client financial instruments or client funds have been the subject of securities financing transactions on the last day of the month covered by the statement;

c) the extent of any benefit that has accrued to the client by virtue of participation in any transactions in financial instruments or funds held by the investment firm for or belonging to the client, and the basis on which that benefit has accrued;

d) a password individually generated by the methodology provided for in specific other legislation, enabling the client to access certain information on the MNB website.

Chapter XIV

1 Established by Section 82 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Section 83 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Section 84 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted by Section 94 of Act LXXXV of 2015, effective as of 1 January 2016.

SPECIAL PROVISIONS RELATING TO INVESTMENT SERVICE ACTIVITIES AND ANCILLARY SERVICES

Portfolio Management Activities

Section 70

(1) Investment firms which carry out the service of portfolio management shall keep records separately of the portfolios of each client, and in the case of several portfolios held for the same client, separately for each portfolio.
(2) Investment firms which carry out the service of portfolio management shall operate under the principle of equal treatment with respect to portfolios and clients.
(3) Investment firms which carry out the service of portfolio management shall conduct transactions in respect of the financial instruments they hold in a portfolio, in their own name and on behalf of the client, to whom the portfolio belongs.
(4) Investment firms which carry out the service of portfolio management shall obtain services from a third party subject to full and unlimited liability toward their clients.

Section 71

(1) Investment firms which carry out the service of portfolio management may guarantee to protect the capital invested (capital guarantee) and may undertake to guarantee the earnings (yield guarantee), where the yield guarantee incorporates a guarantee to preserve the capital invested.
(2) The capital and yield guarantee under Subsection (1) offered by investment firms shall be accompanied by a bank guarantee.
(3) Investment firms which carry out the service of portfolio management may pledge to preserve the capital invested (capital protection) and make a pledge for earnings (yield protection), where the promise of yield incorporates a pledge to preserve the capital invested.
(4) Investment firms shall have an adequate investment policy in place concerning the financial instruments held to secure earnings to support the pledge to preserve the capital invested and a pledge for earnings under Subsection (3).

Section 72

(1) Investment firms which carry out the service of portfolio management may not - unless the client expressly provides otherwise - conduct any transactions financed from the client portfolio for the acquisition of:[1]
a) financial instruments of their own issue;
b) financial instruments issued by their affiliated companies, with the exception of securities admitted to trading on a regulated market or on multilateral trading facilities; and
c) any control for which a takeover bid is required under the CMA.
(2)[2] Investment firms which carry out the service of portfolio management may not conduct any transactions financed from the client portfolio relating to securities which are not traded on a regulated market or on multilateral trading facilities with any person or body in which the investment firm holds a qualifying interest or that is holding a qualifying interest in the investment firm.

1 Established: by paragraph (1) Section 146 of Act CIII of 2008. In force: as of 01. 01. 2009.
2 Established: by paragraph (2) Section 146 of Act CIII of 2008. In force: as of 01. 01. 2009.

(3) Where an investment firm that carries out the service of portfolio management acquires any financial instrument on behalf of a client, and such financial instrument is subject to statutory notification or publication, it shall be satisfied by the investment firm.

Systematic Internalizers

Section 73[1]

(1) The frequent and systematic basis referred to in the definition of systematic internalizer under Point 56 of Subsection (2) of Section 4 shall be measured by the number of over the counter trades in the financial instrument carried out by the investment firm on own account when executing client orders.
(2) The substantial basis shall be measured either:
a) by the size of the over the counter trading carried out by the investment firm in relation to the total trading of the investment firm in a specific financial instrument; or
b) by the size of the over the counter trading carried out by the investment firm in relation to the total trading in the European Union in a specific financial instrument.
(3) The definition of a systematic internalizer shall apply to an investment firm only where the pre-set limits for a frequent and systematic basis and for a substantial basis are both crossed or where the investment firm chooses to opt-in under the systematic internalizer regime.
(4) With regard to specific financial instruments an investment firm shall meet the definition of systematic internalizer under the conditions set out in Articles 12-17 of Commission Delegated Regulation 2017/565/EU. An investment firm that meets the definition of systematic internalizer shall notify the Authority thereof.

Section 74[2]

Section 75[3]

Investment Research

Section 76[4]

Investment firms performing investment research shall comply with Articles 36 and 37 of Commission Delegated Regulation 2017/565/EU.

Section 77[5]

Investment Loans

1 Established by Section 85 of Act LXIX of 2017, effective as of 3 January 2018.
2 Repealed by Paragraph g) of Subsection (2) of Section 135 of Act LXIX of 2017, effective as of 3 January 2018.
3 Repealed by Paragraph h) of Subsection (2) of Section 135 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Section 86 of Act LXIX of 2017, effective as of 3 January 2018. Amended by Paragraph e) of Section 20 of Act CXLV of 2017.
5 Repealed by Section 21 of Act CXLV of 2017, effective as of 3 January 2018.

Section 78

(1) Any investment firm that is engaged in investment lending operations shall have in place internal lending policies in which to lay down guidelines for the soundness and transparency of exposures, and for the identification, assessment, control and reduction of risks, subject to approval by the management body, or the board of directors, as applicable.

(2) The lending policy shall contain:

a) the conditions for providing a loan;

b) the procedures for the approval and amendment of loan applications, including renewal, and the conditions for refinancing;

c) the provisions for the diversification of credit portfolios consistent with the investment firm's target markets and overall credit strategy;

d) provisions for the management of concentration risk arising from exposures to counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity, and from the application of credit risk mitigation techniques, and including in particular risks associated with large indirect credit exposures;

e) provisions for identifying and managing problem credits for which adequate value adjustments and provisions are necessary;

f) procedures for the management of the risk for which the recognized credit risk mitigation techniques used by the investment firm - defined in a relevant decree adopted under authorization of this Act - prove to be less effective than expected.

(2a)[1] Investment firms shall have in place sound and effective internal methodologies that enable them to assess the credit risk of securities or securitization positions and credit risk at the portfolio level, with the proviso that such internal methodologies shall not rely solely on external credit ratings.

(3) Investment firms shall fix any agreement for the provision of an investment loan to a client within the framework of ancillary services in writing.

(4) Investment firms may not provide within the framework of ancillary services investment loans:

a) for the purchase of shares which are issued by the lending investment firm;

b) for the purchase of shares which are issued by a single member limited liability company owned by the lending investment firm; and

c) to a company in which the lending investment firm holds an interest of ten per cent or more.

(5) Prior to the granting of an investment loan the investment firm must ascertain the existence, value and enforceability of the necessary collaterals and securities. The documents substantiating such decision must be attached and filed with the contract referred to in Subsection (3).

Provisions Relating to Additional Investment Service Activities and Ancillary Services[2]

Section 78/A[3]

Investment firms shall proceed in accordance with Articles 38-43 of Commission Delegated Regulation 2017/565/EU in performing certain additional investment service activities and providing ancillary services, such as the activities defined in Paragraphs *f)* and *g)* of Subsection (1) of Section 5 and Paragraph *c)* of Subsection (2) of Section 5.

1 Enacted by Section 88 of Act CCXXXVI of 2013, effective as of 1 January 2014.
2 Enacted by Section 87 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Section 87 of Act LXIX of 2017, effective as of 3 January 2018.

Chapter XV

OUTSOURCING

Section 79

(1)[1] Investment firms shall be authorized to outsource their investment service activities and ancillary services, and other functions and services which are not covered by the scope of this Act taking into account the definition under Point 3 of Article 2 of Commission Delegated Regulation 2017/565/EU.

(2) Outsourcing shall comply with the following conditions:

a) the outsourcing must not result in the delegation by senior management of its responsibility;

b) the contractual relationship and obligations of the investment firm towards its clients must not be altered, and the investment firm's commitments prescribed in this Act toward its clients must not be undermined; and

c) none of the other conditions subject to which the investment firm's authorization was granted in accordance with this Act must be removed or modified.

(3)[2] When outsourcing critical or important operational functions, investment firms shall take all reasonable steps to avoid undue additional operational risk. Outsourcing of critical or important operational functions may not be undertaken in such a way as to impair materially the quality of the investment firm's internal control and the ability of the Authority to carry out its tasks.

(4)[3] When outsourcing critical or important operational functions, the provisions of Article 31 of Commission Delegated Regulation 2017/565/EU must be observed.

(5)[4] An investment firm may enter into an outsourcing arrangement with a person or organization established in a third country if compliance with the provisions set out in Subsection (3) hereof is ensured, in addition to compliance with Article 32 of Commission Delegated Regulation 2017/565/EU.

(6)[5] For the purposes of Subsections (3) and (4), an operational function shall be regarded as critical or important if it meets the definition under Article 30(1) of Commission Delegated Regulation 2017/565/EU.

(7)[6] The operational functions defined in Article 30(2) of Commission Delegated Regulation 2017/565/EU shall not be considered as critical or important for the purposes of Subsections (3) and (4) hereof.

Section 80

(1) Outsourcing arrangements must be made in writing.

(2) The outsourcing arrangement shall specify:

a) the duration of outsourcing;

b) the rights and obligations of the parties;

c) the outsourced functions.

(3)[7] The rights and obligations referred to in Paragraph *b)* of Subsection (2) fixed in the outsourcing arrangement shall inter alia cover:

a) the frequency and methods established for assessing the standard of performance of the service provider of the outsourced activities;

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1 Established by Subsection (1) of Section 88 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Subsection (2) of Section 88 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Subsection (2) of Section 88 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Subsection (2) of Section 88 of Act LXIX of 2017, effective as of 3 January 2018.
5 Established by Subsection (2) of Section 88 of Act LXIX of 2017, effective as of 3 January 2018.
6 Established by Subsection (2) of Section 88 of Act LXIX of 2017, effective as of 3 January 2018.
7 Established by Section 89 of Act LXIX of 2017, effective as of 3 January 2018.

b) the rules for taking measures to address any deficiencies revealed by the assessment specified in Section 81;
c) the procedure and the means for the disclosure of data and information that may be required for the investment firm by the Authority for control procedures;
d) the obligation of the outsourcing service provider, whether a person or organization, to cooperate with the supervisory authority; and
e) the procedure for the service provider to disclose to the investment firm any development that may have a material impact on its ability to carry out the outsourced functions.
(4) Upon entering into an outsourcing agreement, the investment firm shall send a copy to the Authority within three days following the time of signature.

Section 81

(1)[1] Investment firms, with a view to ascertaining the service provider's ability to perform the activities, services or functions specified in the outsourcing arrangement, shall routinely monitor compliance with the outsourcing arrangement.
(2)[2] Where the investment firm finds any breach of the outsourcing arrangement, the investment firm shall:
a) advise the outsourcing service provider to carry out the functions as contracted; or
b) terminate the outsourcing arrangement if conformity with the contract cannot be restored.
(3) The investment firm must be able to terminate the outsourcing arrangement according to Paragraph *b)* of Subsection (2) without any detriment to the continuity and quality of its provision of investment or ancillary services to clients.
(4)[3] Where the investment firm and the outsourcing service provider (person or body) are members of the same group, the investment firm may, for the purposes of complying with this Chapter, take into account the extent to which the firm controls the service provider or has the ability to influence its actions.

PART FIVE

COMMODITY EXCHANGE SERVICES

Chapter XVI

CONCLUSION OF CONTRACTS AND RECORD-KEEPING OBLIGATIONS RELATING TO CONTRACTS

Obligation to Provide Prior Information Before the Conclusion of the Contract

Section 82

1 Established by Section 90 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Section 90 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted: by Section 131 of Act CL of 2009. In force: as of 1. 01. 2010.

(1)[1] In connection with carrying out commodity exchange services, commodity dealers shall inform - save where Subsection (3) applies - taking into Article 44 of Commission Delegated Regulation 2017/565/EU, potential clients prior to the signature of the contract concerning:

a) basic facts about the commodity dealer;

b) the policies of the commodity dealer governing operations and activities;

c) the rules for the management of assets covered by the contract to provide commodity exchange services, held for or belonging to a potential client;

d) the assets covered by the contract to provide commodity exchange services, involved in transactions executed under contract;

e) the transactions executed under contract, including any publicly available information that concerns the transaction in question and the risks involved;

f) execution venues;

g) contractual costs and associated charges, and the costs and associated charges of transactions relating to previous contracts which are still in effect (hereinafter referred to as “framework agreement”) and charged to potential clients.

(2)[2]

(3) The obligation to provide prior information under Subsection (1) shall not apply if:

a) the clients are treated as institutional investors according to the CMA after they are bound by any agreement;

b) the agreement is signed under an existing framework agreement and the client has already been given the information referred to in Subsection (1) in connection with the instrument or transaction to which the contract to provide commodity exchange services pertains;

c) the client waives his right to the information referred to in Subsection (1), and the commodity dealer is able to produce credible evidence to that effect.

(4) A commodity dealer may accept the client’s waiver under Paragraph *c)* of Subsection (3) if:

a) the commodity dealer and the client are engaged in regular business relations; and

b) the commodity dealer has contracted at least five transactions with the client within the preceding year for a value of over two hundred million forints on the aggregate.

Section 83

Unless otherwise agreed with their clients, commodity dealers shall carry out their obligations specified under Section 82 in Hungarian, fixing them in written form using unambiguous and clear language that is easy to understand and in keeping with Hungarian grammar rules.

Obligation to Obtain Prior Information Before the Conclusion of the Contract

Section 84[3]

In connection with carrying out commodity exchange services, commodity dealers shall obtain information for potential clients prior to the signature of the contract concerning the degree of risk related to the specific type of commodity exchange service recommended, and whether it is such that the client is able financially to bear (compliance test).

1 Established by Section 91 of Act LXIX of 2017, effective as of 3 January 2018.
2 Repealed by Paragraph d) of Section 73 of Act CXXVI of 2018, effective as of 29 December 2018.
3 Established by Section 92 of Act LXIX of 2017, effective as of 3 January 2018.

Refusal of Service

Section 85

(1) Commodity dealers shall refuse to establish a contractual relationship for commodity exchange services, and shall refuse the execution of an order received under an existing framework agreement if:

a) a transaction involves insider dealing or market manipulation;

b) the requested transaction violates any legal regulation or statutory internal policies;

c) the client or potential client refused to identify himself or to cooperate in an identification procedure, or if the identification procedure fails for any other reason;

d)[1] according to the result of the examination conducted under Section 84 the service requested is not recommended to the client or potential client due to his lack of knowledge, low risk tolerance, or on account of his financial position.

(2) Commodity dealers shall notify the Authority without delay concerning any incidence where they have refused to provide the service or to execute an order under Paragraph *a)* of Subsection (1).

Record-Keeping Obligations Relating to Contracts

Section 86[2]

Commodity dealers are required to keep records in accordance with Section 55 and shall retain the data contained in such records for a period of five years following performance or termination of the contract.

Safeguarding Client Funds and Assets

Section 87

(1) In connection with carrying out commodity exchange services, commodity dealers shall proceed in accordance with Section 57 as regards the handling of client funds and client assets within the framework of commodity exchange services.

(2) In connection with carrying out commodity exchange services, commodity dealers must not use any funds and assets held for or belonging to clients for the purposes of commodity exchange services.

Chapter XVII

EXECUTION OF ORDERS

Client Order Handling and Allocation

Section 88

1 Established: by Section 148 of Act CIII of 2008. In force: as of 01. 01. 2009.
2 Established by Section 93 of Act LXIX of 2017, effective as of 3 January 2018.

(1) Commodity dealers shall execute client orders in accordance with the standard service agreement and according to the client's instructions.

(2) The commodity dealers engaged in the activity specified in Paragraph *b)* of Subsection (1) of Section 9 shall, when carrying out client orders:

a) ensure that orders executed on behalf of clients are promptly and accurately recorded and allocated;

b) carry out client orders sequentially and promptly, unless otherwise instructed by the client; and

c) they must inform a client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

Section 89

Commodity dealers shall proceed in accordance with Section 65 where they aggregate several client orders or a client order with a transaction for own account.

Reporting Obligations in Respect of Execution of Orders

Section 90

(1) In connection with carrying out commodity exchange services, where commodity dealers have carried out an order on behalf of a client, they shall - with the exception set out in Subsection (2) - promptly provide the client with the essential information concerning the execution of that order in the manner laid down in the standard service agreement.

(2) Subsection (1) shall not apply where the confirmation would contain the same information as a confirmation that is to be promptly dispatched to the client by a third party.

(3) In addition to the requirements under Subsection (1), commodity dealers are required to supply the client, on request, with information about the status of his order.

Section 91[1]

In connection with carrying out commodity exchange services, commodity dealers that hold client assets or client funds are required to send at least once a year, to each client for whom they hold assets or funds, a statement containing the information specified in Section 69 in writing, unless the agreement between the commodity dealer and the client, or the standard service agreement provide otherwise.

Outsourcing of Commodity Dealers' Functions

Section 92

(1) In due observation of what is contained in Subsection (2) of this Section, commodity dealers shall be authorized to outsource their activities specified under Subsection (1) of Section 9, and other functions and services which are not covered by the scope of this Act.

(2) The provisions of Sections 79-81 shall apply to the outsourcing of the functions of commodity dealers referred to in Subsection (1) of Section 9.

1 Amended by Paragraph j) of Section 134 of Act LXIX of 2017.

Chapter XVIII

COMMON PROVISIONS

Section 93[1]

Where, according to Sections 82-92, the provisions contained in Sections 43-45, Section 55, Section 57, Section 65, Section 69 and Sections 79-81 apply:

a) any reference made to investment firms shall be understood as commodity dealers;

b) any reference made to investment service activities shall be understood as commodity exchange services; and

c) any reference made to financial instruments shall be understood as assets for commodity exchange services.

PART SIX

OPERATIONS OF INVESTMENT FIRMS AND COMMODITY DEALERS

Chapter XIX

VESTED RESPONSIBILITIES

Section 94

(1) Responsibilities to enforce the relevant legal provisions and internal policies applicable to investment firms and commodity dealers shall lie:

a) with the chairpersons and members of the management bodies and supervisory boards of investment firms and commodity dealers incorporated as limited companies;

b) with the chairpersons and members of the management bodies and supervisory boards of investment firms and commodity dealers incorporated as cooperative societies;

c) with the appointed directors and deputy directors of the Hungarian branches of investment firms and commodity dealers, not including the investment firms and commodity dealers established in another EEA Member State; or

d) with the managing directors of commodity dealers incorporated as private limited-liability companies, plus they shall have the liability to provide for the necessary conditions for operations in terms of equipment, personnel, organizational and technical means, and to ascertain that all required policies and procedures are in place and functional.

(2)[2] Investment firms and commodity dealers incorporated as limited companies must have two executive officers appointed as their authorized representatives vested with joint powers to sign documents in their name and on their behalf, including access to their current accounts.

1 Amended by Paragraph k) of Section 134 of Act LXIX of 2017.
2 Amended: by Section 152 of Act LXXXV of 2009. In force: as of 1. 11. 2009.

(3) The signatory rights and the powers of representation referred to in Subsection (2) may be transferred according to the charter document or bylaws of the investment firm or commodity dealer.

Compliance with Statutory Provisions and Internal Regulations

Section 95[1]

Investment firms shall comply at all times with the requirements set out in Article 22 of Commission Delegated Regulation 2017/565/EU.

Internal Control Procedures

Section 96[2]

(1) Commodity dealers shall have in place policies laying down the powers and duties of their internal control unit, and the professional standards relating to internal controllers.
(2) The internal controller, guided by the policies referred to in Subsection (1), shall:
a) monitor and evaluate the commodity dealer's internal control mechanisms, supervisory systems and procedures from the standpoint of feasibility and efficiency, and their compliance with the regulations applicable to and governing the operations and activities of commodity dealers;
b) make recommendations in accordance with the outcome of the control procedures conducted under Paragraph *a)*;
c) monitor compliance with the recommendations mentioned in Paragraph *b)*; and
d) prepare reports for the management body and supervisory board of the commodity dealer.

Audit

Section 97

(1)[3] Investment firms and commodity dealers shall appoint a statutory auditor or audit firm to audit their books, provided that the appointed auditor or audit firm is duly authorized and satisfies the conditions set out in the Civil Code pertaining to auditors, and that is certified to audit investment firms.
(2)[4]
(3) An auditor shall be permitted to audit the books of maximum five investment firms or commodity dealers at any given time and, furthermore, his income (revenue) from any one investment firm or any one commodity dealer may not be greater than thirty per cent of his annual income (revenue), however, as regards the auditors operating in the employ of an audit firm, the income (revenue) of this audit firm from any one investment firm or any one commodity dealer may not exceed ten per cent of its annual income (revenue).

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1 Established by Section 94 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Section 95 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Subsection (4) of Section 165 of Act CCLII of 2013. Amended by Subsection (2) of Section 117 of Act LXXXV of 2015.
4 Repealed by Section 63 of Act XLIV of 2016, effective as of 4 June 2016.

(4) Investment firms and commodity dealers shall send to the Authority their contract concluded with the auditor for auditing the annual report.

Section 98

(1) The auditors of investment firms and commodity dealers shall have a duty to report promptly to the Authority, while notifying the investment firm or commodity dealer at the same time in writing, of any fact concerning that investment firm or commodity dealer of which they have become aware while carrying out that task which is liable to:

a) lead to refusal to certify the accounts or to the expression of reservations;

b) constitute a material breach of the laws or regulations, or of the internal policies of the investment firm or commodity dealer, or to indicate any imminent infringement of such regulations;

c) result in any uncertainty as to the ability of the investment firm or commodity dealer to meet its liabilities and commitments, or safeguard the financial instruments and funds entrusted to it;

d) constitute serious deficiencies or insufficiencies in the internal control regime and compliance functions of the investment firm or commodity dealer; or

e) result in a considerable difference of opinion between the auditor and an executive employee of the investment firm or commodity dealer regarding issues affecting the solvency, income, data disclosure or accounting of the investment firm or commodity dealer, which are considered essential from the point of view of operations.

(2) The person auditing the consolidated annual report of an investment firm or commodity dealer shall notify the Authority in writing if his findings with respect to a company that is considered to have a close link due to a dominant influence over the investment firm or commodity dealer reveal any facts that adversely affect the continuous functioning of the investment firm or commodity dealer or indicate the occurrence of what is contained in Paragraph *a)* or *b)* of Subsection (1).

(3) In addition to what is contained in Subsection (1):

a) the auditor shall have the right to consult with the Authority, and to convey the findings of his audit to the Authority;

b) the Authority shall be entitled to demand and receive information directly from the auditor concerning the findings of his audit.

(4) If a notification referred to in Subsections (1) and (2) is filed in good faith, the auditor shall not be held liable if the notification eventually proves to be unsubstantiated.

(5)[1] Where an auditor provides statutory services to data reporting services provider, this Section shall apply with the proviso that any reference made in such provisions to an investment firm shall be construed as a data reporting services provider.

Section 99

(1) When auditing the annual account of an investment firm or commodity dealer the auditor shall also examine the following:

a) the accuracy of evaluations by professional standards;

b) whether the prescribed and necessary value adjustments and readjustments have been made;

c) whether the prescribed and necessary provisions have been set aside;

d) the conformity of risk management regimes;

e) ongoing compliance with the provisions on own funds, capital requirement, capital adequacy, financial stability and liquidity;

1 Enacted by Section 58 of Act LVIII of 2021, effective as of 1 January 2022.

f) compliance with the legal provisions on prudential management for effective, reliable and independent operations;

g) the operation of the adequate controlling mechanisms.

(2) Upon conclusion of the audit, the auditor must record his findings on the issues specified in Subsection (1) in a separate supplementary report and send it to the board of directors, the managing director, the chairman of the supervisory board, and the Authority in the following year, within fifteen days following the time of completion of the audit or the time of the general meeting.

(3) Prior to the approval of the annual report, the Authority is entitled, on the basis of the auditor's report, to instruct the investment firm or commodity dealer affected to provide for the re-examination of the annual report that contains incorrect or inaccurate data, implement the necessary corrections and have the corrected data verified by an auditor.

(4) If, after the annual report has been approved, the Authority discovers that the annual report contains any substantial error, the Authority may order the investment firm or commodity dealer concerned to have the figures revised and verified by an auditor, and have these revisions sent to the Authority.

Chapter XX

RISK MANAGEMENT

Exposures and Risk Management

Section 100[1]

Investment firms shall ensure the implementation of remuneration policies and practices that are consistent with and promote sound and effective risk management in compliance with the principles laid down in Annex 4 and in accordance with Article 27 of Commission Delegated Regulation 2017/565/EU.

Section 101[2]

(1) Investment firms shall have in place effective written procedures and policies:

a) for addressing risks that the recognized credit risk mitigation techniques the investment firm uses prove less effective than expected;

b) for addressing concentration risk arising from exposures to clients, groups of connected clients (including central counterparties), and counterparties, clients in the same economic sector, geographic region or from the same activity, and from the application of credit risk mitigation techniques;

c) for the measurement and management of all material sources and effects of market risks, and for taking measures against the risk of a shortage of liquidity where the short position falls due before the long position;

d) for the evaluation, measurement and management of the risk arising from potential changes in interest rates as they affect the investment firm's non-trading activities;

e) for the evaluation and management of the exposure to operational risk, and model risk, including contingency and business continuity plans to ensure the investment firm's ability to operate on an ongoing basis and limit losses in the event of severe business disruption;

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1 Established by Section 96 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Section 89 of Act CCXXXVI of 2013, effective as of 1 January 2014.

f) for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra-day, tailored to business lines, currencies and legal entities of the group, including adequate allocation mechanisms of liquidity costs, benefits and risks;

g) for the evaluation and management of risks arising from securitization transactions in relation to which the investment firms are acting as the investor, originator or sponsor, including reputational risks (such as arise in relation to complex structures or products), so as to ensure in particular that the economic substance of the transaction is fully reflected in the risk assessment and management decisions;

h) for the identification, management and monitoring of the risk of excessive leverage, in particular in order to ensure that investment firms address the risk of excessive leverage in a precautionary manner by taking due account of potential increases in the risk of excessive leverage caused by reductions of the investment firm's own funds through expected or realized losses, hence to be able to withstand a range of different stress events with respect to the risk of excessive leverage;

i) for the process for approving, amending, renewing, re-financing and monitoring investment credits; and

j) for the measurement and management of net funding position and requirements on an ongoing and forward-looking basis.

(2) With a view to compliance with Paragraph *f)* of Subsection (1):

a) the investment firm's management body in its managerial function shall communicate risk tolerance to all relevant business lines;

b) the strategies and policies shall be proportionate to the complexity, risk profile, scope of operation of the investment firm and risk tolerance set by the management body in its managerial function and reflect the investment firm's systemic importance in each EEA Member State, in which it carries out investment service activities and performs ancillary services;

c) investment firms shall develop methodologies for the identification, measurement, management and monitoring of funding positions, covering the current and projected material cash-flows in and arising from assets, liabilities, off-balance-sheet items, including contingent liabilities and the possible impact of reputational risk;

d) investment firms shall distinguish between pledged and unencumbered assets that are available at all times, in particular during emergency situations. They shall also take into account:

da) the person or organization holding assets,

db) the country where assets are legally recorded either in a register or in an account,

dc) their eligibility to be used as extra liquidity buffers and shall monitor how assets can be mobilized in a timely manner, and

dd) existing legal, regulatory and operational limitations to potential transfers of liquidity and unencumbered assets amongst entities, both within the EEA Member States and in third countries;

e) investment firms shall consider different liquidity risk mitigation tools, including a system of limits and liquidity buffers in order to be able to withstand a range of different stress events and an adequately diversified funding structure and access to funding sources; those arrangements shall be reviewed regularly, at least once a year;

f) alternative scenarios on liquidity positions and on risk mitigants shall be considered and the assumptions underlying decisions concerning the funding position shall be reviewed at least once a year by the investment firm's management body in its managerial function, with the proviso that for these purposes, alternative scenarios shall address, in particular, off-balance sheet items and other contingent liabilities, including those of other special purpose entities, in relation to which the investment firm acts as sponsor or provides material liquidity support;

g) investment firms shall consider the potential impact of institution-specific, market-wide and combined alternative scenarios; different time horizons and varying degrees of stressed conditions shall be considered;

h) investment firms shall adjust their strategies, internal policies and limits on liquidity risk and develop effective contingency plans, taking into account the outcome of the alternative scenarios referred to in Paragraph *f)*;

i) in order to deal with liquidity crises, investment firms shall have in place contingency plans - approved by the management body in its managerial function - setting out adequate strategies and proper implementation measures in order to address possible liquidity shortfalls, including in relation to branches established in another EEA Member State; those plans shall be tested at least once a year, updated on the basis of the outcome of the alternative scenarios set out in Paragraph *f)*; and

j) investment firms shall take the necessary operational steps in advance to ensure that liquidity recovery plans can be implemented immediately. Such operational steps shall include holding collateral immediately available for central bank funding, where this includes holding collateral where necessary in the currency in which the investment firm has exposures.

(3)[1]

(4) Investment firms shall develop their liquidity risk profile taking into account the nature, scale and complexity of their activities.

(5) The Authority shall monitor developments in relation to liquidity risk profiles of investment firms developed in accordance with Subsection (4). Where developments referred to above effect the safe operation of the investment firm or may lead to instability in the financial intermediary system, the Authority shall take effective action.

(6)[2] For the purposes of Subsection (1), investment firms shall consider holding professional indemnity insurance as an effective tool in their management of risks.

(7)[3] For the purposes of Subsection (1), material sources of risk to the investment firm itself shall include, if relevant, material changes in the book value of assets, including any claims on tied agents, the failure of clients or counterparties, positions in financial instruments, foreign currencies and commodities, and obligations to defined benefit pension schemes.

(8)[4] Investment firms shall ensure to have own funds even in cases where market risks are not appropriately captured by the capital instruments provided for under the own funds requirements calculated under Article 11 of Regulation 2019/2033/EU.

(9)[5] Where investment firms need to wind down or cease their activities, the Authority shall require that investment firms, by taking into account the viability and sustainability of their business models and strategies, give due consideration to requirements and necessary resources which are realistic, in terms of timescale and maintenance of own funds and liquid resources, throughout the process of exiting the market.

Section 101/A[6]

Recovery Plan[7]

1 Repealed by Paragraph c) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
2 Established by Subsection (1) of Section 23 of Act CX of 2020, effective as of 26 June 2021.
3 Established by Subsection (1) of Section 23 of Act CX of 2020, effective as of 26 June 2021.
4 Established by Subsection (1) of Section 23 of Act CX of 2020, effective as of 26 June 2021.
5 Enacted by Subsection (2) of Section 23 of Act CX of 2020, effective as of 26 June 2021.
6 Title and Section repealed by Paragraph d) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
7 Enacted by Section 96 of Act LXXXV of 2015, effective as of 7 July 2015.

Section 102[1]

(1)[2] Each investment firm,

a) which is not covered by supervision on a consolidated basis, or

b) which is specifically required upon the review of the group recovery plan,

shall have in place a recovery plan proportionate to the nature, scale and complexity of the risks inherent in the business model and the institution's investment service activities and ancillary services.

(2) The investment firm shall submit the recovery plan to the Authority after it is approved by its management body in its managerial function.

(3)[3] The recovery plan shall, having regard to the potential impact the investment firm's insolvency may have on the financial markets stemming from its ties to the financial intermediary system, contain the following:

a) a summary of the key components of the plan, any significant changes relative to the previous plan, and the overall recovery capacity of the investment firm;

b) a communication and information plan for addressing adverse reactions in the market;

c) definition of investment firm's critical functions;

d) arrangements designed to ensure a service level of the investment firm's critical functions having regard to liquidity and solvency;

e) an estimated time frame for each and every major action set out in the plan;

f) description of circumstances which may constitute hindrances for the implementation of the plan, including the impact they may have on counterparties, contractual partners and, if the investment firm is subject to supervision on a consolidated basis, on other members of the group;

g) procedures for determining the value, and the marketability of the investment firm's core business lines, processes and assets, including the measures required for their marketing and an estimated time frame for the implementation thereof;

h) description of the articulation of the recovery plan with the investment firm's governance arrangements, including the lines of responsibilities related to the development and implementation of the plan;

i)[4] policies and measures proposed for compliance with the own funds requirement, including the provision of group financial support;

j) rules and measures designed to ensure that the investment firm has adequate access to sources of funding in case of crises;

k) rules and measures for restructuring the investment firm's liabilities;

l) rules and measures for restructuring the investment firm's main business lines;

m) rules and measures for maintaining access to payment and settlement systems and other infrastructures;

n) preparatory steps taken or proposed by the investment firm with a view to promoting the implementation of the recovery plan, including the review of rules restricting a decision for any potential increase of the investment firm's capital;

o) an analysis of how and when the investment firm may apply, in the conditions addressed by the plan, for the use of emergency liquidity assistance from the MNB acting within its central banking duties, including those assets which would be expected to qualify as collateral;

p) the proposed steps the investment firm is to take upon the occurrence of events invoking the measures, exceptional measures of the Authority;

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1 Established by Subsection (4) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
2 Established by Section 97 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Amended by Paragraph b) of Subsection (1) of Section 117 of Act LXXXV of 2015.
4 Established by Subsection (1) of Section 62 of Act CXXVI of 2018. Amended by Point 8 of Section 44 of Act CX of 2020.

q) conditions and procedures included in the recovery plan to ensure the timely implementation of recovery actions by the investment firm;

r) alternative scenarios of severe macroeconomic stress relevant to the investment firm's specific conditions, including any systemic crisis in the financial intermediary system.

(4) The investment firm shall review the recovery plan at least once a year, and after every legal or organizational changes in the investment firm, including changes in its activities or financial situation, that may substantially affect the implementation of the recovery plan.

(5) Recovery plans shall not assume that the investment firm has any access to or receives extraordinary public financial support.

(6) The recovery plan shall include a framework of indicators which identifies the points at which the investment firm may take appropriate actions referred to in the plan. The indicators may be of a qualitative or quantitative nature relating to the investment firm's financial position, with the proviso that the investment firm is to ensure that such indicators shall be capable of being monitored easily.

(7) Subsection (6) notwithstanding, the investment firm may:

a) take action under its recovery plan where the relevant indicator has not been met, but where the management body in its managerial function considers it to be appropriate in the circumstances;

b) refrain from taking action under its recovery plan where the management body in its managerial function does not consider it to be appropriate in the circumstances of the situation,

with the proviso that the decision shall be notified to the Authority within two working days.

(8) Investment firms subject to supervision on a consolidated basis shall draw up a group recovery plan covering all group entities to whom supervision on a consolidated basis applies.

(8a)[1] The group recovery plan shall aim to achieve the stabilization of the group as a whole when it is in a situation of stress so as to address or remove the causes of the distress and restore the financial position of the group or the investment firm belonging to the group, at the same time taking into account the financial position of other group entities. The group recovery plan shall include arrangements to ensure the coordination and consistency of measures to be taken in respect of the investment firm at the level of the EU parent company, subsidiary investment firm and at the level of significant branches.

(8b)[2] The group recovery plan shall include the scenario provided for in Paragraph *r)* of Subsection (3), with the proviso that in this case the recovery plan shall identify whether there are obstacles to the prompt transfer of the investment firm's own funds, including the transfer of components of the own funds with regard to consolidated own funds requirements.

(9) The investment firm shall submit the group recovery plan to the Authority after it is approved by its management body in its managerial function.

(10) In addition to the group entities' recovery plans, the group recovery plan shall identify measures that may be required to be implemented to prevent the insolvency of the group.

(11) For the purposes of Subsection (3), critical functions shall cover activities, services or operations the discontinuance of which is likely in Hungary or in one or more EEA Member States, to lead to the disruption of the economy or the financial markets due to the size, market share, external and internal interconnectedness, complexity or cross-border activities of an investment firm or group, with particular regard to the limited substitutability of those activities, services or operations.

1 Enacted by Subsection (2) of Section 62 of Act CXXVI of 2018, effective as of 31 December 2019.
2 Enacted by Subsection (2) of Section 62 of Act CXXVI of 2018, effective as of 31 December 2019.

Trading Book

Sections 103-104[1]

Basic Prudential Requirements Relating to Investment Firms[2]

Section 105[3]

(1) Investment firms, in compliance with prudential requirements, shall manage the funds placed in their custody as well as its own resources so as to maintain liquidity and solvency at all times.
(2)[4]
(3) Investment firms shall maintain liquidity at all times.
(4) The investment firm shall provide for its obligations described in Subsection (3) by close approximation of the dates of maturity and the sums of its receivables and payables, and through compliance with regulations relating to the system of governance and the assessment of risks, having regard to the nature, scale and risks of the activities it performs.
(5)[5]

Section 105/A[6]

Section 106

(1)[7] Investment firms shall have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of the risks to which they are or might be exposed in connection with the performance of investment service activities or the provision of ancillary services.
(2) The strategies and processes referred to in Subsection (1) shall be subject to regular internal review, at least once a year, to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the investment firm concerned.
(3)[8] In documenting the strategy and procedure specified in Subsection (1) hereof, investment firms shall take account of the requirement set out in Subsection (2a) of Section 18.
(4)[9]
(5)[10]

1 Repealed by Paragraph a) of Section 112 of Act CCXXXVI of 2013, effective as of 1 January 2014.
2 Established by Section 92 of Act CCXXXVI of 2013, effective as of 1 January 2014.
3 Established by Section 93 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Repealed by Paragraph e) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
5 Repealed by Section 21 of Act CXLV of 2017, effective as of 3 January 2018.
6 Repealed by Paragraph a) of Section 112 of Act CCXXXVI of 2013, effective as of 1 January 2014.
7 Established by Subsection (1) of Section 94 of Act CCXXXVI of 2013. Amended by Point 10 of Section 44 of Act CX of 2020.
8 Established by Section 24 of Act CX of 2020, effective as of 26 June 2021.
9 Repealed by Paragraph f) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
10 Repealed by Paragraph f) of Section 45 of Act CX of 2020, effective as of 26 June 2021.

Section 107[1]

(1) The Authority may decide to order - by formal decision - an investment firm that carries out the activity listed in Paragraph *c)* or *f)* of Subsection (1) of Section 5, where the total value of the consolidated assets of the investment firm is equal to or exceeds five billion euro, calculated as an average of the previous twelve months, to apply the requirements of Regulation 575/2013/EU if:

a) the investment firm carries out those activities on such a scale that the failure or financial problems of the investment firm could lead to systemic risk;

b) the investment firm is a clearing member; or

c) the Authority considers it to be justified in light of the size, nature, scale and complexity of the activities of the investment firm concerned.

(2) In the case of Paragraph *c)* of Subsection (1), the Authority shall take into account the principle of proportionality having regard to:

a) the importance of the investment firm for the economy of the European Economic Area or Hungary;

b) the significance of the investment firm’s cross-border activities; or

c) the interconnectedness of the investment firm with other actors of the financial system.

(3) If the Authority orders an investment firm in accordance with Subsection (1) to apply Regulation 575/2013/EU, that investment firm shall be supervised for compliance with prudential requirements under Chapters VI and IX of the CIFE.

(4) The Authority shall revoke its decision referred to in Subsection (1) immediately if the total value of the consolidated assets of the investment firm no longer exceeds five billion euro calculated as an average of the previous twelve months.

Front Running by Executive Employees and Other Relevant Persons

Section 108[2]

In connection with investment firms, the relevant person defined in Article 2(1) of Commission Delegated Regulation 2017/565/EU shall apply the provisions set out in Article 29 of Commission Delegated Regulation 2017/565/EU to his personal transaction provided for in Article 28 of Commission Delegated Regulation 2017/565/EU.

Section 109[3]

Conflict of Interest

Section 110[4]

(1) Investment firms shall - having regard to Articles 33-35 of Commission Delegated Regulation 2017/565/EU - identify, prevent and manage:

a) conflicts of interest between themselves, including their managers, employees and tied agents, or any person directly or indirectly linked to the investment firm by control and their clients; or

1 Established by Section 25 of Act CX of 2020, effective as of 26 June 2021.
2 Established by Section 97 of Act LXIX of 2017, effective as of 3 January 2018.
3 Repealed by Paragraph i) of Subsection (2) of Section 135 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Section 98 of Act LXIX of 2017, effective as of 3 January 2018.

b) conflicts of interest between one client and another client of the investment firm; adversely affecting the interest of its client and that arise in the course of providing any investment and ancillary services, or combinations thereof, including those caused by the receipt of inducements from third parties or by the investment firm's own remuneration and other incentive structures.

(2) Investment firms are required to establish a policy for the purposes of avoiding, disclosing and managing conflicts of interest adversely affecting the interest of its client (hereinafter referred to as "conflict of interest policy") provided for in Article 34 of Commission Delegated Regulation 2017/565/EU, subject to approval by the management body, or the board of directors. Where the investment firm is a member of a group, the policy must also take into account any circumstance which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the group.

Chapter XX/A[1]

Sections 110/A-110/L[2]

Chapter XX/B[3]

INTRA-GROUP FINANCIAL SUPPORT[4]

Group Financial Support Agreement[5]

Section 110/M[6]

(1) Investment firms subject to supervision on a consolidated basis and all other entities covered by supervision on a consolidated basis may enter - in accordance with this Chapter - into a group financial support agreement under which a party to the agreement is to provide financial support to any other party to the agreement affected by the measures, exceptional measures to be taken by the Authority - including the measures, exceptional measures taken by the competent supervisory authority of any other EEA Member State - upon the occurrence of events invoking such measures, exceptional measures.

(2) The provisions of this Chapter shall not apply:

a) to intra-group financing agreements, and

b) to financial support provided on a case-by-case basis if it does not represent a risk for the whole group.

(3) The group financial support agreement may cover one or more subsidiaries of the group which are covered by supervision on a consolidated basis, and may provide:

a) for financial support from the parent company to subsidiaries,

1 Repealed by Paragraph g) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
2 Repealed by Paragraph g) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
3 Enacted by Subsection (5) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
4 Enacted by Subsection (5) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
5 Enacted by Subsection (5) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
6 Enacted by Subsection (5) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.

b) for financial support from subsidiaries to the parent company,
c) for financial support between subsidiaries of the group.

(4) Financial support may be provided under a group financial support agreement in the form of a loan, the provision of guarantees or the provision of assets for use as collateral.

(5) Where, in accordance with the terms of the group financial support agreement, a group entity is permitted to provide financial support to another group entity, the agreement may include a reciprocal agreement by the group entity receiving the support to provide financial support to the group entity providing the support.

(6) The group financial support agreement shall specify the principles for the calculation of the consideration, for any transaction made under it, with the proviso that the consideration shall be set at the time of the provision of financial support.

(7) The group financial support agreement shall comply with the following principles:

a) each party to the group must be acting freely in entering into the agreement;
b) in entering into the agreement and in determining the consideration for the provision of financial support, each party to the group must be acting in its own best interests which may take account of any direct or any indirect benefit that may accrue to a party as a result of provision of the financial support;
c) each party providing financial support must have full disclosure of relevant information from any party receiving financial support prior to determination of the consideration for the provision of financial support and prior to any decision to provide financial support;
d) the consideration for the provision of support may take account of information in the possession of the party providing financial support based on it being in the same group as the party receiving support and which is not available to the market; and
e) the principles for the calculation of the consideration for the provision of support are not obliged to take account of any anticipated temporary impact on market prices arising from events external to the group.

(8) The group financial support agreement may only be concluded if, at the time the proposed agreement is made, none of the parties meets the conditions where the respective competent supervisory authorities are to take measures, exceptional measures.

Section 110/N[1]

(1) The group financial support agreement may be concluded subject to the decision of the competent supervisory authority of the EEA Member State where the parent investment firm is established, with the proviso that:

a) the application shall be submitted by the parent investment firm established in an EEA Member State to the competent supervisory authority of the EEA Member State where it is established,
b) the application is accompanied by a draft of the group financial support agreement and it indicates those group entities that are a party to the agreement,
c) the provisions provided for in Section 173/A relating to multi-party proceedings submitted to the Authority for a cross-border group shall apply subject to the derogations provided for in this Section.

(2) If the Authority exercises supervision of the parent investment firm established in an EEA Member State:

a) it shall immediately forward the application specified in Subsection (1) to the competent supervisory authority of each subsidiaries that are a party to the draft agreement,
b) in accordance with the procedures laid down in Subsections (3)-(5)

1 Established by Section 63 of Act CXXVI of 2018, effective as of 29 December 2018.

ba) it shall authorize the conclusion of the group financial support agreement if the terms and conditions laid down in the draft agreement meet the requirements set out in Section 110/O,

bb) it shall refuse the conclusion of the group financial support agreement if the terms and conditions laid down in the draft agreement fail to meet the requirements set out in Section 110/O.

(3) The Authority shall do everything within its power to reach a decision within four months from the time of receipt of the application - or the have a decision made within the framework of multi-party proceedings in the case of cross-border groups - whether the terms and conditions laid down in the draft agreement meet the requirements set out in Section 110/O, taking into account the potential impact the implementation of the agreement may have in all EEA Member States where the group operates, including fiscal implications.

(4) If the Authority exercises supervision of the parent investment firm established in an EEA Member State and a decision cannot be made in multi-party proceedings within four months in the absence of consent among the competent supervisory authorities of the EEA Member States involved, the decision on application shall be made by the Authority. In the reasons for the decision the Authority shall address the views and reservations of the competent supervisory authorities of other EEA Member States involved.

(5)[1] The Authority shall suspend the decision-making process until the EBA has taken a decision if during the four-month period the competent supervisory authority of any EEA Member State involved in the proceedings refers the matter to the EBA and request its assistance in accordance with Article 19 of Regulation (EU) No. 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority) (hereinafter referred to as “Regulation 1093/2010/EU”), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/78/EC. The matter shall not be referred to the EBA after the end of the four-month period or after a decision has been reached within the framework of multi-party proceedings.

(6) Following the decision made by the competent supervisory authority of the EEA Member State where the parent investment firm is established, the proposed group financial support agreement shall be submitted for approval to the owners - subject to two-third majority - of every group entity that proposes to enter into the agreement, with the proviso that the agreement shall be valid only in respect of those parties whose owners have approved the agreement, and owner authorization has not been revoked.

(7) The management body in its managerial function of each entity that is a party to the agreement shall report each year to the owners on the performance of the agreement, and on the implementation of any decision taken pursuant to the agreement.

Conditions for the Provision of Group Financial Support[2]

Section 110/O[3]

Financial support by a group entity under a group financial support agreement may only be provided if all the following conditions are met:

a) there is a reasonable prospect that the support provided significantly redresses the financial difficulties of the group entity receiving the support;

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1 Amended by Point 9 of Section 44 of Act CX of 2020.
2 Enacted by Subsection (5) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
3 Enacted by Subsection (5) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.

b) the provision of support has the objective of preserving or restoring the financial stability of the group as a whole or any of the entities of the group and is in the interests of the group entity providing the support;

c) there is a reasonable prospect, on the basis of the information available to the management body in its managerial function of the group entity providing support at the time when the decision to grant support is taken, that the consideration for the support will be paid;

d) the provision of the support would not jeopardize the liquidity or solvency of the group entity providing the support, or the financial stability of the EEA Member State of the group entity providing support;

e) the group entity providing the support complies, at the time when the support is provided, with regulations relating to prudential requirements, including the requirements relating to large exposures; and

f) the provision of the support would not undermine the resolvability of the group entity providing the support.

Section 110/P[1]

(1) The decision to provide group financial support in accordance with the agreement shall be approved by the management body in its managerial function of the group entities receiving support.

(2) That approval shall indicate the objective of the proposed financial support, and shall specify that the provision of the support complies with the conditions laid down in Section 110/O.

Section 110/Q[2]

(1) The provision of support shall be authorized by the competent supervisory authority.

(2)[3] If support is to be provided by a group entity established in Hungary, authorization shall be granted by the Authority, where the entity requesting authorization shall notify the competent supervisory authority of the group entity receiving the financial support, the supervisory authority and the resolution authority of the EU parent investment firm, the MNB acting within its resolution function, and the EBA. The application and the notification shall include the requirements set out in Subsection (2) of Section 110/P.

(2a)[4] If the Authority, acting as the supervisory authority of the parent investment firm established in an EEA Member State or the investment firm that is a party to the group financial support agreement, has objections regarding the decision to prohibit or restrict the financial support, it may within two days of being informed of the decision refer the matter to the EBA and request its assistance.

(3) The Authority shall decide on the application within five working days.

(4)[5] The decision of the Authority shall be notified to the competent supervisory authority of the group entity receiving the support, the supervisory authority of the EU parent investment firm, and the EBA.

Chapter XXI

1 Enacted by Subsection (5) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
2 Enacted by Subsection (5) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
3 Amended by Paragraph g) of Section 72 of Act CXXVI of 2018.
4 Enacted by Section 64 of Act CXXVI of 2018, effective as of 29 December 2018.
5 Amended by Paragraph h) of Section 72 of Act CXXVI of 2018.

MISCELLANEOUS AND SPECIAL PROVISIONS RELATING TO THE ACTIVITIES OF INVESTMENT FIRMS AND COMMODITY DEALERS

Provisions Relating to Intermediaries and the Activities of Intermediaries

Section 111

(1) Investment firms and commodity dealers may carry out investment service activities or provide commodity exchange services through intermediaries.
(2) The following may function as the intermediaries referred to in Subsection (1):
a) tied agents; and
b) investment firms.
(3) Investment firms and commodity dealers shall bear full responsibility for the activities of their intermediaries, and for compliance with the provisions of this Act.

Section 112

(1) An investment firm may enter into an agreement in accordance with Subsection (1) of Section 111:
a)[1] with a tied agent who has a registered office, permanent or temporary residence in the territory of Hungary, and who is listed in the Authority's register described in Subsection (2) of Section 159; or
b) with a tied agent who has a registered office, permanent or temporary residence in another EEA Member State, who is authorized by the competent supervisory authority of the country where established for the activities in question, or who is registered by the Authority under Subsection (3) of Section 159.
(2) Commodity dealers may conclude the agreement referred to in Subsection (1) of Section 111 with a tied agent covered by Paragraph *a)* of Subsection (1) of this Section.

Section 113[2]

Upon entering into an agreement with an investment firm for the mediation of investment service activities, ancillary services, or commodity exchange services, investment firms and commodity dealers shall notify the Authority thereof within five working days following the conclusion of the agreement, accompanied by a copy of the contract for such services.

Section 114

(1) Subject to the exception set out in Subsection (2), activities for the intermediation of investment service activities, ancillary services, or commodity exchange services may be carried out by a tied agent, acting as such, who is listed in the Authority's register described in Subsection (2) of Section 159 and who is able to meet the conditions set out in Sections 111-116.

1 Amended: by subparagraph b) paragraph (2) Section 178 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
2 Established by Section 58 of Act CCXV of 2015, effective as of 1 January 2016.

(2)[1] Intermediaries established in other EEA Member States may engage in operations in the territory of Hungary in the form of cross-border services, or may set up a branch if authorized by the competent supervisory authority of the country where established for the activities in question, or if registered by the Authority under Subsection (3) of Section 159.

(3) The Authority shall register - upon request - any tied agent who is able to meet the conditions laid down in this Act and in specific other legislation adopted by authorization of this Act.

(4) Persons applying for registration are required to enclose the following with their applications:

a)[2] personal identification data;

b) a description of the investment service activities, ancillary services or commodity exchange services to which the proposed intermediary activity pertains;

c) a statement declaring his intention to function as a tied agent; and

d) documents to support the requirements set out in Section 116;

e)[3] the agreement concluded with the principal.

(4a)[4] If the applicant is a Hungarian citizen or an entity other than a natural person established in Hungary, the documents for verifying the details specified in Paragraph *d)* of Subsection (4) shall be obtained by the Authority.

(5) The Authority shall refuse the application for registration defined in Subsection (3) if the applicant:

a) fails to comply with the requirements set out in this Act or in specific other legislation adopted by authorization of this Act;

b) fails to provide sufficient and reliable proof of compliance with the requirements mentioned in Paragraph *a)*; or

c) has provided any information that is misleading or false.

(6) The Authority shall remove a tied agent from the register if:

a) the tied agent no longer satisfies the conditions prescribed for registration;

b) the tied agent violates any relevant statutory provision repeatedly or seriously; or

c) the tied agent was registered by way of misleading the Authority;

d)[5] the investment firm or commodity dealer notifies under Paragraph *e)* of Subsection (1) of Section 123 the termination of the contract with the intermediary.

Section 115

(1) The tied agent mentioned under Paragraph *a)* of Subsection (2) of Section 111 may engage at any given time with only one investment firm or commodity dealer for the intermediation of investment service activities, ancillary services, or commodity exchange services.

(2) The restriction prescribed in Subsection (1) relating to tied agents:

a) shall not apply in connection with any agency or intermediary activities governed under specific other legislation, if that other legislation fails to provide otherwise; and

b) shall not apply in the case where the tied agent:

ba) is not involved in handling client financial instruments and client funds;

bb) is involved solely in carrying out investment service activities specified under Paragraphs *a)* and *e)* of Subsection (1) of Section 5 relating to collective investment instruments issued by collective investment trusts; and

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1 Amended: by subparagraphs c) and f) paragraph (2) Section 178 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
2 Established: by Section 136 of Act CL of 2009. In force: as of 26. 12. 2009.
3 Enacted by Subsection (1) of Section 99 of Act LXXXV of 2015, effective as of 7 July 2015. Amended by Paragraph d) of Section 65 of Act CCXV of 2015.
4 Enacted by Subsection (10) of Section 310 of Act L of 2017, effective as of 1 January 2018.
5 Enacted by Subsection (2) of Section 99 of Act LXXXV of 2015, effective as of 7 July 2015.

bc) is involved in mediating services under Paragraph *a)* of Subsection (1) of Section 5 solely to investment firms, non-resident investment firms, credit institutions, non-resident credit institutions or to collective investment trusts whose securities had been admitted to trading in a regulated market.

(3) Intermediary services to several investment firms or commodity dealers relating to investment service activities, ancillary services, or commodity exchange services may be provided under contract only by investment firms.

(4)[1] A tied agent may employ another intermediary for the mediation of investment service activities, ancillary services, or commodity exchange services, however, an intermediary employed by a tied agent may not employ any other intermediaries. Investment firms and commodity dealers shall bear full responsibility for the activities of their tied agents and for the intermediaries employed by such tied agents, for compliance with the provisions of this Act, and also for damages resulting from the mediation of investment service activities, ancillary services, or commodity exchange services. The registration rules covering tied agents shall also apply to any other intermediary employed, on the understanding that any reference made to tied agents shall also be construed as other intermediaries.

(5) A tied agent may hire an operator relating to the mediation of investment service activities, ancillary services, or commodity exchange services only if the activities of such an operator are not in themselves construed as being activities for the mediation of investment service activities, ancillary services, or commodity exchange services.

(6) The intermediaries referred to in Subsection (2) of Section 111 shall inform the investment firm or commodity dealer acting as their prospective employer in accordance with Subsection (1) of Section 111 prior to signature of the relevant contract as to:

a) whether they propose to carry out intermediation activities as a tied agent or an investment firm, acting as such; and

b) the investment firm or commodity dealer in whose name they are acting.

Section 116

(1) Natural persons acting as tied agents must satisfy the following requirements:

a)[2] they shall provide proof - having regard to Subsection (6) of Section 22 - of having no prior criminal record with respect to the criminal offenses specified in Subsection (5) of Section 22;

b)[3] shall not be restrained by final peremptory decision from exercising their profession;

c) they shall not have been found guilty of any misconduct or infringement of any legal regulation pertaining to investment service activities or ancillary services, or commodity exchange services, or statutory internal policies by the Authority or any competent supervisory authority of other EEA Member States during the past three years.

(2)[4] A tied agent incorporated as a business association may be contracted for investment service activities, ancillary services, or commodity exchange services if he was not found guilty of any misconduct or infringement of any regulation pertaining to investment service activities or ancillary services, or commodity exchange services, or for any infringement of statutory internal policies by the Authority or any competent supervisory authority of other EEA Member States during the past three years.

1 Established by Section 100 of Act LXXXV of 2015, effective as of 7 July 2015.
2 Established by Subsection (11) of Section 310 of Act L of 2017, effective as of 1 January 2018.
3 Established by Section 137 of Act CL of 2009. Amended by Paragraph a) of Section 259 of Act CXCVII of 2017.
4 Established by Subsection (5) of Section 165 of Act CCLII of 2013, effective as of 15 March 2014.

Section 116/A[1]

(1) Investment firms, commodity dealers and intermediaries shall keep internal records on natural persons giving investment advice or information about financial instruments, investment services or ancillary services to clients under contract of employment or any other work-related contractual relationship with the investment firm, commodity dealer or intermediary.

(2) Investment firms, commodity dealers and intermediaries shall admit into internal records kept on the persons referred to in Subsection (1) a person who:

a)[2] has no prior criminal record and is not restrained by final peremptory decision from practicing his profession;

b) has not been sanctioned by the Authority within a period of five years previously above the penalty of reprimand established by final public resolution;

c) has the necessary professional qualifications prescribed by this Act, and/or the skills and competences provided for by the MNB Decree adopted under authorization by this Act.

Confidentiality Requirements

Section 117[3]

(1) Investment firms and commodity dealers, and:

a) any person holding an interest in;

b) any person proposing to acquire an interest in;

c) senior executives of; and

d) employees of;

e)[4] the certification body, including its subcontractor, hired by an investment firm or commodity dealer, received such confidential information in carrying out the certification process;

investment firms and commodity dealers, and any other person affected shall keep any business secrets made known to them confidential without any time limitation, with the exceptions set out in Subsections (2) and (3).

(2) The obligation of confidentiality described in Subsection (1) shall not apply in respect of:

a) the supervisory authority;

b) the Befektető-védelmi Alap (*Investor Protection Fund*);

c) the MNB;

d) the Állami Számvevőszék (*State Audit Office*);

e) the state tax authority;

f) the Gazdasági Versenyhivatal (*Hungarian Competition Authority*);

g) the Government oversight agency which controls the legality and rationality of the use of central budget funds;

h) the national security service;

i) the internal affairs division that investigates professional misconduct and criminal acts and the anti-terrorist organization defined by the Act on the Police; and

j) the national financial intelligence unit.

(2a)[5] Data transfers under Section 164/B of the CIFE shall not constitute a breach of confidentiality obligation provided for in Subsection (1).

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1 Established by Section 99 of Act LXIX of 2017, effective as of 1 July 2017.
2 Amended by Paragraph a) of Section 259 of Act CXCVII of 2017.
3 Established by Section 29 of Act CIV of 2014, effective as of 1 January 2015.
4 Enacted by Section 36 of Act CLXXXII of 2016, effective as of 28 December 2016.
5 Enacted by Section 14 of Act CXLV of 2017, effective as of 21 November 2017.

(3)[1] The obligation of confidentiality described in Subsection (1) shall not apply concerning the grounds for procedure, in respect of:

a)[2] the public prosecutor's office, investigating authority acting within the scope of criminal proceedings, and the body conducting preliminary proceedings;

b) the courts acting in criminal cases and civil cases connected with estate, or in bankruptcy, liquidation and involuntary de-registration proceedings as well as in proceedings of local governments of communities for settlement of debts; and

c) the European Anti-Fraud Office (OLAF) monitoring the protection of the Community's financial interests.

(4)[3] Compliance with the reporting obligation to the trade repository provided for in Regulation 596/2014/EU and in its supplementary regulations, in connection with the prevention and identification of market abuse, registered or recognized within the meaning of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (hereinafter referred to as "Regulation No. 648/2012/EU of the European Parliament and of the Council") shall not constitute a breach of confidentiality concerning business secrets.

(5) Any information that is declared by specific other legislation to be information of public interest or public information and as such is rendered subject to disclosure may not be withheld on the grounds of being treated as a business secret.

(6) Any document retrieved from the files of an investment firm or a commodity dealer that has been dissolved without succession, which document contains any business secrets, may be used for archive research projects after sixty years from the date when they were created.

(7) By virtue of the obligation of secrecy, no facts, information, know-how or data within the sphere of business secrets may be disclosed to third parties beyond the scope defined in this Act without the consent of the investment firm concerned, or used beyond the scope of official responsibilities.

(8) The confidentiality requirement pertaining to business secrets shall not be considered violated, where such secrets are disclosed for the purpose of compliance with the provisions of the CIFE and this Act on consolidated supervision, or with the provisions of the Act on the Supplementary Supervision of Financial Conglomerates.

(9) The disclosure made by the MNB, acting within its resolution function, to the independent valuer provided for in the Act on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System, or to the person participating in provisional valuation, for the purposes of valuation, the disclosure of data and information to potential bidders in order to perform the sale of business, and the disclosure of data and information to a purchaser that is not a bridge institution in order to perform the sale of business, shall not be construed as violation of business secrets.

(10)[4] Data disclosures made by the Authority in compliance with Paragraph *c)* of Subsection (1) of Section 57 and/or Subsection (2) of Section 140 of the MNB Act shall not be construed as violation of securities secrets.

(11)[5] The disclosure of confidential information by the Authority in the course of its duties in summary or aggregate form, provided that individual investment firms or persons cannot be identified, shall not be construed as a breach of business secrecy.

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1 Amended by Section 260 of Act CXCVII of 2017.
2 Established by Section 257 of Act CXCVII of 2017, effective as of 1 July 2018.
3 Established by Section 61 of Act LIII of 2016. Amended by Paragraph l) of Section 134 of Act LXIX of 2017, Paragraph i) of Section 72 of Act CXXVI of 2018.
4 Enacted by Section 59 of Act CCXV of 2015, effective as of 1 January 2016.
5 Enacted by Section 26 of Act CX of 2020, effective as of 26 December 2020.

(12)[1] For the purpose of performing its supervisory tasks and for the purpose of exchanging information, within the framework of international cooperation the Authority may conclude cooperation arrangements with third-country authorities or bodies responsible for the following tasks, provided that the information disclosed is subject to guarantees of professional secrecy that are at least equivalent to those of Hungary:

a) the liquidation and bankruptcy of investment firms and other insolvency procedures;

b) oversight of the bodies involved in the liquidation and bankruptcy of investment firms and similar procedures;

c) the carrying out of statutory audits of financial institutions or institutions which administer compensation schemes;

d) oversight of persons charged with carrying out statutory audits of the accounts of financial institutions;

e) oversight of persons active on emission allowance markets for the purpose of ensuring a consolidated overview of financial and spot markets; and

f) oversight of persons active on agricultural commodity derivatives markets for the purpose of ensuring a consolidated overview of financial and spot markets.

Section 118

(1) Investment firms and commodity dealers, and the executive officers and employees of investment firms and commodity dealers, and any other person affected shall keep confidential any securities secrets made known to them in any way without any limitation in time.

(2) Investment firms and commodity dealers may disclose securities secrets to third parties, upon notifying the client affected, only if:

a)[2] so requested by the client to whom it pertains, or his lawful representative in an authentic instrument or in a private document representing conclusive evidence expressly indicating the particular data, which are considered securities secrets, to be disclosed; it is not necessary to make the request in an authentic instrument or in a private document representing conclusive evidence if the client provides a statement to that effect as an integral part of the contract with the investment firm or commodity dealer;

b) the regulations contained in Subsections (3)-(4) and (7) provide an exemption from the requirement of confidentiality concerning securities secrets; or

c) deemed necessary in light of the interests of the investment service provider or commodity dealer for selling its receivables due from the client or for the enforcement of its outstanding receivables.

(3)[3] The confidentiality requirement under Subsection (1) shall not apply to:

a)[4] the Befektető-védelmi Alap (*Investor Protection Fund*), the Országos Betétbiztosítási Alap (*National Deposit Insurance Fund*), the MNB, the Állami Számvevőszék (*State Audit Office*) and the Gazdasági Versenyhivatal (*Hungarian Competition Authority*) when acting within the scope of their powers and duties;

b)[5] operators on the regulated markets, operators of multilateral trading facilities, the central counterparty, the central securities depository, the Government oversight agency exercising its supervisory competence specified in Subsection (1) of Section 63 of the PFA, and the European Anti-Fraud Office (OLAF) monitoring the appropriation of European Union financial assistance, when the above are acting within the scope of their duties conferred by law;

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1 Enacted by Section 26 of Act CX of 2020, effective as of 26 December 2020.
2 Established by Subsection (1) of Section 98 of Act CCXXXVI of 2013, effective as of 1 January 2014.
3 Amended by Paragraph b) of Section 259 of Act CXCVII of 2017.
4 Established: by Section 109 of Act CXLIII of 2013. In force: as of 1. 10. 2013.
5 Established by Section 102 of Act LXXXV of 2015, effective as of 1 January 2016.

c) notaries public in connection with probate proceedings, and the guardian authority acting in an official capacity;

d) bankruptcy trustees, liquidators, financial trustees, bailiffs and receivers, in connection with bankruptcy proceedings, liquidation proceedings, judicial enforcement procedures, local government debt consolidation procedures, and in connection with a voluntary dissolution proceeding;

e)[1] the public prosecutor's office, investigating authority acting within the scope of criminal proceedings, and the body conducting preliminary proceedings;

f) the court acting in criminal or civil cases, bankruptcy and liquidation proceedings and in the framework of local government debt consolidation procedures;

g)[2] the agencies authorized to conduct covert information gathering operations if the conditions prescribed in specific other legislation are provided for;

h) the national security service acting within the scope of duties conferred upon it by law, based upon the special permission of the director-general;

i) tax authorities and the customs authorities in the framework of their procedures to monitor compliance with tax, customs and social security payment obligations, and for the implementation of an enforcement order issued for such debts;

j)[3] the Commissioner for Fundamental Rights when acting in an official capacity;

k)[4] the Nemzeti Adatvédelmi és Információszabadság Hatóság (*National Authority for Data Protection and Freedom of Information*) acting in an official capacity;

l)[5] the principal creditor involved in debt consolidation procedures of natural persons, the Családi Csődvédelmi Szolgálat (*Family Bankruptcy Protection Service*), the family administrator and the courts;

m)[6] the authority maintaining a register of liquidator companies when acting within the scope of its duties relating to the registration and supervision of liquidator companies provided for in the Act on Bankruptcy Proceedings and Liquidation Proceedings;

n)[7] the Magyar Könyvvizsgálói Kamara (*Chamber of Hungarian Auditors*) in connection with any disciplinary proceedings the Magyar Könyvvizsgálói Kamara has opened against the present or former auditor of an investment firm or commodity dealer providing statutory audit services, and to the bar association in connection with monitoring the attorney's compliance with the provisions on safe custody services, and/or in connection with any preliminary inquiry, regulatory chamber action and disciplinary proceedings opened against an attorney;

when these bodies make a data request or written inquiry to the investment firm or commodity dealer concerned.

(4) Furthermore, the confidentiality requirement under Subsection (1) shall not apply:

a) where the state tax authority makes a written request for information from an investment firm or commodity dealer on the strength of a written request made by a foreign tax authority pursuant to an international agreement, provided that the request contains a confidentiality clause signed by the foreign authority;

b) where the Authority requests or supplies information in accordance with a cooperation agreement with a foreign supervisory authority, provided that the cooperation agreement or the foreign supervisory authority's request contains a signed confidentiality clause;

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1 Established by Section 258 of Act CXCVII of 2017, effective as of 1 July 2018.
2 Amended by Paragraph c) of Section 259 of Act CXCVII of 2017.
3 Established: by Section 7 of Act CLXXXVI of 2012. In force: as of 1. 12. 2012. Amended: by paragraph (8) Section 23 of Act CLXXXIII of 2013. In force: as of 19. 11. 2013.
4 Established: by paragraph (4) Section 80 of Act CXII of 2011. In force: as of 1. 01. 2012.
5 Enacted by Section 118 of Act CV of 2015, effective as of 1 September 2015.
6 Enacted by Section 45 of Act XLIX of 2017, effective as of 1 July 2017.
7 Enacted by Section 27 of Act CX of 2020, effective as of 26 December 2020.

c) where the Hungarian law enforcement agency makes a written request for information from an investment firm or commodity dealer in order to fulfill the written requests made by a foreign law enforcement agency, provided that the request contains a confidentiality clause signed by that foreign law enforcement agency;

d)[1] with respect to data supplied by the Investor Protection Fund to foreign investor protection schemes and foreign supervisory authorities in the manner specified in cooperation agreements if they guarantee equivalent or better legal protection for the processing and use of such data than the protection afforded under the relevant legislation and directly applicable acts of the European Union;

e)[2]

f)[3] when the national financial intelligence unit makes a written request for information from an investment firm or a commodity dealer acting within its powers conferred under the Act on the Prevention and Combating of Money Laundering and Terrorist Financing or in order to fulfill the written requests made by a foreign financial intelligence unit, and also where the investment firm or a commodity dealer is acting to fulfill its obligations relevant to group-wide policies and procedures for combating money laundering and terrorist financing;

g)[4] in respect of disclosures made by providers of investment services and ancillary services and commodity dealers to the tax authority in compliance with the obligation prescribed in Sections 43/B-43/C of Act XXXVII of 2013 on International Administrative Cooperation in Matters of Taxation and Other Compulsory Payments (hereinafter referred to as "IACA") in accordance with Act XIX of 2014 on the Promulgation of the Agreement between the Government of Hungary and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA, and on the Amendment of Certain Related Acts (hereinafter referred to as "FATCA Act");

h)[5] to data disclosed by providers of investment services and ancillary services and commodity dealers to the state tax authority in compliance with the obligation prescribed in Section 43/H of the IACA.

(5) The written request referred to in Subsection (4) shall indicate:

a) the client or group of clients, or the account about whom or which the agencies or authorities specified in Subsection (4) are requesting the disclosure of securities secrets;

b)[6] the type of requested data and the purpose of the request, unless the MNB conducts an on-site inspection.

(5a)[7] The information specified in Subsection (5) need not be indicated in the written request if the Gazdasági Versenyhivatal carries out a site inspection or a site search without prior notice. In these cases the Gazdasági Versenyhivatal shall communicate its request on site.

(6) The bodies and authorities authorized to receive information according to Subsections (3) and (4) shall use such information solely for the purpose indicated in the document requesting the information.

1 Amended by Paragraph b) of Section 68 of Act XXXIV of 2019.
2 Repealed by Section 160 of Act CLIX of 2017, effective as of 1 January 2018.
3 Enacted by paragraph (2) Section 32 of Act LII of 2013. Amended by Paragraph c) of Section 68 of Act XXXIV of 2019.
4 Enacted by Section 13 of Act XIX of 2014, effective as of 16 July 2014.
5 Enacted by Section 10 of Act CXCII of 2015, effective as of 1 January 2016.
6 Established: by Section 110 of Act CXLIII of 2013. In force: as of 1. 10. 2013.
7 Enacted: by Section 96 of Act CCI of 2013. In force: as of 1. 07. 2014.

(7)[1] Furthermore, the obligation of confidentiality under Subsection (1) shall not apply where an investment firm or commodity dealer complies with the obligation of notification prescribed in the Act on the Implementation of Restrictive Measures Imposed by the European Union and the UN Security Council Relating to Liquid Assets and Other Financial Interests.

(8)[2]

(9) Investment firms and commodity dealers may not refuse to disclose securities secrets, relying on their obligation conferred in Subsection (1), in the cases set out in Subsections (2)-(4) and (7) of this Section and in Subsection (1) of Section 119.

(10) Any document retrieved from the files of an investment firm or a commodity dealer that has been terminated without a successor, which document contains any securities secrets, may be used for archive research projects after sixty years from the date when they were created.

(11)[3] All facts, information, solutions or data classified as securities secrets may not be disclosed to any third person, other those authorized under this Act, without the consent of the investment firm and/or the client to whom it pertains, and may not be used for any purposes other than those authorized under this Act.

Section 119

(1)[4] Investment firms and commodity dealers shall satisfy the data requests or written inquiries of the national security service, the public prosecutor's office, the investigating authority and the body conducting preliminary proceedings without delay concerning any client account and the transactions on such account if it is alleged that the account or the transaction is associated with:

a) illegal possession of narcotic drugs;

b) an act of terrorism;

c) illegal possession of explosives and destructive devices;

d) illegal possession of firearms or ammunition;

e) money laundering;

f) any felony offense committed in criminal conspiracy or in a criminal organization;

g) insider dealing;

h) market manipulation.

(2) When data is disclosed under Paragraphs *e)*, *g)* and *h)* of Subsection (3) of Section 118 and under Subsection (1) of this Section, the client affected may not be notified.

Section 120

The following shall not constitute a breach of confidentiality concerning securities secrets:

a) the disclosure of data compilations from which the clients' personal or business data cannot be determined;

b) the disclosure of data pertaining to the name of the account holder or the number of his account;

c) the disclosure of data by a reference data provider to the KHR, and the disclosure of data in compliance with the regulations of this system to a reference data provider from the system;

1 Established by Section 19 of Act CLXXX of 2007. Amended by Subsection (6) of Section 22 of Act LII of 2017.
2 Repealed by Subsection (4) of Section 21 of Act CLXXX of 2007, effective as of 1 February 2008.
3 Enacted by Subsection (2) of Section 98 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Amended by Paragraph d) of Section 259 of Act CXCVII of 2017.

d) the disclosure of data to an auditor authorized by an investment firm or commodity dealer, a legal or other expert as well as to an insurance institution providing insurance coverage for the above-specified bodies to the degree necessary for the purposes of the insurance contract;

e)[1] the disclosure of data by an investment firm or commodity dealer to a non-resident investment firm or non-resident commodity dealer if:

ea)[2] the client has expressly consented,

eb)[3] the non-resident investment firm or non-resident commodity dealer is able to satisfy the conditions of data management required by the relevant legislation and directly applicable acts of the European Union regarding each data item,

ec)[4] the country where the registered office of the non-resident investment firm or non-resident commodity dealer is located has legal regulations on data protection which satisfies the requirements of the relevant legislation and directly applicable acts of the European Union;

f)[5] the disclosure of data upon the written consent of the management body having powers of representation of an investment firm or commodity dealer to a person with a qualifying interest in the investment firm or commodity dealer, or to a person or body bidding to acquire a qualifying interest in the investment firm or commodity dealer, to a company set to take over the existing accounts under an agreement for the transfer of accounts, as well as to auditors and legal or other experts authorized by such an owner;

g) upon request of court, presenting the specimen signature of the persons authorized to dispose of the account of a party in a lawsuit;

h) data disclosed by the Authority in compliance with the requirement of confidentiality concerning securities secrets suitable for the identification of investment firms or commodity dealers:

ha) to the Central Statistical Office for statistical purposes; and

hb) to the ministry for the purpose of analysis and for planning the central budget;

i) the disclosure of data that is necessary for carrying out activities that have been outsourced to the body carrying out the outsourced activity;

j) the publication of the disposition of an Authority decision in a matter of insider dealing or market manipulation from the standpoint of the person who has committed these offenses;

k) the disclosure of information made in accordance with Section 205 of the CMA;

l)[6] the disclosure of information under Subsection (2) of Section 22 of the MLT; and

m) disclosure of the information referred to in Article 4 of Regulation (EC) No. 1781/2006 of the European Parliament and of the Council of 15 November 2006 on information on the payer accompanying transfers of funds to the payment service provider of the payee governed under the regulation and to the intermediary payment service provider in the cases specified in the regulation;

n)[7] disclosure of information by the Authority in an emergency situation as referred to in Subsection (8) of Section 161/D to the central banks of other EEA Member States or to the European Central Bank when this information is relevant for the exercise of their statutory tasks;

o)[8] the disclosure of data to the central depository for the purposes of the identification procedure;

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1 Established: by Section 153 of Act CIII of 2008. In force: as of 01. 01. 2009.
2 Amended by Paragraph d) of Section 68 of Act XXXIV of 2019.
3 Amended by Paragraph e) of Section 68 of Act XXXIV of 2019.
4 Amended by Paragraph e) of Section 68 of Act XXXIV of 2019.
5 Established by Section 59 of Act LVIII of 2021, effective as of 2 August 2021.
6 Established by Subsection (1) of Section 220 of this Act, effective as of 15 December 2007.
7 Enacted by Section 152 of Act CLIX of 2010. Amended by Paragraph c) of Section 111 of Act CCXXXVI of 2013.
8 Enacted: by Section 152 of Act CLIX of 2010. In force: as of 1. 01. 2011.

p)[1] the disclosure of data by the central depository to the issuer for the purposes of the identification procedure;

q)[2] the disclosure of data by the MNB - with a view to discharging its basic tasks - from the central bank information system, in a form enabling individual identification, to the European System of Central Banks and its members, upon request, to the extent arising from the Treaty on the Functioning of the European Union and required in connection with fulfilling their central banking duties;

r)[3] the disclosure of data by investment firms, commodity dealers and operators of multilateral trading facilities within the framework of investment service activities, ancillary services, commodity exchange services and the operation of multilateral trading facilities, with a view to implementing transaction orders related to a securities account or client account, to an investment firm, commodity dealer, operator of multilateral trading facilities, central securities depository, central counterparty, venture-capital fund management company, stock exchange participating in the processing, clearing and/or settlement of such transactions, and to credit institutions and investment fund management companies engaged in the pursuit of providing investment services and ancillary services;

s)[4] disclosure of information to a registered or recognized trade repository within the meaning of Regulation No. 648/2012/EU of the European Parliament and of the Council;

t)[5] the disclosure made by the MNB, acting within its resolution function, to the independent and provisional valuer provided for in the Act on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System, or to the person participating in valuation, for the purposes of valuation, the disclosure of data and information to potential bidders in order to perform the sale of business, and to a purchaser that is not a bridge institution in order to perform the sale of business;

u)[6] the disclosure of data required in connection with an allegation made public by a client of the investment firm, to the extent necessary for the investment firm’s reply relating to the relationship between the investment firm and the client;

v)[7] data sharing under Section 164/B of the CIFE by an investment firm controlled in accordance with the CIFE by a credit institution or a financial holding company approved separately under Section 15/A of the CIFE;

w)[8] data disclosure by the securities account manager to the public limited company for the purpose of identification of shareholders in accordance with specific other legislation.

Section 120/A[9]

(1) The investment firm shall be given access to the data received in accordance with Section 164/B of the CIFE to the extent necessary for the provision of services within its sphere of activity, and shall be allowed to process such data during the time period for setting up and during the existence of the client relationship, provided that data transfer had not been restricted or prohibited by the client as provided for in Subsection (2).

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1 Enacted: by Section 152 of Act CLIX of 2010. In force: as of 1. 01. 2011.
2 Enacted: by Section 64 of Act CLI of 2012. In force: as of 28. 10. 2012.
3 Established by Section 103 of Act LXXXV of 2015, effective as of 7 July 2015.
4 Enacted by Section 91 of Act XCVIII of 2013. Amended by Paragraph e) of Section 73 of Act CXXVI of 2018.
5 Enacted by Subsection (7) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
6 Enacted by Section 62 of Act LIII of 2016, effective as of 1 July 2016.
7 Enacted by Section 15 of Act CXLV of 2017. Amended by Paragraph d) of Subsection (1) of Section 70 of Act LVIII of 2021.
8 Enacted by Section 115 of Act LXVII of 2019, effective as of 3 September 2020.
9 Enacted by Section 16 of Act CXLV of 2017, effective as of 21 November 2017.

(2)[1] The client of an investment firm controlled in accordance with the CIFE by a credit institution or a financial holding company approved separately under Section 15/A of the CIFE shall be entitled to restrict or prohibit data transfer under Subsection (2) of Section 164/B of the CIFE by means of an explicit statement.

(3)[2] Before entering into a contract with the client, the investment firm controlled in accordance with the CIFE by a credit institution or a financial holding company approved separately under Section 15/A of the CIFE shall inform the client - by means which can be proved - about the possibility of data sharing in accordance with Section 164/B of the CIFE. To that end, in the notification the client shall be clearly advised of his right to restrict or prohibit the possibility of processing his personal data under this Section at any time.

Complaints Handling

Section 121[3]

(1)[4] The service provider shall provide facilities for clients to submit any complaint they may have relating to the service provider's conduct, activity or any alleged infringement orally (in person, by telephone) or in writing (delivered in person or by others, by post or by electronic mail).

(2)[5] Where complaints are handled by telephone, the service provider shall record the conversation between the service provider and the client, and shall retain this recording for a period of five years. The client shall be informed thereof before the opening of the telephone conversation. At the client's request the sound recording shall be replayed, and - according to the client's request - a certified report on the sound recording, or a copy of the sound recording shall be made available within twenty-five days to the client free of charge.

(3) The service provider shall retain the complaint and the reply provided therefor for a period of five years, and shall make them available to the Authority when so requested.

(4) Service providers shall not be authorized to charge the costs of investigating complaints to the consumers.

(5) Service providers shall designate a consumer protection officer for handling consumer affairs, and shall notify the Authority in writing within fifteen days of this officer, including any subsequent changes in his person.

Provisions Relating to the Provision and Distribution of Pan-European Personal Pension Products[6]

Section 122[7]

The provisions of this Act shall apply to the provision and distribution of pan-European personal pension products (PEPP) subject to the derogations provided for in Regulation 2019/1238/EU of the European Parliament and of the Council and in Chapter VI of Act CXVII of 2007 on Occupational Retirement Pension and Institutions for Occupational Retirement Provision.

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1 Amended by Paragraph d) of Subsection (1) of Section 70 of Act LVIII of 2021.
2 Amended by Paragraph d) of Subsection (1) of Section 70 of Act LVIII of 2021.
3 Established by Section 189 of Act LXVII of 2016, effective as of 1 January 2017.
4 Amended by Paragraph a) of Section 28 of Act CIX of 2023.
5 Amended by Paragraph m) of Section 134 of Act LXIX of 2017.
6 Established by Section 60 of Act LVIII of 2021, effective as of 11 April 2022.
7 Established by Section 60 of Act LVIII of 2021, effective as of 11 April 2022.

Notifications and Disclosures

Section 123

(1) Investment firms and commodity dealers are required to notify the Authority, and - with the exceptions contained in Paragraphs *i)* and *k)* - publish at the same time:

a) the commencement of an activity for which they are authorized;

b) the name (corporate name) of their shareholders, and their respective holding or percentage of voting rights;

c) any acquisition or disposal of a participating interest in an ancillary services company;

d) any changes in the personnel specified under Sections 22-24;

e)[1] the termination of contracts with intermediaries;

f) the opening and closure of a branch or representative office;

g) the calling of a general meeting, including the agenda, and the resolutions adopted by the general meeting, including a summary of the key events of the latter;

h) any plans to suspend services to clients;

i) any changes in their corporate data recorded in the company register;

j) if implicated in a judicial supervisory action;

k) the borrowing of a loan or transacting any deal of the like covering ten per cent or more of own funds in respect of investment firms;

l) the means of publication employed in compliance with the obligations of publication and disclosure under this Act; and

m) those data and particulars of the parent company - if it is a mixed-activity holding company or a mixed financial holding company - of an investment firm that are necessary for the supervision of that investment firm;

n)[2] the list of persons with whom they have a close link.

(1a)[3]

(2) In addition to the requirements specified in Subsection (1), branches shall be required to notify the Authority, and publish at the same time:

a) the ownership structure of their founders, and any changes therein of over five per cent;

b) if a founder or any other branch of such a founder in another state has become insolvent, or is adjudicated in bankruptcy or liquidation proceedings;

c) if the founder or any other branch of such a founder has been disciplined or penalized by the supervisory authority competent for the place where the founder is established.

(3) Investment firms and commodity dealers shall be required to send their audited annual accounts approved by the general meeting and the auditor’s report to the Authority, and they shall simultaneously publish the audited annual account approved by the general meeting and the auditor’s certificate.

(4) The obligation of disclosure shall be satisfied:

a) within five days following the date the decision was made under Paragraphs *a)*, *e)*, *f)*, *g)* and *h)* of Subsection (1);

b) by the 15th day of January of the following year in respect of Paragraph *b)* of Subsection (1);

c) within five days following the acquisition or disposal of a holding under Paragraph *c)* of Subsection (1);

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1 Amended by Paragraph g) of Section 65 of Act CCXV of 2015.
2 Enacted by Subsection (1) of Section 105 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Repealed by Paragraph b) of Section 43 of Act XXXIX of 2023, effective as of 24 June 2023.

d) within five days prior to the appointment or election, or within five days following the termination of employment or the end of the term under Paragraph *d)* of Subsection (1);

e) within five days following the operative date of the resolution of the competent court of registry under Paragraph *i)* of Subsection (1);

f) within five days after gaining knowledge of the case under Paragraph *j)* of Subsection (1);

g) within two days following the date of signature of the loan contract under Paragraph *k)* of Subsection (1); and

h) within fifteen days following approval of the annual report under Subsection (3).

(5)[1] The treasury and the ÁKK Zrt. shall be subject to disclose the data specified in Paragraphs *a), e), f)* and *h)* of Subsection (1) above.

(6)[2] Investment firms and commodity dealers shall be required to supply information to the Authority concerning their operations and their transactions subject to the form, content and frequency requirements laid down in other legislation.

(6a)[3] By way of derogation from Subsection (6), the Authority may impose additional or more frequent reporting requirements on investment firms where the information to be reported is not duplicative and:

a) the case referred to in Paragraph *a)* of Subsection (1a) of Section 164 applies;

b) the Authority considers it to be necessary to gather the evidence referred to in Paragraph *a)* of Subsection (1a) of Section 164;

c) the additional information is required for the purpose of the supervisory review and evaluation process referred to in Section 162.

(6b)[4] Information shall be deemed to be duplicative where the Authority already has the same or substantially the same information, where that information is capable of being produced by the Authority or of being obtained by the Authority through other means than a requirement on the investment firm to report it. The Authority shall not require additional information where the information is available to the Authority in a different format or level of granularity than the additional information to be reported and that different format or granularity does not prevent it from producing substantially similar information.

(7)[5] Any investment firm registered in the territory of Hungary shall report if its parent company is transformed into a mixed-activity holding company or a mixed financial holding company, or if such relation is altered or terminated.

(8)[6] Investment firms using the internal approach for the calculation of risk weighted exposure amounts or own fund requirements except for operational risk shall submit to the Authority at least annually the results of the calculations of their internal approaches for their benchmark portfolios, together with an explanation of the methodologies used to produce them. The means of data disclosure relating to benchmark portfolios, the information to be provided and the methodology for the assessment of the data and information received shall be determined by the relevant regulation of the European Commission. Relative to that regulation the Authority may prescribe additional benchmark portfolios.

(9)[7] If the Authority finds that the internal approach used by the investment firm for the calculation of own fund requirements significantly and unduly under-estimates the own funds requirements, the Authority may order the investment firm to make changes in the methodology of the internal approach or in a subset of its parameters.

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1 Established: by Section 112 of Act CXLIII of 2013. In force: as of 1. 10. 2013.
2 Established: by Section 112 of Act CXLIII of 2013. In force: as of 1. 10. 2013.
3 Enacted by Section 28 of Act CX of 2020, effective as of 26 June 2021.
4 Enacted by Section 28 of Act CX of 2020, effective as of 26 June 2021.
5 Established: by paragraph (1) Section 178 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
6 Established by Subsection (2) of Section 105 of Act LXXXV of 2015, effective as of 7 July 2015.
7 Established by Subsection (2) of Section 105 of Act LXXXV of 2015, effective as of 7 July 2015.

(10)[1] Investment firms trading in commodity derivatives or emission allowances or derivatives thereof outside a trading venue shall:

a) provide the competent supervisory authority (for the purposes of this Subsection hereinafter referred to as "central competent authority") of the trading venue where the largest volume of trading takes place, if the commodity derivatives or emission allowances or derivatives thereof are traded on trading venues in more than one jurisdiction situated in different EEA Member States, or

b) where there is no central competent authority, provide the competent authority of the trading venue where the commodity derivatives or emission allowances or derivatives thereof are traded,

at least on a daily basis with a complete breakdown of their positions taken in commodity derivatives or emission allowances or derivatives thereof traded on a trading venue and economically equivalent over the counter derivatives, as well as of those of their clients and the clients of those clients until the end client is reached, in accordance with Article 26 of Regulation 600/2014/EU and, where applicable, of Article 8 of Regulation 1227/2011/EU of the European Parliament and of the Council.

(11)[2] With regard to financial instruments subject to the trading obligation in Articles 23 and 28 of Regulation 600/2014/EU each trading venue and systematic internalizer and for other financial instruments each execution venue shall make available to the public, without any charges, data relating to the quality of execution of transactions on that venue on at least an annual basis.

Section 123/A[3]

(1)[4] Investment firms that have a branch or subsidiary that is a financial institution as defined in point (26) of Article 4(1) of Regulation 575/2013/EU in an EEA Member State or in a third country shall disclose the following information, broken down by EEA Member State and third country, at least on an annual basis:

a) the name, nature of activities and location of any subsidiaries and branches;

b) turnover;

c) the number of employees on a full time basis;

d) profit or loss before tax;

e) tax on profit or loss; and

f) the public subsidies received.

(2)[5] The information referred to in Subsection (1) shall be audited in accordance with accounting regulations and, where possible, shall be annexed to the annual financial statements or, where applicable, to the consolidated financial statements of that investment firm.

(3)[6] The Authority may require that investment firms which are not considered to be small and non-interconnected investment firms, and investment firms which are considered small and non-interconnected investment firms, issuing Additional Tier 1 capital should publicly disclose the information provided for in Article 46 of Regulation 2019/2033/EU at least twice in a year within the time limit prescribed by the Authority for public disclosure.

(4)[7] Parent investment firms and parent financial holding companies shall publicly disclose their legal structure and governance and organizational structure at least annually, including their remuneration policy.

(5)[8] Investment firms shall comply with public disclosure requirements on their website, or on the internet site on which they publish their annual financial report.

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1 Established by Section 61 of Act LVIII of 2021, effective as of 28 February 2022.
2 Enacted by Subsection (2) of Section 100 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Section 100 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Established by Section 29 of Act CX of 2020, effective as of 26 June 2021.
5 Established by Section 29 of Act CX of 2020, effective as of 26 June 2021.
6 Established by Section 29 of Act CX of 2020, effective as of 26 June 2021.
7 Established by Subsection (1) of Section 60 of Act CCXV of 2015, effective as of 1 January 2016.
8 Enacted by Section 30 of Act CIV of 2014, effective as of 1 January 2015.

(6)[1] Investment firms are required to publish - having regard to Section 53 of the MNB Act - on their website within fifteen days from the date of delivery of the resolution in question the operative part of any resolution the Authority has adopted against them.

(7)[2] The obligation of publication referred to in Subsection (6) shall remain in effect for a period of five years from the date of delivery of the resolution in question.

(8)[3] Additionally, investment firms are allowed to publish the statement of the reasons for the resolution specified in Subsection (6). When releasing the statement of reasons, information branded privileged by confidentiality regulations relating to securities and trade secrets shall not be disclosed, however, the investment firm may decide to publish its own trade secrets at its own discretion.

Obligations under the FATCA Act[4]

Section 123/B[5]

The Reporting Hungarian Financial Institution provided for in the FATCA Act and covered also by this Act (for the purposes of this subtitle hereinafter referred to as “Institution”) shall carry out the procedures set forth in Annex I of the Agreement under the FATCA Act (hereinafter referred to as “due diligence procedure”) for identifying the Account Holder and Entity covered by the FATCA Act (hereinafter referred to collectively as “Account Holder”) having regard to the Financial Account it maintains as provided for in the FATCA Act (hereinafter referred to as “Financial Account”).

Section 123/C[6]

(1) The Institution shall inform the Account Holder in writing at the time when carrying out the due diligence procedure:

a) on the application of the due diligence procedure,

b) that he is obligated to disclose data to the tax authority under Sections 43/B-43/C of the IACA,

c) on his reporting obligation under the FATCA Act.

(2) Where data disclosure is provided for in Sections 43/B-43/C of the IACA, the Institution shall notify in writing the Account Holder on the fact of disclosure within thirty days from the date of compliance with disclosure requirements.

Obligations Under Reporting and Due Diligence Rules for Financial Account Information[7]

Section 123/D[8]

1 Established by Subsection (2) of Section 60 of Act CCXV of 2015. Amended by Paragraph n) of Section 134 of Act LXIX of 2017, Paragraph b) of Section 28 of Act CIX of 2023.
2 Enacted by Section 106 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Enacted by Section 106 of Act LXXXV of 2015, effective as of 7 July 2015.
4 Enacted by Section 14 of Act XIX of 2014, effective as of 16 July 2014.
5 Enacted by Section 14 of Act XIX of 2014, effective as of 16 July 2014.
6 Enacted by Section 14 of Act XIX of 2014, effective as of 16 July 2014.
7 Enacted by Section 11 of Act CXCII of 2015, effective as of 1 January 2016.
8 Enacted by Section 11 of Act CXCII of 2015, effective as of 1 January 2016.

The Reporting Hungarian Financial Institution provided for in the IACA and covered also by this Act (for the purposes of this Subtitle hereinafter referred to as "Institution") shall carry out the procedures set out in Points II-VII of Annex 1 to the IACA (for the purposes of this Subtitle hereinafter referred to as "due diligence procedure") for identifying the Account Holder and Entity covered by the IACA (for the purposes of this Subtitle hereinafter referred to collectively as "Account Holder") having regard to the Financial Account it maintains as provided for in Point VIII/C of Annex 1 of the IACA.

Section 123/E[1]

(1)[2] The Institution shall inform the Account Holder in the form of a notice posted in the customer area of its premises or - if possible - by way of electronic means at the time when carrying out the due diligence procedure:
a) on the application of the due diligence procedure,
b) that he is obligated to disclose data to the tax authority under Section 43/H of the IACA.
(2) Where data disclosure is provided for in Section 43/H of the IACA, the Institution shall notify in writing - electronically where possible - the Account Holder on the fact of disclosure within thirty days from the date of compliance with disclosure requirements.

Chapter XXII

TERMINATION OF INVESTMENT FIRMS AND COMMODITY DEALERS WITHOUT SUCCESSION, TRANSFER OF ACCOUNTS

General Provisions Relating to Termination Without Succession

Section 124

(1)[3] The provisions of the CRA, the Bankruptcy Act and the provisions of the Civil Code on legal persons shall apply to the dissolution and liquidation of investment firms and commodity dealers incorporated as limited companies, commodity dealers incorporated as private limited-liability companies, and commodity dealers incorporated as cooperative societies, and the provisions of the CRA, the Bankruptcy Act and the FCA shall apply to the dissolution and liquidation of investment firms and commodity dealers incorporated as branches, subject to the exceptions set out in this Act.
(2)[4] The nonprofit business association established for the liquidation of organizations covered by the MNB Act shall be appointed as the liquidator or receiver of an investment firm.

Bankruptcy Proceedings

Section 125

1 Enacted by Section 11 of Act CXCII of 2015, effective as of 1 January 2016.
2 Amended by Paragraph o) of Section 134 of Act LXIX of 2017.
3 Established by Subsection (6) of Section 165 of Act CCLII of 2013, effective as of 15 March 2014.
4 Established: by Section 113 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

Investment firms and commodity dealers may not be adjudicated in bankruptcy proceedings.

Winding Up Proceedings

Section 126

(1)[1] The winding up of an investment firm or a commodity dealer may only be ordered by the Authority.

(2) The Authority shall order the winding up of an investment firm or a commodity dealer if:[2]

a) the authorization of the investment firm granted under this Act for the performance of investment service activities has been withdrawn, or the authorization of a commodity dealer has been withdrawn, and the investment firm or commodity dealer has decided to terminate its corporate existence without succession, except where the authorization is withdrawn pursuant to Paragraph *c)* of Subsection (1) of Section 31 or to Subsection (2) of Section 36; or

b) in connection with the foundation of the investment firm or commodity dealer incorporated as a branch, where the authorization issued by the competent supervisory authority of the state where the non-resident investment firm or commodity dealer is established for the performance of investment service activities or the provision of commodity exchange services under this Act, is no longer in effect.

Section 127

(1) The Authority shall, within eight days, take measures to publish its resolution for the winding up of an investment firm or commodity dealer in the Cégközlöny (Companies Gazette) and shall simultaneously send it to the competent court of registry.

(2) The Authority's resolution for the winding up shall indicate the appointed receiver and set the date for the opening of the proceeding, which may not antedate the resolution.

(3)[3] As regards the dissolution of an investment firm:

a) the financial instruments and funds deposited by clients with the investment firm,

b) the financial instruments and funds held for or belonging to clients, and

c) assets to which the contract to provide commodity exchange services pertains, held on any account the investment firm or commodity dealer maintains on the client's behalf,

shall not comprise a part of the assets provided for in Subsection (1) of Section 97 of the CRA, and the receiver shall take immediate action to release such assets if there are no impediments arising having regard to settlement with clients for lack of any discrepancy between the receiver's own records and investors' claims.

Section 128

(1) The Authority may appoint a commissioner - if the winding up procedure opens after the date of the resolution - at the same time it passes the resolution for winding up (if this has not happened earlier) and may order a prohibition on all payments until the opening date of the procedure.

(2) The Authority may assign a commissioner pursuant to Subsection (1) if:

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1 Amended: by Section 391 of Act LVI of 2009. In force: as of 1. 10. 2009.
2 Amended: by Section 391 of Act LVI of 2009. In force: as of 1. 10. 2009.
3 Enacted by Section 31 of Act CIV of 2014, effective as of 1 January 2015.

a) a commissioner has not been appointed by the time of notification of the Authority's resolution ordering the winding up procedure; and

b) the Authority has reason to believe that an event or circumstance that is likely to jeopardize the outcome of the proceedings is likely to take place between the time of notification of the Authority's resolution ordering the winding up procedure and the day of the opening of the proceedings.

(3) The supervisory commissioner appointed under Subsection (2) shall remain in office from the time of notification of the Authority's resolution ordering the winding up procedure until the day when the receiver takes over.

Section 129

The receiver is vested with competence to decide to have the accounts of the investment firm or commodity dealer transferred in the course of the winding up procedure.

Section 130

The receiver's fee may not exceed 0.4 per cent of the value of the assets shown on the final balance sheet closing out the investment firm's or the commodity dealer's activities, as referred to in Paragraph *a)* of Subsection (3) of Section 98 of the CRA.

Liquidation Proceedings

Section 131[1]

The Fővárosi Törvényszék (Budapest Metropolitan Court) has exclusive jurisdiction in conducting proceedings in connection with the liquidation of investment firms and commodity dealers.

Section 132

(1) In respect of investment firms and commodity dealers, the liquidation proceedings may not be suspended.

(2) The provisions of Subsection (7) of Section 46 of the Bankruptcy Act may not be applied in respect of claims against investment firms and commodity dealers.

(3)[2] Paragraph *c)* of Subsection (1), and Subsection (2) of Section 40 of the Bankruptcy Act shall not apply to the transfer of the shares, other assets, rights or liabilities of an investment firm under resolution as provided for in the Resolution Act to another entity based on the decision of the MNB, acting within its resolution function, to apply a resolution tool for transaction conducted in compliance therewith.

Section 133

(1) The Authority shall initiate the liquidation of an investment firm or commodity dealer if:

a) the investment firm's authorization to engage in investment service activities, or the commodity dealer's authorization is withdrawn pursuant to Paragraph *c)* of Subsection (1) of Section 31 or to Subsection (2) of Section 36 of this Act; or

b) in the case of a branch, if insolvency proceedings have been opened against the investment firm or commodity dealer in the state where established.

1 Amended: by Section 320 of Act CCI of 2011. In force: as of 1. 01. 2012.
2 Enacted by Subsection (8) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.

(2) Investment firms and commodity dealers shall forthwith notify the Authority if they learn that a liquidation proceeding has been initiated against them.

Section 134

(1) The court shall communicate its decision concerning petitions for liquidation within eight days.
(2) A court ruling ordering liquidation may be enforced, whether or not an appeal is lodged.
(3) Where liquidation is requested by the Authority under Subsection (1) of Section 133, the court shall order it, whether or not the investment firm or commodity dealer, or the investment firm incorporated as a branch or the commodity dealer incorporated as a branch is declared insolvent.

Section 135

(1) Effective as of the day of submission of the petition for liquidation, the Authority shall freeze all outgoing payments if it is of the opinion that this is necessary to ascertain that the assets available are handled lawfully, to best serve the interests of creditors and clients.
(2) If the Authority has adopted a decision to appoint a supervisory commissioner before the day of submission of the petition for liquidation, the supervisory commissioner shall remain in office until the liquidator is appointed.

Section 136

(1)[1] As regards the liquidation of an investment firm:
a) the financial instruments and funds deposited by clients with the investment firm,
b) the financial instruments and funds held for or belonging to clients, and
c) assets to which the contract to provide commodity exchange services pertains, held on any account the investment firm or commodity dealer maintains on the client's behalf,
shall not comprise a part of the assets of liquidation. The investment firm shall take immediate action - subject to the liquidator's consent - independent of the liquidation proceedings, to release such assets if there are no impediments arising having regard to settlement with clients for lack of any discrepancy between the investment firm's own records and investors' claims.
(2)[2] If Subsection (1) cannot be contemporaneously applied in respect of all clients due to lack of equivalence between the investment firm's own records and investors' claims, or to any other impediment, the liquidator shall take the following action having regard to financial instruments and assets to which the contract to provide commodity exchange services pertains:
a) if the owner or depositor of any financial instrument or asset covered by the contract to provide commodity exchange services is individually identifiable beyond any doubt, the asset in question shall be released to the owner or depositor;
b) if the financial instrument or asset covered by the contract to provide commodity exchange services (hereinafter referred to as "asset") cannot be released from the client account or safe custody account to the client as provided for in Paragraph *a)*, the liquidator shall assign them to homogenous currency groups and shall release them to the client in the percentages established pursuant to Subsection (3);

1 Established by Section 32 of Act CIV of 2014, effective as of 1 January 2015.
2 Established by Subsection (1) of Section 107 of Act LXXXV of 2015, effective as of 7 July 2015.

c) if the asset cannot be released under Paragraphs *a)* and *b)*, these claims shall be satisfied first in accordance with Subsection (3) from the investment firm's or the commodity dealer's assets following settlement of liquidation charges, by way of derogation from the provisions of Section 57 of the Bankruptcy Act governing the sequence of the satisfaction of claims.

(3)[1] In the application of this Section 'homogenous group' means a group consisting of assets of identical features in all specific characteristics, or assets replacing those assets after the time of the opening of liquidation proceedings. The liquidator shall determine the percentages of release of assets held on a client account or safe custody account, belonging to a homogenous group, so as to ensure that contested claims can be satisfied as well. To this end, the liquidator shall make provisions from the homogenous group for contested claims.

(4)[2] If Subsection (1) cannot be contemporaneously applied in respect of all clients due to lack of equivalence between the investment firm's own records and investors' claims, or to any other impediment, the liquidator shall take the following action having regard to cash assets:

a) release to the owner the funds actually available on the separate and individual account, deposit account;

b) if the funds cannot be released from the client account or safe custody account to the client as provided for in Paragraph *a)*, the liquidator shall assign them to homogenous currency groups and shall release them to the client in the percentages established pursuant to Subsection (3);

c) if the funds cannot be released under Paragraphs *a)* and *b)*, these claims shall be released first in accordance with Subsection (3) from the investment firm's or the commodity dealer's assets following settlement of liquidation charges, by way of derogation from the provisions of Section 57 of the Bankruptcy Act governing the sequence of the satisfaction of claims.

(5)[3] As regards securities traded on secondary markets, for the purposes of Subsections (1) and (2) the principal securities shall be treated as financial instruments deposited by their holders.

(6)[4] The provisions contained in Subsections (1), (2) and (4) shall not apply in respect of the financial instruments and funds belonging to or held for a person having a qualifying interest in the investment firm or commodity dealer or to an executive officer of the investment firm or commodity dealer.

(6a)[5] In the case of liquidation of an investment firm, the liabilities under Paragraph *f)* of Subsection (1) of Section 57 of the Bankruptcy Act shall be satisfied according to the following ranking:

a) ordinary unsecured claims;

b) unsecured claims resulting from debt instruments that meet the following conditions:

ba) the original contractual maturity of the debt instruments is of at least one year,

bb) the debt instruments contain no embedded derivatives and are not derivatives themselves, and

bc) the relevant contractual documentation and, where applicable, the prospectus related to the issuance explicitly refer to the lower ranking under this Subsection;

c) other liabilities not mentioned in Paragraphs *a)* and *b)*;

on the understanding that if the funds available are insufficient for satisfying such claims, the creditors shall be satisfied according to the sequence of categories laid down in Paragraphs *a)*, *b)* and *c)* as consistent with their respective claims.

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1 Established by Subsection (2) of Section 107 of Act LXXXV of 2015, effective as of 7 July 2015.
2 Established by Subsection (3) of Section 107 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Established by Subsection (4) of Section 107 of Act LXXXV of 2015, effective as of 7 July 2015.
4 Enacted by Subsection (5) of Section 107 of Act LXXXV of 2015, effective as of 7 July 2015.
5 Enacted by Section 65 of Act CXXVI of 2018, effective as of 29 December 2018.

(6b)[1] By way of derogation from Subsection (6a), as regards the ranking of unsecured claims resulting from debt instruments issued before 29 December 2018 the relevant provisions of the Bankruptcy Act and this Act in effect on 31 December 2016 shall apply.

(6c)[2] For the purposes of Subsections (6a) and (6b), debt instruments shall mean bonds and other forms of transferrable debt and instruments creating or acknowledging a debt.

(6d)[3] For the purposes of Subparagraph *bb)* of Paragraph *b)* of Subsection (6a), debt instruments

a) with variable interest derived from a broadly used reference rate, and

b) not denominated in forint, provided that principal, repayment and interest are denominated in the same currency,

shall not be considered to be debt instruments containing embedded derivatives solely because of those features.

(7)[4] Regarding the liquidation of an investment firm, the liabilities treated as Tier 2 capital for the purposes of Regulation 2019/2033/EU shall be satisfied after settlement of the debt specified in Paragraph *h)* of Subsection (1) of Section 57 of the Bankruptcy Act.

(8)[5] The provisions of Subsections (1)-(7) shall apply where attachment is ordered in criminal proceedings after it is lifted.

Section 136/A[6]

If in connection with the financial instruments and funds, and assets to which the contract to provide commodity exchange services pertains, provided for in Subsection (1) of Section 136, the liquidator disagrees with the owner’s claim, the ownership claim in dispute may be enforced in the liquidation proceedings. The liquidator shall forward the ownership claim in dispute to the court ordering liquidation within fifteen working days for the purpose of ruling. In examining the ownership claim the court shall proceed in accordance with the rules applicable to disputed creditor’s claims.

Section 137

The liquidator is vested with competence to decide to have the accounts of the investment firm or commodity dealer transferred in the course of the liquidation procedure.

Section 138

(1) A representative of the Investor Protection Fund shall attend composition negotiations held in connection with the liquidation of an investment firm in the capacity of a creditor concerning the claims and the extent of coverage insured by the Fund, and shall be entitled to make any concessions in order to achieve a composition agreement.

(2) A composition agreement shall be approved under the liquidation of an investment firm subject to the Authority’s consent, where a composition agreement is required to continue the activities subject to authorization under this Act.

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1 Enacted by Section 65 of Act CXXVI of 2018, effective as of 29 December 2018.
2 Enacted by Section 65 of Act CXXVI of 2018, effective as of 29 December 2018.
3 Enacted by Section 65 of Act CXXVI of 2018, effective as of 29 December 2018.
4 Established by Section 30 of Act CX of 2020, effective as of 26 June 2021.
5 Enacted by Subsection (5) of Section 107 of Act LXXXV of 2015. Amended by Section 22 of Act LXXXI of 2019.
6 Enacted by Section 63 of Act LIII of 2016, effective as of 1 July 2016.

Section 139

(1) In due consideration of what is contained in Subsection (2), the liquidator's fee may not exceed 1.0 per cent of the aggregate amount of proceeds from sold assets and the receivables actually received during the proceedings for the liquidation of the investment firm or commodity dealer.
(2) By way of derogation from Subsection (1), the liquidator's fee in the case of composition may not be more than 1.0 per cent of the net value of the assets of the investment firm or commodity dealer.
(3) Section 59 and Subsections (4)-(6) of Section 60 of the Bankruptcy Act shall not apply to liquidators of investment firms and commodity dealers.

Transfer of Accounts

Section 140

(1) Subject to the Authority's prior consent, investment firms and commodity dealers shall be permitted - with the exception defined in Subsection (2) - to transfer their existing accounts to another investment firm or commodity dealer, taking also into consideration Subsection (4).
(2) Investment firms shall not be allowed to transfer their accounts to commodity dealers.
(3) An investment firm may take over the accounts of another investment firm and of another commodity dealer, whereas a commodity dealer may take over the accounts of another commodity dealer only.
(4) The authorization of the Authority granted under Subsection (1) shall not substitute for the authorization of the Economic Competition Office prescribed in specific other legislation.

Section 141

(1) The transfer of accounts by investment firms and commodity dealers shall be governed by the provisions of the Civil Code on the substitution of debt.
(2) In connection with the transfer of accounts the transferor investment firm or commodity dealer must notify their clients affected prior to the operative date of the transfer agreement concerning:
a) the proposed transfer; and
b) the provisions contained in Subsections (3)-(6);
including information regarding the place and time where and when the transferee's standard service agreement can be obtained, and the format in which it is available.
(3) If the client rejects the person or the standard service agreement of the transferee investment firm or commodity dealer, this client shall supply a written statement to the transferor investment firm or commodity dealer, indicating:
a) the investment firm or commodity dealer of his choosing; and
b) the number of the securities account, custody accounts and other accounts this investment firm or commodity dealer operates on his behalf for investment-related financial transactions.
(4) The transferor investment firm and commodity dealer shall allow at least thirty days for the client to make the decision and to provide the statement referred to in Subsection (3).
(5) If the client:
a) fails to supply the aforesaid statement within the time limit referred to in Subsection (4); or

b) if the statement supplied to the transferor investment firm or commodity dealer is missing any of the details mentioned in Paragraph *b)* of Subsection (3);

it shall be construed as acceptance of the transferee investment firm or commodity dealer, and their standard service agreement.

(6) Upon acceptance of the transferee investment firm or commodity dealer, and their standard service agreement, the financial instruments and funds held for or belonging to the other client shall be transferred from the transferor to the transferee investment firm or commodity dealer effective as of the date indicated in the notice mentioned in Subsection (3), and they shall become subject to the standard service agreement of the transferee investment firm or commodity dealer.

(7) The rights of the transferor investment firm or commodity dealer vis-à-vis clients shall be governed by the provisions of the Civil Code regarding assignment.

(8) The costs and commissions arising in connection with the transfer of accounts cannot be charged to the clients.

PART SEVEN

PROVISIONS APPLICABLE TO MULTILATERAL TRADING FACILITIES, ORGANIZED TRADING FACILITIES AND PROVIDERS OF DATA REPORTING SERVICES[1]

Chapter XXIII

CONDITIONS FOR THE OPERATION OF MULTILATERAL TRADING FACILITIES AND ORGANIZED TRADING FACILITIES[2]

Section 142[3]

(1) Multilateral trading facilities (hereinafter referred to as “MTF”) and organized trading facilities (hereinafter referred to as “OTF”) may be operated by investment firms or market operators.

(2) An MTF and OTF may be operated subject to the conditions set out in this Act.

(3) An investment firm established in a third country shall be allowed to operate an MTF or OTF in the territory of Hungary through a branch only.

(4) An investment firm and market operator established in another EEA Member State shall be allowed to operate an MTF or OTF in the form of cross-border services or through a branch.

Section 143[4]

(1) MTFs and OTFs may be operated - having regard to Subsections (2) and (3) - if authorized by the Authority in accordance with this Act.

(2) The branch of an investment firm established in a third country may operate an MTF or an OTF if authorized by the competent supervisory authority of the State where established for the activity in question.

1 Established by Section 101 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Section 102 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Section 103 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Section 104 of Act LXIX of 2017, effective as of 3 January 2018.

(3) An investment firm and market operator established in another EEA Member State shall be allowed to operate an MTF or OTF in the territory of Hungary in the form of cross-border services or through a branch if authorized by the competent supervisory authority for the activity in question.

Section 144[1]

(1) In addition to meeting all the requirements set out in Section 17, Section 17/A, Section 18, Chapter VI/A, Section 55 and Section 56, investment firms and market operators shall have in place a trading and records system, procedures and organizational arrangements:

a) for the sound management of the technical operations of the trading system and to ensure access to the trading system in a non-discriminatory way;

b) to provide for fair, reliable and transparent orderly trading and for efficient price formation;

c) to ensure compliance with requirements relating to systems resilience, circuit breakers and electronic trading under Section 316/A of the CMA;

d) to ensure compliance with requirements set out in Section 316/B of the CMA relating to tick size;

e) to ensure compliance with the provisions laid down in this Act relating to trading and access to the trading system.

(2) Investment firms and market operators shall have in place emergency arrangements for any malfunction or failure of the trading system and in case of developments which may jeopardize the functioning of the trading system, and shall review such arrangements at least annually.

(3) Investment firms and market operators shall have professional indemnity insurance covering damages arising in connection with the operation of MTFs and/or OTFs representing at least one hundred million forints applying to each claim and in aggregate one hundred and fifty million forints per year for all claims.

Section 144/A[2]

(1) An investment firm or market operator operating an MTF or OTF which trades commodity derivatives shall apply position management control mechanisms.

(2)[3] Those position management control mechanism shall include at least, the powers to:

a) monitor the open interest positions of members and clients;

b) obtain information, including all relevant documentation, from members and clients about the size and purpose of a position or exposure entered into, information about beneficial or underlying owners, any concert arrangements, and any related assets or liabilities in the underlying market, including, where appropriate, positions held in commodity derivatives that are based on the same underlying instrument and that share the same characteristics on other trading venues and in economically equivalent over the counter contracts through members and participants;

c) require a member and/or client to terminate or reduce a position, on a temporary or permanent basis and to unilaterally take appropriate action to ensure the termination or reduction if the member and/or client does not comply; and

d) where appropriate, require a member and/or client to provide liquidity back into the market at an agreed price and volume on a temporary basis with the express intent of mitigating the effects of a large or dominant position.

1 Established by Section 105 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Section 106 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Section 62 of Act LVIII of 2021, effective as of 28 February 2022.

(3) The position management control mechanisms shall be transparent and non-discriminatory, specifying how they apply to members and clients and taking account of the nature and composition of market participants and of the use they make of the contracts submitted to trading.

(4) The investment firm or market operator operating an MTF or OTF shall inform the Authority of the details of position management control mechanisms used.

Section 144/B[1]

(1) An investment firm or market operator operating an MTF or OTF which trades commodity derivatives or emission allowances or derivatives thereof shall make public a weekly report with the aggregate positions held by the different categories of persons for the different commodity derivatives or emission allowances or derivatives thereof traded on the MTF or OTF, specifying the number of long and short positions by such categories, changes thereto since the previous report, the percentage of the total open interest represented by each category and the number of persons holding a position in each category. Breaking down by category shall be made in accordance with Subsection (4).

(2) The obligation laid down in Subsection (1) relating to the weekly report shall only apply when both the number of persons and their open positions exceed the minimum thresholds provided for in Article 83 of Commission Delegated Regulation 2017/565/EU. In that case the weekly report shall be sent to the Authority and the European Securities and Markets Authority as well.

(3) An investment firm or market operator operating an MTF or OTF which trades commodity derivatives or emission allowances or derivatives thereof shall report to the Authority at least on a daily basis the details of the positions held by all persons, including the members or participants and the clients thereof, on that MTF or OTF, as well as those of their clients.

(3a)[2] Position reporting shall not be applicable to any transferable securities, other than shares and bonds, giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures, which relate to a commodity or an underlying instrument enumerated in Paragraphs *j)* and *k)* of Section 6.

(4) Persons holding positions in a commodity derivative or emission allowance or derivative thereof shall be classified by the investment firm or market operator operating that MTF or OTF according to the nature of their main business, taking account of any applicable authorization, as either:

a) investment firms or credit institutions;

b) investment funds as defined in the Collective Investments Act;

c) other financial institutions, including insurance companies and reinsurance companies provided for in the Insurance Act, and institutions for occupational retirement provision as defined in Act CXVII of 2007 on Occupational Retirement Pension and Institutions for Occupational Retirement Provision;

d)[3] non-financial counterparties defined in Point 8 of Article 2 of Regulation No. 648/2012/EU of the European Parliament and of the Council;

e) in the case of emission allowances or derivatives thereof, operators with compliance obligations under Act CCXVII of 2012 on Participating in the Scheme for Greenhouse Gas Emission Allowance Trading Within the Community and in the Implementation of the Decision on Effort Sharing.

(5) The breakdowns referred to in Subsections (1) and (3) shall differentiate between:

1 Enacted by Section 106 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Section 63 of Act LVIII of 2021, effective as of 28 February 2022.
3 Amended by Paragraph j) of Section 72 of Act CXXVI of 2018.

a) positions identified as positions which in an objectively measurable way reduce risks directly relating to commercial activities; and

b) other positions.

(6) In order to enable monitoring of compliance with Subsections (1) and (3), members of the MTF and participants of the OTF are required to report to the investment firm or market operator operating that MTF or OTF the details of their own positions held through contracts traded on that MTF or OTF at least on a daily basis, as well as those of their clients and the clients of those clients until the end client is reached.

Section 145[1]

Investment firms and market operators shall appoint a person to operate the MTF or OTF (hereinafter referred to as “operations manager”), whose responsibility shall cover the enforcement of statutory provisions and regulations relating to multilateral trading facilities, and to maintain communication with the Authority.

Section 145/A[2]

(1) Investment firms and market operators operating an MTF or OTF shall establish and maintain effective arrangements and procedures for the regular monitoring of compliance by its members or participants or users with the rules of MTF or OTF, and shall deploy the resources necessary for that purpose.

(2) Investment firms and market operators operating an MTF or an OTF shall monitor the orders sent, including cancellations and the transactions undertaken by their members or participants or users under their trading systems, in order to identify infringements of those rules, disorderly trading conditions, and any conduct that may indicate behavior that is prohibited under Regulation 596/2014/EU or system disruptions in relation to a financial instrument.

(3) Investment firms and market operators operating an MTF or OTF shall immediately inform the Authority - having regard to Articles 81-82 of Commission Delegated Regulation 2017/565/EU - of significant infringements of its rules or disorderly trading conditions or conduct that may indicate behavior that is prohibited under Regulation 596/2014/EU or system disruptions in relation to a financial instrument.

(4) The Authority shall forthwith communicate to the European Securities and Markets Authority and to the competent authorities of the other Member States of the European Union the information referred to in Subsection (3). Before said notification the Authority shall ascertain that the conduct that may indicate behavior that is prohibited under Regulation 596/2014/EU had in fact been committed.

(5) The investment firm or market operator operating an MTF or OTF shall supply the relevant information without undue delay to the authority competent for the investigation and prosecution of market abuse committed on the MTF or OTF and shall provide full assistance for the related proceedings.

Chapter XXIV

AUTHORIZATION OF THE OPERATION OF MTFs AND OTFs[3]

1 Established by Section 107 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Section 108 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Section 109 of Act LXIX of 2017, effective as of 3 January 2018.

Section 146[1]

(1) The provisions laid down in Sections 27-31 shall apply mutatis mutandis to the authorization of the operation of MTFs and OTFs.

(2) MTFs and OTFs shall have at least three materially active members, participants or users, each having the opportunity to interact with all the others in respect to price formation.

Section 147[2]

In addition to what is contained in Section 28, applications for the authorization of the activity specified in Paragraph *h)* and/or *i)* of Subsection (1) of Section 5 shall have enclosed:

a) drafts of the policies referred to in Subsection (1) of Section 150;

b) the conditions prescribed for the admission of a specific financial instrument to trading on the MTF or OTF;

c) description of the publicly available information relating to the MTF or OTF and to trading on the trading venues, and the means by which to make them available to the public;

d) the procedure for verifying compliance with requirements applicable to members and/or participants of the MTF or OTF;

e) description of the procedures designed to prevent and identify insider dealing and market manipulation;

f) description of arrangements to identify clearly and manage the potential adverse consequences for the operation of the MTF or OTF, or for the members or participants and users, of any conflict of interest between the interest of the MTF, the OTF, their owners or the investment firm or market operator operating the MTF or OTF and the effective and sound functioning of the MTF or OTF;

g) description of arrangements to ensure compliance with requirements relating to systems resilience, circuit breakers and electronic trading under Section 316/A of the CMA;

h) description of arrangements to ensure compliance with requirements set out in Section 316/B of the CMA relating to tick size;

i) the name of the operations manager;

j) an indication and a detailed description of the equipment and technical devices available or planned to be purchased for the trading operations;

k) certificates to verify the security and reliability of the trading system, and the investment firm’s ability to operate on an ongoing basis, and the confidential management and use of data;

l) effective business continuity arrangements to ensure continuity of its services if there is any malfunction or failure of the MTF or OTF and in case of developments which may jeopardize the functioning of the trading system;

m) the liability insurance policy referred to in Subsection (3) of Section 144;

n) draft of the standard contract to be concluded between the investment firm or market operator and a member or participant of the MTF or OTF;

o) the procedures concerning the scope and content of the information to be made available to members and or participants of the MTF or OTF; and

p) description of sound security mechanisms in place designed to guarantee the security and authentication of the means of transfer of information, to minimize the risk of data corruption and unauthorized access, including the necessary resources and backup facilities, if the MTF or OTF submits a transaction report to the Authority on behalf of an investment firm.

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1 Established by Section 110 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Section 111 of Act LXIX of 2017, effective as of 3 January 2018.

Section 147/A[1]

In addition to what is contained in Section 147, the investment firm or market operator shall enclose with the application for the authorization of the activity specified in Paragraph *h)* of Subsection (1) of Section 5:

a) procedures for the clearing and settlement of transactions concluded;

b) a copy of the agreement concluded for the arrangements clearing and settlement of transactions concluded in the multilateral trading facility.

Section 148[2]

The Authority shall grant authorization for the activity referred to in Paragraphs *h)* and *i)* of Subsection (1) of Section 5 if the applicant is able to comply with the relevant conditions set out in this Act.

Section 149

(1)[3] The Authority shall refuse the application for authorization for the activity referred to in Paragraphs *h)* and *i)* of Subsection (1) of Section 5 in the cases under Section 30.

(2)[4] The Authority shall withdraw the authorization for the activity referred to in Paragraphs *h)* and *i)* of Subsection (1) of Section 5 in the cases under Subsection (1) of Section 31.

Section 149/A[5]

(1) Investment firms and market operators operating an MTF or an OTF shall provide the Authority with a detailed description of the functioning of the MTF or OTF, including, without prejudice to Sections 154/B and 154/D, any links to or participation by a regulated market, an MTF, an OTF or a systematic internalizer owned by the same investment firm or market operator, and a list of their members, participants and/or users.

(2) The Authority shall make the information referred to in Subsection (1) available to the European Securities and Markets Authority on request.

(3) The Authority shall notify every authorization granted to an investment firm or market operator as an MTF and an OTF to the European Securities and Markets Authority.

(4)[6] The investment firm or market operator operating an MTF or OTF shall inform the Authority about any Member State in which the investment firm or market operator operating an MTF or OTF plans to offer services designed to help members, participants or users established or having remote participation in that Member State to access the MTF or the OTF.

(5)[7] The Authority shall disclose the information referred to in Subsection (4) within one month after informing the investment firm or market operator operating an MTF or OTF to the competent supervisory authority of the Member State in which the investment firm or market operator operating an MTF or OTF plans to offer the services provided for in Subsection (4).

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1 Enacted by Section 112 of Act LXIX of 2017, effective as of 3 January 2018.
2 Amended by Paragraph p) of Section 134 of Act LXIX of 2017.
3 Amended by Paragraph p) of Section 134 of Act LXIX of 2017.
4 Amended by Paragraph p) of Section 134 of Act LXIX of 2017.
5 Enacted by Section 113 of Act LXIX of 2017, effective as of 3 January 2018.
6 Enacted by Section 17 of Act CXLV of 2017, effective as of 13 January 2018.
7 Enacted by Section 17 of Act CXLV of 2017, effective as of 13 January 2018.

Chapter XXIV/A[1]

SUSPENSION AND REMOVAL FROM TRADING ON AN MTF OR AN OTF[2]

Section 149/B[3]

(1) An investment firm or a market operator operating an MTF or an OTF may suspend or remove from trading a financial instrument which no longer complies with the rules of the MTF or OTF, unless such suspension or removal would be likely to cause significant damage to the investors' interests or the orderly functioning of the market.

(2) An investment firm or a market operator that suspends or removes from trading a financial instrument shall also suspend or remove from trading derivatives referred to in Paragraphs *d)-k)* of Section 6 of the IRA connected to, or underlying the financial instrument in question (hereinafter referred to as "related derivatives"). The investment firm or market operator shall make public its decision on suspension or removal, and shall inform the Authority thereof.

(3) The Authority shall require that other investment firms and market operators operating an MTF or an OTF established in Hungary, and systematic internalizers, which trade the same financial instrument or derivatives also suspend or remove that financial instrument or derivatives from trading in accordance with the Authority's instructions.

(4) Where the suspension or removal from trading of a financial instrument or related derivatives is ordered by the competent supervisory authorities of other EEA Member States in any trading venue or with respect to systematic internalizers, the MTF or OTF established in Hungary, and the systematic internalizer shall also suspend or remove from trading said financial instruments or related derivatives in accordance with the Authority instructions.

(5) The provisions of this Chapter shall apply to the withdrawal of suspension mutatis mutandis.

(6) Circumstances constituting significant damage to investors' interests and the orderly functioning of the market shall be defined having regard to Article 80 of Commission Delegated Regulation 2017/565/EU.

Chapter XXV

SPECIAL RULES RELATING TO THE OPERATION OF MTFs[4]

Access to the Trading System on a Non-Discriminatory Basis

Section 150

(1) Operators of multilateral trading facilities shall draw up policies laying down the conditions for participating in trading, where these policies shall inter alia contain:

a) the conditions for access to the trading system on a non-discriminatory basis;

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1 Enacted by Section 114 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Section 114 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Section 114 of Act LXIX of 2017, effective as of 3 January 2018.
4 Established by Section 115 of Act LXIX of 2017, effective as of 3 January 2018.

b) the rights and obligations of members authorized to participate in the trading system;
c) the rules of trading and transacting business, including rules and procedures for the suspension of trading; and
d) the means of price formation.
(2)[1] Membership in an MTF may be granted to investment firms, credit institutions and other persons and bodies who meets the conditions prescribed by the CMA for membership in a regulated market.
(3) The agreement of membership in a multilateral trading facility shall be made in writing between the operator and the prospective member.
(4) Before the signature of the agreement referred to in Subsection (3), the operator shall inform the prospective member seeking admission to the multilateral trading facility concerning:
a) the contents of the policy referred to in Subsection (1);
b) the conditions prescribed for the admission of a specific financial instrument to trading under the multilateral trading facility system;
c) the publicly available information relating to the multilateral trading facility and to trading, and the means by which to make them available;
d) the rules of liability relating to the execution of transactions in the multilateral trading facility system;
e) the procedures for monitoring the conditions relating to membership in the multilateral trading facility.
(5)[2] Operators of multilateral trading facilities shall disclose within fifteen working days of receipt of the Authority's notice concerning the particulars of members of multilateral trading facilities with a view to enabling the Authority to discharge its obligation of disclosure under Section 178/B.

Trading Rules

Section 151[3]

(1) With regard to trading on an MTF, the execution of transactions shall be governed - with the exceptions set out in Subsection (2) - by the relevant provisions of this Act, and the policies adopted under this Act.
(2) Sections 40-51 and Sections 61-64 shall not apply:
a) in connection with transactions executed in an MTF, under the provisions applicable to MTFs, between members or participants of that MTF, not including the case where a transaction is executed by order of a client of the investment firm; and
b) in connection with the arrangements between the MTF and its members or participants.
(3) Investment firms and market operators operating an MTF shall have in place a trading and records system, adequate organizational arrangements and procedures:
a) to identify and manage all significant risks to its operation, and to mitigate those risks;
b) to facilitate the efficient and timely finalization of the transactions executed under its systems;
c) to have available, at the time of authorization and on an ongoing basis, sufficient financial resources to facilitate its orderly functioning, having regard to the nature and extent of the transactions concluded on the MTF and the range and degree of the risks to which it is exposed.

1 Established by Section 116 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted: by Section 138 of Act CL of 2009. In force: as of 1. 01. 2010.
3 Established by Section 117 of Act LXIX of 2017, effective as of 3 January 2018.

(4) Investment firms and market operators operating an MTF shall adopt and implement rules relating to the execution of orders for the purpose of excluding the possibility of individual assessment and any intervention.

(5) Investment firms and market operators operating an MTF are not allowed to execute client orders against proprietary capital, or to engage in matched principal trading.

Section 152[1]

(1) Where transferable securities which are admitted to trading on a regulated market are also traded on an MTF, however, the issuer did not expressly consent for such trading, the issuer shall not be subject to the obligation of disclosure with respect to the MTF.

(2) Operators of MTFs and members of MTFs shall synchronize the business clocks they use to record the date and time of any reportable event.

Section 153

(1) Operators of multilateral trading facilities shall monitor on an ongoing basis the compliance of members with the regulations relating to the operation of multilateral trading facilities.

(2) Operators of multilateral trading facilities shall establish and maintain effective arrangements and procedures for carrying out the monitoring procedures referred to in Subsection (1):

a) in order to identify breaches of the trading rules and disorderly trading conditions relevant to the multilateral trading facility; and

b) to identify conduct that may involve insider dealing.

(3) Operators of multilateral trading facilities shall be required:

a) to report to the Authority without delay any breaches of the rules mentioned in Subsection (2) during its inspection conducted according to Subsection (1); and

b) to supply the relevant information without delay to the authority competent for the investigation and prosecution of market abuse and to provide full assistance to the latter in investigating and prosecuting market abuse occurring in connection with insider dealing specified in Paragraph *b)* of Subsection (2) on or through its multilateral trading facility.

Section 154[2]

Chapter XXV/A[3]

SME GROWTH MARKETS[4]

Section 154/A[5]

(1) Operators of MTFs may apply to the Authority to have the MTF registered as an SME growth market.

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1 Established by Section 118 of Act LXIX of 2017, effective as of 3 January 2018.
2 Repealed by Paragraph j) of Subsection (2) of Section 135 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Section 119 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted by Section 119 of Act LXIX of 2017, effective as of 3 January 2018.
5 Enacted by Section 119 of Act LXIX of 2017, effective as of 3 January 2018.

(2) The Authority shall register the MTF as an SME growth market based on the application submitted according to Subsection (1), if the MTF is able to satisfy the requirements set out in this Chapter and under Articles 77-79 of Commission Delegated Regulation 2017/565/EU.

(3) An MTF may be registered by the Authority as an SME growth market on condition that the MTF has in place policies and adequate organizational arrangements and procedures - provided that such policies, organizational arrangements and procedures are enclosed with the application referred to in Subsection (1) - which ensure that the following is complied with:

a) at least 50 per cent of the issuers whose financial instruments are admitted to trading on the MTF are SMEs defined in Article 77 of Commission Delegated Regulation 2017/565/EU at the time when the MTF is registered as an SME growth market and in each calendar year thereafter;

b) appropriate criteria are set for initial and ongoing admission to trading of financial instruments of issuers on the market;

c) on initial admission to trading of financial instruments on the market there is sufficient information published by the issuers to enable investors to make an informed judgment about whether or not to invest in the financial instruments, either an appropriate admission document (information sheet used for registration) or a prospectus defined in the CMA, if the requirements applicable in respect of a public offer being made in conjunction with the initial admission to trading of the financial instrument on the MTF;

d) there is appropriate ongoing periodic financial reporting by or on behalf of an issuer on the market, for example audited annual reports;

e) issuers on the market as defined in Point (21) of Article 3(1) of Regulation 596/2014/EU, persons discharging managerial responsibilities as defined in Point (25) of Article 3(1) of Regulation 596/2014/EU and persons closely associated with them as defined in Point (26) of Article 3(1) of Regulation 596/2014/EU comply with relevant requirements applicable to them under Regulation 596/2014/EU;

f) regulatory information concerning the issuers on the market is stored and made available to the public;

g) there are effective systems and control mechanisms aiming to prevent and detect market abuse on that market as required under Regulation 596/2014/EU.

(4) The criteria set out in Subsection (3) are without prejudice to compliance by the investment firm or market operator operating the MTF with other obligations under this Act relevant to the operation of MTFs.

(5) The Authority shall deregister an MTF as an SME growth market if:

a) the investment firm or market operator operating the SME growth market applies for its deregistration;

b) the requirements set out in Subsection (3) are no longer complied with in relation to the MTF.

(6) If the Authority registers or deregisters an MTF as an SME growth market it shall as soon as possible notify the European Securities and Markets Authority of that registration or deregistration.

(7) Where a financial instrument of an issuer is admitted to trading on one SME growth market, the financial instrument may also be traded on another SME growth market only if the issuer has been informed and has not objected. In such a case however, the issuer shall not be subject to any obligation relating to corporate governance or initial, ongoing or ad hoc disclosure with regard to the latter SME growth market.

CHAPTER XXV/B[1]

1 Enacted by Section 120 of Act LXIX of 2017, effective as of 3 January 2018.

SPECIAL RULES RELATING TO THE OPERATION OF OTFs[1]

Section 154/B[2]

Investment firms and market operators operating an OTF shall establish arrangements preventing the execution of client orders in an OTF against the proprietary capital of the investment firm or market operator operating the OTF, or the execution of orders received from any entity that is part of the same group or legal person as the investment firm or market operator.

Section 154/C[3]

(1) An investment firm or market operator operating an OTF:

a) shall be permitted to engage in matched principal trading in bonds, structured finance products, emission allowances and - having regard to Paragraph *b)* - certain derivatives only where the client has consented to the process;

b)[4] shall not use matched principal trading to execute client orders in derivatives pertaining to a class of derivatives that has been declared subject to the clearing obligation in accordance with Article 5 of Regulation No. 648/2012/EU of the European Parliament and of the Council;

c) shall be permitted to engage in dealing on own account other than matched principal trading only with regard to government securities for which there is not a liquid market.

(2) Investment firms and market operators operating an OTF shall have in place policies to ensure:

a) compliance with the definition of matched principal trading under Point 16a of Subsection (2) of Section 4;

b) access to the trading system on a non-discriminatory basis;

c) the rights and obligations of members authorized to participate in the trading system with dealing rights;

d) the rules of trading and transacting business, including rules and procedures for the suspension of trading.

Section 154/D[5]

(1) The operation of an OTF and of a systematic internalizer may not take place within the same legal entity.

(2) An OTF shall not establish connection with a systematic internalizer in a way which enables orders in the OTF and orders or quotes in the systematic internalizer to interact.

(3) An OTF shall not establish connection with another OTF in a way which enables orders in different OTFs to interact.

(4) An investment firm or a market operator operating an OTF shall be permitted to engage another investment firm to carry out market making on that OTF on an independent basis. An investment firm shall not be deemed to be carrying out market making on an OTF on an independent basis if it has close links with the investment firm or market operator operating the OTF.

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1 Enacted by Section 120 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Section 120 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Section 120 of Act LXIX of 2017, effective as of 3 January 2018.
4 Amended by Paragraph k) of Section 72 of Act CXXVI of 2018.
5 Enacted by Section 120 of Act LXIX of 2017, effective as of 3 January 2018.

Section 154/E[1]

(1) Having regard to Subsection (2), the execution of orders on an OTF is carried out on a discretionary basis.

(2) An investment firm or market operator operating an OTF shall exercise discretion only in the following circumstances:

a) when deciding to place or retract an order on the OTF they operate;

b) when deciding not to match a specific client order with other orders available in the systems at a given time, provided it is in compliance with specific instructions received from a client and with the obligation to execute orders on terms most favorable to the client.

(3) For the system that crosses client orders the investment firm or market operator operating the OTF may decide if, when and how much of two or more orders it wants to match within the system. In accordance with Sections 154/B-154/D and with this Section, with regard to a system that arranges transactions in non-equities, the investment firm or market operator operating the OTF may facilitate negotiation between clients so as to bring together two or more potentially compatible trading interest in a transaction. That obligation shall be without prejudice to the obligation to execute orders on terms most favorable to the client.

Section 154/F[2]

(1) The Authority may require, either when an investment firm or market operator requests to be authorized for the operation of an OTF or on ad-hoc basis, a detailed explanation why the system does not correspond to and cannot operate as a regulated market, as an MTF, or as a systematic internalizer, a detailed description as to how discretion under Section 154/E will be exercised, in particular when an order to the OTF may be retracted and when and how two or more client orders will be matched within the OTF. In addition, the investment firm or market operator of an OTF shall provide the Authority with information explaining how it proposes to use matched principal trading.

(2) The Authority shall monitor an investment firm’s or market operator’s engagement in matched principal trading to ensure that it continues to fall within the definition of such trading under Point 16a of Subsection (2) of Section 4 on an ongoing basis and that its engagement in matched principal trading does not give rise to conflicts of interest between the investment firm or market operator and its clients.

Section 154/G[3]

(1) Transactions concluded on an OTF shall be subject to the provisions:

a) on information to clients;

b) on the assessment of suitability and appropriateness;

c) on the obligation to execute orders on terms most favorable to the client; and

d) client order handling.

(2) Where transferable securities which are admitted to trading on a regulated market are also traded on an OTF, however, the issuer did not expressly consent for such trading, the issuer shall not be subject to the obligation of disclosure with respect to the OTF.

(3) Operators of OTFs and participants of OTFs shall synchronize the business clocks they use to record the date and time of any reportable event.

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1 Enacted by Section 120 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Section 120 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Section 120 of Act LXIX of 2017, effective as of 3 January 2018.

(4)[1] An investment firm or market operator operating an OTF shall inform potential participants of the OTF of their respective responsibilities for the settlement of the transactions executed.

CHAPTER XXV/C[2]

AUTHORIZATION CONDITIONS FOR PROVIDERS OF DATA REPORTING SERVICES[3]

Section 154/H[4]

(1) Data providers, investment firms and market operators, if considered to be of limited relevance within the internal market as provided for in Article 2(3) of Regulation 600/2014/EU of the European Parliament and of the Council may provide data reporting services under authorization in accordance with Regulation 600/2014/EU of the European Parliament and of the Council.

(2) The authorization mentioned in Subsection (1) shall be issued by the Authority.

(3) The detailed requirement for the authorization of data reporting services and for the withdrawal of such authorization, including the operations of data providers are contained in Regulation 600/2014/EU of the European Parliament and of the Council.

Sections 154/I-154/P[5]

PART EIGHT

EXERCISING SUPERVISORY COMPETENCE AND ENFORCEMENT OF REGULATIONS RELATING TO BUSINESS-TO-CONSUMER COMMERCIAL PRACTICES[6]

Chapter XXVI

PROVISIONS RELATING TO FUNCTIONS OF THE AUTHORITY

Supervision Fee

Section 155

(1) Investment firms and commodity dealers, the Hungarian branches and representations of non-resident investment firms, and tied agents shall be required to pay a supervision fee to the Authority.

1 Enacted by Section 66 of Act CXXVI of 2018, effective as of 29 December 2018.
2 Enacted by Section 121 of Act LXIX of 2017, effective as of 3 January 2018.
3 Enacted by Section 121 of Act LXIX of 2017. Amended by Paragraph c) of Section 71 of Act LVIII of 2021.
4 Established by Section 64 of Act LVIII of 2021, effective as of 1 January 2022.
5 Repealed by Paragraph d) of Section 71 of Act LVIII of 2021, effective as of 1 January 2022.
6 Established: by paragraph (1) Section 50 of Act XLVII of 2008. In force: as of 01. 09. 2008.

(2) The supervision fee shall comprise the minimum charge calculated according to Section 156, plus the variable-rate fee calculated according to Section 157.

Section 156

(1)[1] The minimum charge is calculated by multiplying the unit base-rate with the index number specified in Subsection (2). The unit base-rate is seventy-five thousand forints.

(2) The index number:

a) for investment firms and commodity dealers shall be four;

b) for the Hungarian branches of investment firms established in other EEA Member States shall be four;

c)[2] for the Hungarian representations of non-resident investment firms shall be one;

d)[3] for tied agents shall be at least one, but for each additional fifty intermediaries [Subsection (4) of Section 115] acting on his behalf, it shall be one.

Section 157

(1)[4] The annual variable-rate fee payable by investment firms shall be:

a)[5] 6.0 ‰ of the minimum capital requirements calculated according to Subsection (1) of Section 105, i.e. the sum of the minimum capital requirement defined in Articles 9 and 11 of Regulation 2019/2033/EU and the additional own fund requirement prescribed upon supervisory review; and

b) 0.35 ‰ of the value of assets contained in the portfolio managed under portfolio management services - not including the management of the assets of voluntary mutual insurance funds and the management of assets of private pension funds -, calculated at market value.

(2)[6] The annual variable-rate fee payable by the Hungarian branches of investment firms established in other EEA Member States and authorized by the competent supervisory authorities of those states to engage in the activity in question shall be:

a) 0.15 ‰ of the balance sheet total shown in the annual account of the Hungarian branch; and

b) 0.175 ‰ of the value of assets contained in the portfolio managed under portfolio management services - not including the management of the assets of voluntary mutual insurance funds and the management of assets of private pension funds -, calculated at market value.

Section 158[7]

Chapter XXVI/A[8]

POSITION LIMITS IN COMMODITY DERIVATIVES[9]

1 Established by Section 52 of Act CXVIII of 2019, effective as of 18 January 2020.
2 Established by paragraph (13) Section 164 of Act CXCIII of 2011. Amended by Paragraph q) of Section 134 of Act LXIX of 2017.
3 Enacted: by paragraph (13) Section 164 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
4 Established by Subsection (1) of Section 53 of Act CXVIII of 2019, effective as of 18 January 2020.
5 Established by Section 11 of Act XX of 2022, effective as of 6 August 2022.
6 Established by Subsection (2) of Section 53 of Act CXVIII of 2019, effective as of 18 January 2020.
7 Repealed with preceding subtitle: by subparagraph e) paragraph (5) Section 84 of Act CXLVIII of 2009. No longer in force: as of 1. 01. 2010.
8 Enacted by Section 122 of Act LXIX of 2017, effective as of 3 January 2018.
9 Enacted by Section 122 of Act LXIX of 2017, effective as of 3 January 2018.

Section 157/A[1]

(1)[2] The Authority, in line with the methodology for calculation determined by the European Securities and Markets Authority, shall establish and apply position limits - embodying clear quantitative thresholds - on the size of a net position which a person can hold at all times in agricultural commodity derivatives and critical or significant commodity derivatives traded on trading venues and economically equivalent over the counter (OTC) contracts. Commodity derivatives shall be considered to be critical or significant where the sum of all net positions of end position holders constitutes the size of their open interest and is at a minimum of 300 000 lots on average over a one-year period.

(2) The position limits shall be set on the basis of all positions held by a person and those held on its behalf at an aggregate group level in order to:

a) prevent market abuse;

b) support orderly pricing and settlement conditions, including preventing market distorting positions, and ensuring, in particular, convergence between prices of derivatives in the delivery month and spot prices for the underlying commodity, without prejudice to price discovery on the market for the underlying commodity.

(3)[3] Position limits shall not apply to

a) positions held by or on behalf of a non-financial counterparty - defined in point 9 of Article 2 of Regulation No. 648/2012/EU of the European Parliament and of the Council - and which are established on the basis of objectively measurable data as reducing risks directly relating to the commercial activity of that non-financial counterparty;

b) positions held by, or on behalf of, a financial entity that is part of a predominantly commercial group and is acting on behalf of a non-financial entity of the predominantly commercial group, where those positions are objectively measurable as reducing risks directly relating to the commercial activity of that non-financial entity;

c) positions held by financial and non-financial counterparties for positions that are objectively measurable as resulting from transactions entered into to fulfill obligations to provide liquidity on a trading venue; and/or

d) any transferable securities, other than shares and bonds, giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures, which relate to a commodity or an underlying instrument enumerated in Paragraphs *j)* and *k)* of Section 6.

(4) The Authority shall review position limits where there is a significant change in deliverable supply or open interest or any other significant change on the market. Based on its determination of deliverable supply and open interest, the Authority shall reset the position limit in accordance with the methodology for calculation developed by the European Securities and Markets Authority.

(5) The position limits shall be transparent and non-discriminatory, specifying how they apply to persons and taking account of the nature and composition of market participants and of the use they make of the contracts submitted to trading.

(6) The Authority shall notify the European Securities and Markets Authority of the exact position limits it intends to set in accordance with the methodology for calculation established by the European Securities and Markets Authority.

1 Enacted by Section 122 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Subsection (1) of Section 65 of Act LVIII of 2021, effective as of 28 February 2022.
3 Established by Subsection (2) of Section 65 of Act LVIII of 2021, effective as of 28 February 2022.

(7) If the Authority receives an opinion from the European Securities and Markets Authority requesting the modification of position limits within two months from the time of notification under Subsection (6), the Authority shall modify the position limits, or provide the European Securities and Markets Authority with justification why the change is considered to be unnecessary. Where the Authority imposes limits contrary to the European Securities and Markets Authority's opinion, it shall immediately publish on its website a notice fully explaining its reasons for doing so.

(8)[1] Where agricultural commodity derivatives based on the same underlying instrument and sharing the same characteristics are traded in significant volumes on trading venues in more than one EEA Member State, or where critical or significant commodity derivatives based on the same underlying instrument and sharing the same characteristics are traded on trading venues in more than one EEA Member State, and the trading venue where the largest volume of trading takes place is in Hungary, the Authority (in this case acting as the central competent authority) shall set the single position limit to be applied on all trading in those derivatives. The Authority shall consult the competent authorities of other trading venues (for the purposes of this Subsection hereinafter referred to as "competent supervisory authority") on which that agricultural commodity derivative is traded in significant volumes or where such critical or significant commodity derivatives are traded on the single position limit to be applied and any revisions to that single position limit. If the Authority and the competent supervisory authorities do not agree, the supervisory authorities concerned shall state in writing the full and detailed reasons why they consider that the requirements laid down in Subsections (1) and (2) are not met. The European Securities and Markets Authority shall settle any dispute arising from a disagreement between the Authority and the competent supervisory authorities in accordance with its powers under Article 19 of Regulation (EU) No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/77/EC.

(9) The Authority shall communicate the information received from the investment firm or market operator operating the trading venue on position management control mechanisms, as well as the details of the position limits it has established to the European Securities and Markets Authority.

(10)[2] The Authority shall cooperate with the competent supervisory authorities of other EEA Member States:

a) in relation to

aa) agricultural commodity derivatives based on the same underlying instrument and sharing the same characteristics which are traded on Hungarian trading venues and in significant volumes on trading venues in more than one EEA Member State, or

ab) critical or significant commodity derivatives based on the same underlying instrument and sharing the same characteristics which are traded on Hungarian trading venues and on trading venues in more than one EEA Member State, and/or

b) in relation to persons - falling within the Authority's jurisdiction - who are position holders in the derivative referred to in Paragraph *a)*,

including the exchange of relevant data with each other in order to enable the monitoring and enforcement of the single position limit.

(11) The Authority shall not impose limits which are more restrictive than those adopted pursuant to Subsections (1) and (2), except in exceptional cases where they are objectively justified and proportionate taking into account the liquidity of the specific market and the orderly functioning of that market.

1 Established by Subsection (3) of Section 65 of Act LVIII of 2021, effective as of 28 February 2022.
2 Established by Subsection (4) of Section 65 of Act LVIII of 2021, effective as of 28 February 2022.

(12) The Authority shall publish on its website the details of the more restrictive position limits, which shall be valid for an initial period not exceeding six months from the date of their publication on the website. The more restrictive position limits may be renewed for further periods not exceeding six months at a time if the grounds for the restriction continue to be applicable.

(13) The Authority shall notify the European Securities and Markets Authority if it decides to impose more restrictive position limits. The notification shall include a justification for the more restrictive position limits.

(14) If the Authority receives an opinion from the European Securities and Markets Authority contrary to the Authority's decision within twenty-four hours from the time of notification under Subsection (13), it shall immediately publish on its website a notice fully explaining its reasons for doing so.

(15)[1] The Authority may apply its powers to impose sanctions for the infringements of position limits set in accordance with this Section to:

a) positions held by persons situated or operating in its territory or abroad which exceed the limits on agricultural commodity derivative contracts and critical or significant commodity derivative contracts the Authority has established in relation to contracts on trading venues situated or operating in its territory or economically equivalent over the counter (OTC) contracts;

b) positions held by persons situated or operating in its territory which exceed the limits on agricultural commodity derivative contracts and critical or significant commodity derivative contracts established by the competent authorities in other EEA Member States.

Chapter XXVII

SUPERVISORY FUNCTIONS OF THE AUTHORITY

Records and Registers of the Authority

Section 159

(1) The Authority shall keep records of the following information:

a) the name and address of investment firms and commodity dealers, and the name and address of market operators;

b) date of foundation of investment firms and commodity dealers, the Hungarian branches of non-resident investment firms, the Hungarian branches of non-resident commodity dealers, and multilateral trading facilities;

c) the authorizations issued to investment firms and commodity dealers to carry out their activities;

d) amount of initial capital or subscribed capital of investment firms and commodity dealers, the amount of endowment capital of non-resident investment firms and non-resident commodity dealers;

e) name and address of those owners of investment firms and commodity dealers which are subject to authorization by the Authority pursuant to Sections 37-39;

f)[2] natural identification data of the executive employees of investment firms and commodity dealers;

g) date of commencement of operations of investment firms and commodity dealers, and multilateral trading facilities;

1 Established by Subsection (5) of Section 65 of Act LVIII of 2021, effective as of 28 February 2022.
2 Amended: by Section 391 of Act LVI of 2009. In force: as of 1. 10. 2009.

h) name, address and activities of any companies owned or controlled by investment firms and commodity dealers, indicating the size of share or participating interest;

i) date of foundation of any branches of investment firms and commodity dealers, and the location of such branches;

j) personal identification data of the internal controllers and compliance officers of investment firms;

k) the means of publication employed in compliance with the obligation of publication and disclosure by the obligor as prescribed under this Act;

l) personal identification data of persons or bodies with a close link to any investment firm that is subject to supervision on a consolidated basis or supplementary supervision;

m) personal identification data of persons or bodies with a close link to any parent company of any investment firm that is subject to supervision on a consolidated basis or supplementary supervision;

n) those data of the parent company - if it is a mixed-activity holding company or a mixed financial holding company - of an investment firm that are necessary for the supervision of that investment firm, and any changes therein.

(1a)[1] In accordance with Article 2(3) of Regulation 600/2014/EU of the European Parliament and of the Council the Authority shall keep up-to-date records on data providers considered to be of limited relevance within the internal market, showing the authorizations to carry out their activities and members of the management body.

(1b)[2] If the Authority has withdrawn an authorization referred to in Subsection (1), that withdrawal shall be published on its website for a period of five years.

(1c)[3] Such records shall be made available in the public domain.

(2)[4] The Authority - in due observation of what is contained in Subsections (3) and (4), shall maintain a register in accordance with Subsection (3) of Section 114 on the tied agents appointed by investment firms and commodity dealers, and whose residence (permanent or temporary), or registered office is in the territory of Hungary.

(3)[5] Where the tied agent of an investment firm established in Hungary is established in another EEA Member State where, according to national laws, the investment firms established in that state are not permitted to employ tied agents, the Authority shall register such tied agent if notified by an investment firm that is established in the territory of Hungary.

(4)[6] The Authority’s register referred to in Subsections (2) and (3) shall contain - having regard to tied agents - the tied agent’s name and registered address, the identification data provided for in this Act, the principal and the investment service activities, ancillary services and commodity exchange services to which the intermediary agreement pertains.

(5)[7] The Authority shall maintain a register on investment firms contracted for mediating investment service activities and ancillary services under Section 113.

Section 159/A[8]

1 Established by Section 66 of Act LVIII of 2021, effective as of 1 January 2022.
2 Established by Section 66 of Act LVIII of 2021, effective as of 1 January 2022.
3 Enacted by Section 66 of Act LVIII of 2021, effective as of 1 January 2022.
4 Amended by subparagraph g) paragraph (2) Section 178 of Act CXCIII of 2011. Amended by Paragraph i) of Section 65 of Act CCXV of 2015.
5 Established by Subsection (1) of Section 61 of Act CCXV of 2015, effective as of 1 January 2016.
6 Established by Subsection (1) of Section 61 of Act CCXV of 2015, effective as of 1 January 2016.
7 Enacted by Subsection (2) of Section 61 of Act CCXV of 2015, effective as of 1 January 2016.
8 Established by Section 124 of Act LXIX of 2017, effective as of 1 July 2017.

(1)[1] In connection with training and examinations provided for in Paragraph *c)* of Subsection (1) of Section 22/B, the Authority shall maintain a register on the training bodies and on training and examination bodies (hereinafter referred to collectively as “training bodies”), on persons applying to take the examination, on persons delegated by the training bodies as authorized signatories and for the issue and signature of certificates of training (hereinafter referred to as “signatory”), on trainers and on persons authorized to conduct official examination procedures in compliance with statutory requirements (hereinafter referred to as “examiner”), and on official certificates issued in proof of having passed the official examination for the purpose of exercising regulatory control and with a view to fulfilling its tasks related to processing applications for registration for the examinations and to the issue and replacement of official certificates provided upon passing the examination.

(2) The official examination of intermediaries prescribed for the pursuit of the activities provided for in Subsection (1) of Section 116/A, and the related training must satisfy the conditions and requirements laid down in the Ministerial Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination.

(3) The register of training bodies shall contain:

a) the name, registered office and mailing address of such bodies;

b) the address where official training and official examination is conducted;

c) the register number;

d) the institution code;

e) the number of the decision on registration;

f) the signatory’s and the trainer’s name and personal code; and

g) the date of registration.

(4) In its decision on registration the Authority shall assign a register number and an institution code for the applicant training body.

(5)[2] If the Authority has adopted a decision for the removal of a training body from the register, it shall - in addition to the details provided for in Subsection (3) - inter alia keep records on the date of and the reason for the decision, the case number, the substance of the decision and the date when it became final.

(6) The registers on signatories, trainers, on persons applying to take the official examination and on examiners shall contain the following details of the persons registered:

a) name and birth name;

b) mother’s name;

c) date and place of birth;

d) home address;

e) personal code; and

f) in the case of examiners, register number, and the date of removal from the register, where applicable.

(7) In its decision on registration the Authority shall assign a personal code for the persons referred to in Subsection (6).

(8)[3] If the official certificate of official examination is lost or destroyed, a replacement may be requested, upon which the Authority shall issue a duplicate based on the data in its records, taking due account of the change of name in the meantime, where applicable. The application shall contain the same data as shown in the application for examination, in effect at the time of examination, provided for in the Ministerial Decree on the Requirements Relating to Training Intermediaries of Financial Services, Insurance Intermediaries and Capital Market Sales Representatives, and on Official Examination.

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1 Amended by Paragraph c) of Subsection (2) of Section 70 of Act LVIII of 2021.
2 Amended by Paragraph r) of Section 134 of Act LXIX of 2017.
3 Amended by Paragraph d) of Subsection (2) of Section 70 of Act LVIII of 2021, Paragraph b) of Section 35 of Act LXXVI of 2023.

(9) With respect to the personal data included in the registers specified in this Section, the Authority shall function as the data controller.

(10)[1] The Authority shall erase personal data from the register referred to in Subsection (1) after fifteen years from the date of the data subject's participation in official training or examination procedures, excluding the data required for the registration of the official certificate issued in proof of having passed the official examination.

(11) The Authority shall be entitled to conduct examinations in compliance with statutory requirements applicable to examination bodies and official examinations.

(12) In official training and examination procedures the Authority shall have powers to inspect the persons and organizations carrying out or participating in official training and examination procedures.

Data Processing Regulations

Section 160

(1) The Authority must provide sufficient technical facilities for the protection of the data it manages to ensure against unauthorized access, disclosure by transmission, alteration or erasure by operating a logically closed system.

(2) In order to facilitate the protection of data, the Authority shall:

a) permit the data subject, unless otherwise prescribed by law, to access his data managed by the Authority or to exercise his right of correction or erasure; and

b) take measures for the erasure of data that is no longer required, according to legal regulation, or if ordered by the court.

Section 161

(1) In order to perform its functions the Authority shall be authorized to process:

a) the data of executive officers and employees of investment firms and commodity dealers in order to verify their compliance with the requirements specified in Sections 22 and 23;

b) the data of persons applying for authorization for the acquisition of a holding in an investment firm, and of the owners of the investment firm in order to verify their compliance with the requirements specified in Sections 37-39;

c) data of the clients of investment firms and commodity dealers in connection with any pending procedure it conducts;

d) in order to check compliance with regulations on conflicts of interest the particulars of:

da) the executive employees, internal controllers and compliance officers of investment firms;

db) the owners of investment firms, and the executive employees of such owners;

dc) tied agents;

e) the data obtained for verifying compliance with the requirements set out in Sections 20 and 21 and in Sections 37-39;

f) the data of persons with a close link to any investment firm that is subject to supervision on a consolidated basis or supplementary supervision;

g) the data of persons with a close link to any parent company of any investment firm that is subject to supervision on a consolidated basis or supplementary supervision;

h) those data of the parent company - if it is a mixed-activity holding company or a mixed financial holding company - of an investment firm that are necessary for the supervision of that investment firm;

1 Amended by Paragraph d) of Subsection (2) of Section 70 of Act LVIII of 2021.

i)[1] the name of the operations managers of MTFs and OTFs.

(2)[2] With respect to Subsection (1) of this Section and Paragraphs *j), l), m)* and *n)* of Subsection (1) of Section 159, the Authority shall process the identification data of the persons concerned, and in respect of data processed for authorization and supervisory purposes, the information concerning investment, acquisition of holding, vocational training, experience, elected office, position, employment and criminal history.

(3)[3]

(4) In addition to the data referred to in Subsection (2), the records shall contain the following information as well:[4]

a)[5] in relation to a qualifying interest, the percentage of holding and the contract in which such qualifying interest is stipulated;

b) in relation to a close link, the extent of the close link and the contract in which it is stipulated;

c) the office of executive employees and their positions, the subject of the appointment, the type of legal relationship, their credentials as well as all measures taken by the Authority regarding the registered person;

d) contents of the application for the issue or return of the authorization as well as the data of the document attached for the purposes of evaluation of the application;

e) the annual report of the investment firm and the resolution on the allocation of profits;

f) the minutes of the investment firm's general meeting and the meetings of the board of directors and supervisory board;

g)[6] in the case of complaints, notifications of public concern or whistleblowing reports, the personal data given by the complainant, the notifier of public concern or the whistleblower, and the event underlying the complaint, notification of public concern or the whistleblowing report and the name of the investment firm;

h) documentation of the calculation of own funds and capital adequacy;

i) the data required for controlling large exposures, investment limitations and creation of the general reserve.

(5) The Authority shall be authorized to process the data specified in Subsections (1)-(4):

a) for five years from the date when the executive officer mandate, supervisory board membership or employment relationship is terminated;

b) for five years from the date when the tied agent terminates his activities;

c) for ten years from the date when a participation in an investment firm is alienated or the qualifying holding is terminated;

d) in the cases not mentioned in Paragraphs *a)-c)*, for five years from the date when received by the Authority.

Supervision of Investment Firms on a Consolidated Basis[7]

Section 161/A[8]

(1) The Authority shall be responsible for exercising supervision on a consolidated basis over investment firms registered in Hungary.

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1 Enacted by Section 125 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established: by paragraph (1) Section 139 of Act CL of 2009. In force: as of 1. 01. 2010.
3 Repealed: by subparagraph b) paragraph (9) Section 169 of Act CL of 2009. No longer in force: as of 1. 01. 2010.
4 Established: by paragraph (2) Section 139 of Act CL of 2009. In force: as of 1. 01. 2010.
5 Established: by Section 156 of Act CIII of 2008. In force: as of 01. 01. 2009.
6 Established by Section 66 of Act XXV of 2023, effective as of 24 July 2023.
7 Enacted by Section 101 of Act CCXXXVI of 2013, effective as of 1 January 2014.
8 Enacted by Section 101 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(2)[1] The provisions of the CIFE concerning supervision on a consolidated basis shall apply if a credit institution holds a participating interest in an investment firm and that investment firm is not subject to supervision on a consolidated basis as provided for in Subsection (1).

(3)[2] The Authority shall not examine the operation of financial holding companies, non-resident investment firms, mixed financial holding companies and mixed-activity holding companies for compliance with prudential requirements on an individual basis.

(4) If the Authority finds any evidence in documents or in the course of on-site inspections to substantiate close links, it may declare any investment firm registered in Hungary subject to supervision on a consolidated basis or may decide to extend consolidated supervision over any company affected.

(5)[3] An investment firm, financial institution, credit institution or ancillary services company in which an investment firm or financial holding company that is subject to supervision on a consolidated basis has a controlling influence or participating interest shall - unless otherwise provided for by law - be required to supply to the investment firm or financial holding company that is subject to supervision on a consolidated basis all of the data and information necessary for consolidated supervision. Where a subsidiary is not covered by this Act, the parent company shall ensure that the subsidiary in question meets the conditions set out in this Act on an individual basis. Investment firms and financial holding companies that are subject to supervision on a consolidated basis shall process such data and information separately, in due compliance with the regulations on data protection.

(6) The Authority shall be authorized to request data and information about investment firms, financial institutions, investment firms or ancillary services companies in which an investment firm or financial holding company that is subject to supervision on a consolidated basis has a controlling influence or participating interest to the extent as it may be necessary to exercise supervision on a consolidated basis.

(7) In connection with its duties relating to supervision on a consolidated basis, the Authority shall be authorized to request information directly, or indirectly through the investment firm that is subject to supervision on a consolidated basis, from:

a) persons with a close link to the investment firm that is subject to supervision on a consolidated basis;

b) persons with a close link to the parent company of the investment firm that is subject to supervision on a consolidated basis or with other persons having a participating interest in the investment firm; and

c)[4] any exempted investment firm, financial enterprise or ancillary services company.

(8)[5] Disclosure of the information requested by the Authority under Subsection (7) may be refused only in cases provided for in the relevant legislation or in directly applicable acts of the European Union.

(9) Investment firms and financial holding companies that are subject to supervision on a consolidated basis shall have sufficient information systems for providing the data and information required for exercising supervision on a consolidated basis and internal control systems that ensure the reliability of the disclosed data and information.

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1 Established by Subsection (1) of Section 31 of Act CX of 2020, effective as of 26 June 2021.
2 Established by Section 33 of Act CIV of 2014, effective as of 1 January 2015.
3 Established by Subsection (2) of Section 31 of Act CX of 2020, effective as of 26 June 2021.
4 Established by Subsection (3) of Section 31 of Act CX of 2020, effective as of 26 June 2021.
5 Established by Subsection (4) of Section 31 of Act CX of 2020, effective as of 26 June 2021.

(10)[1] If the parent company of an investment firm that is subject to supervision on a consolidated basis is a mixed-activity holding company, the transactions between the subsidiaries of that mixed-activity holding company, and between the mixed-activity holding company and the companies to which supervision on a consolidated basis also applies shall be supervised by the Authority. The investment firm that is subject to supervision on a consolidated basis shall have adequate risk management processes and internal control mechanisms, including accounting and reporting procedures, in order to identify, measure and monitor transactions as provided for above, which shall be subject to supervision by the Authority.

(11)[2] Investment firms and financial holding companies subject to supervision on a consolidated basis shall be required to report without delay the existence of close links, including all changes therein and the termination thereof.

(12) The notification requirement under Subsection (11) may be satisfied by the non-resident parent financial holding company of a Hungarian-registered investment firm through its investment firm that is subject to supervision on a consolidated basis.

Section 161/B[3]

(1) Under Regulation 575/2013/EU, the Authority shall be authorized to conduct inspections, on site or otherwise, at the companies subject to supervision on a consolidated basis, including those to which supervision on a consolidated basis also applies, for compliance with the provisions set out in Section 161/A and in Regulation 575/2013/EU relating to supervision on a consolidated basis.

(2) The Authority shall have powers to conduct inspections, on site or otherwise, at the persons referred to in Subsection (7) of Section 161/A to check the authenticity of the reports, data and information disclosed in connection with supervision on a consolidated basis.

(3) At the request of the supervisory authority of a third country, the Authority, having considered the availability of reciprocity or on the basis of an existing supervisory arrangement, may supply reports, data and information that may be necessary for exercising supervision on a consolidated basis to the third-country supervisory authority if it is able to guarantee legal protection for the processing of such information that is equivalent to or better than the protection afforded under Hungarian law.

(4) At the request of the supervisory authority of a third country, the Authority, having considered the availability of reciprocity, may conduct the inspections specified in Subsections (1) and (2) hereof, or, if there is an existing supervisory arrangement, it may give its consent to the supervisory authority of the third country requesting consent, to an auditor or to another expert designated by it to partake in the inspections.

(5)[4] If the parent investment firm is a third-country investment firm, financial holding company or mixed financial holding company, the Authority shall examine - with a view to exercising supervision on a consolidated basis - as to whether the laws of that third country are in conformity with the provisions laid down in this Act and in Part One of Regulation 2019/2033/EU concerning supervision on a consolidated basis. As part of the examination, the Authority shall consult with the EBA, following which it shall make a decision regarding conformity.

(6)[5] If the laws of the third country are not in conformity with the provisions laid down in this Act and in Part One of Regulation 2019/2033/EU concerning supervision on a consolidated basis, the Authority shall take over supervision on a consolidated basis, and shall take all appropriate measures at its disposal.

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1 Amended by Point 11 of Section 44 of Act CX of 2020.
2 Established by Subsection (5) of Section 31 of Act CX of 2020, effective as of 26 June 2021.
3 Enacted by Section 101 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Amended by Point 12 of Section 44 of Act CX of 2020.
5 Amended by Point 12 of Section 44 of Act CX of 2020.

(7) Where Subsection (6) applies, the Authority shall consult with the competent supervisory authority of the third country where the investment firm, financial holding company or mixed financial holding company in question is established.

Section 161/C[1]

(1) The Authority shall exercise supervision on a consolidated basis or supervision of compliance with the group capital test where an investment firm group is headed by a parent investment firm established in Hungary or by an EU parent investment firm.

(2) The Authority shall exercise supervision on a consolidated basis or supervision of compliance with the group capital test where the parent company of an investment firm established in Hungary is an EU parent investment holding company or an EU parent mixed financial holding company.

(3) The Authority shall exercise supervision on a consolidated basis or supervision of compliance with the group capital test where at least one investment firm established in Hungary and at least one investment firm of at least one other EEA Member State have the same EU parent investment holding company or the same EU parent mixed financial holding company and the investment holding company or mixed financial holding company is established in Hungary.

(4) The Authority shall exercise supervision on a consolidated basis or supervision of compliance with the group capital test where at least one investment firm established in Hungary and at least one investment firm of at least one other EEA Member State

a) have the same EU parent investment holding company or the same EU parent mixed financial holding company with head offices in EEA Member States other than where the investment firms are established, or

b) have two or more EU parent investment holding companies or EU parent mixed financial holding companies with head offices in different EEA Member States and where there is an investment firm in each of those EEA Member States,

and of the subsidiary investment firms, the investment firm established in Hungary has the largest balance sheet total.

(5) Where supervision on a consolidated basis or supervision of compliance with the group capital test would be exercised by the Authority by common agreement between the Authority and the competent supervisory authorities of the EEA Member States affected, rather than by the criteria referred to in Subsections (3) and (4), in the interest of effective supervision, the Authority, before the agreement on designating the Authority is reached, shall give the EU parent investment holding company, EU parent mixed financial holding company or investment firm with the largest balance sheet total, as appropriate, an opportunity to state its opinion on that agreement.

(6) The agreement concluded under Subsections (4) and (5) shall ensure the flow of information for the objectives of supervision on a consolidated basis as well as collaboration between the supervisory authorities involved.

(7) Where supervision on a consolidated basis is not exercised by the supervisory authority of the financial institution that is a parent company, the supervisory authority of the parent company shall supply the supervisory authority exercising supervision on a consolidated basis with information necessary for the objectives of supervision on a consolidated basis.

Section 161/D[2]

(1) The Authority shall cooperate closely with the supervisory authorities of other EEA Member States in exercising supervision on a consolidated basis.

1 Established by Section 32 of Act CX of 2020, effective as of 26 June 2021.
2 Enacted by Section 101 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(2)[1] The Authority may supply reports, data and information to the competent supervisory authorities and resolution authorities of other EEA Member States to the extent necessary for the objectives of supervision on a consolidated basis.

(3) At the request of the supervisory authority of another EEA Member State, the Authority may conduct supervision on a consolidated basis, and it may give its consent to the competent supervisory authority requesting consent, or to an auditor or other expert designated by it to partake in the inspections.

(4) If the Authority functions as a supervisory authority exercising supervision on a consolidated basis, the requirement of cooperation with the competent supervisory authorities of other EEA Member States shall - in addition to what is contained in Subsections (1)-(2) and (6)-(7) - cover the planning and coordination of supervisory activities:[2]

a) in going concern situations, including compliance with regulations relating to governance arrangements and risk-management requirements, the internal capital model of investment firms, supervisory review, compliance with public disclosure requirements, and the implementation of measures taken in connection with the investment firm,

b) in emergency situations, in cooperation with the competent central banks if necessary, in preparation for and during crisis situations, including adverse developments in investment firms or in financial markets.

(5) The Authority - having regard to Sections 160 and 161 - shall provide the competent supervisory authorities of EEA Member States with all relevant information:

a) concerning identification of the ownership and management structure of investment firms subject to supervision on a consolidated basis, as well as of the competent supervisory authorities of said investment firms;

b) concerning procedures for the collection of information from the investment firms subject to supervision on a consolidated basis, and the verification of that information;

c) concerning adverse developments in investment firms, financial institutions, investment fund management companies or ancillary services companies subject to supervision on a consolidated basis, which could seriously affect investment firms;

d)[3] concerning the supervisory review and evaluation and the own fund requirement prescribed within the framework of supervisory measures; and

e)[4] related to major sanctions or exceptional measures taken by the Authority.

(6) If the Authority exercises supervision of the subsidiary of an EU parent company, EU parent financial holding company or EU parent mixed financial holding company that is established in another EEA Member State, and if it needs information which has already been given to the supervisory authority of the EU parent company, EU parent mixed financial holding company or EU parent financial holding company, the Authority shall contact this supervisory authority first.

(6a)[5] The Authority may refer to EBA, in accordance with Article 19(1) of Regulation 1093/2010/EU, where relevant information has not been communicated pursuant to Subsection (5) without undue delay or where a request for cooperation, in particular to exchange relevant information, has been rejected or has not been acted upon within a reasonable period of time.

(6b)[6] The Authority shall consult the competent supervisory authorities of EEA Member States before adopting a decision that may be important for such other competent authorities' supervisory tasks on the following:

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1 Amended by Point 13 of Section 44 of Act CX of 2020.
2 Amended by Point 14 of Section 44 of Act CX of 2020.
3 Established by Subsection (1) of Section 33 of Act CX of 2020, effective as of 26 June 2021.
4 Established by Subsection (1) of Section 33 of Act CX of 2020, effective as of 26 June 2021.
5 Enacted by Subsection (2) of Section 33 of Act CX of 2020, effective as of 26 June 2021.
6 Enacted by Subsection (2) of Section 33 of Act CX of 2020, effective as of 26 June 2021.

a) changes in the shareholder, organizational or management structure of investment firms subject to supervision on a consolidated basis, which require the approval or authorization of competent supervisory authorities;

b) significant sanctions imposed on investment firms by competent supervisory authorities of an EEA Member State or any other exceptional measures taken by those authorities; and

c) supervisory review and evaluation and the own fund requirement prescribed within the framework of supervisory measures.

(6c)[1] The Authority shall inform the other supervisory authority exercising supervision on a consolidated basis where it has imposed significant sanctions in accordance with Paragraph *b)* of Subsection (6b), or it has taken any other exceptional measures.

(6d)[2] The Authority may decide not to consult - as provided for in Subsection (6b) - in cases of urgency or where such consultation may jeopardize the effectiveness of the implementation of the decision. In that case, the Authority shall, immediately after the decision is made, inform the competent supervisory authorities of the other EEA Member States concerned.

(7)[3] If the Authority exercises supervision of an investment firm that is subject to supervision on a consolidated basis, and where an emergency situation arises - including adverse developments in financial markets - which potentially jeopardizes the stability of the financial system in any of the EEA Member States:

a) where any credit institution, investment firm, investment fund management company or financial enterprise in which the investment firm in question maintains a controlling influence is established, or

b) where any credit institution, investment firm, investment fund management company or financial enterprise, in which the investment firm in question holds any participating interest is established,

or in which EEA Member State an investment firm established a systemically relevant branch, that is supervised by the Authority on a consolidated basis, the Authority shall forthwith inform the EBA, the European Systemic Risk Board, and the central government, the competent supervisory authority and the central bank of the EEA Member State affected.

Section 161/E[4]

The Authority shall supervise the compliance of investment holding companies and mixed financial holding companies with the group capital test.

Section 161/F[5]

Where, by way of derogation from Section 105/B of the CIFE, the group does not include credit institutions, the EU parent investment firm shall implicitly apply Section 105/B of the CIFE.

Supervisory Review and Evaluation

Section 162[6]

1 Enacted by Subsection (2) of Section 33 of Act CX of 2020, effective as of 26 June 2021.
2 Enacted by Subsection (2) of Section 33 of Act CX of 2020, effective as of 26 June 2021.
3 Amended by Point 15 of Section 44 of Act CX of 2020.
4 Enacted by Section 34 of Act CX of 2020, effective as of 26 June 2021.
5 Enacted by Section 34 of Act CX of 2020, effective as of 26 June 2021.
6 Established by Section 102 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(1)[1] The Authority shall review and assess the strategies, policies, processes and methods adopted by investment firms with a view to enforcing compliance with the provisions of this Act, with prudential requirements and with Regulation 2019/2033/EU.

(2)[2] The Authority shall review and evaluate whether the designated investment firm comply with the provisions of this Act, with prudential requirements and with all requirements set out in Regulation 2019/2033/EU.

(3)[3]

(4)[4]

(5)[5] The review and evaluation performed by the Authority to ensure a sound management and coverage of risks shall cover:

a) the risks referred to in Subsection (1) of Section 101;

b) the geographical location of the investment firm's exposures;

c) the business model of the investment firm;

d) the assessment of systemic risk, taking into account the identification and measurement of systemic risk under Article 23 of Regulation 1093/2010/EU or recommendations of the European Systemic Risk Board (hereinafter referred to as "ESRB");

e) the risks posed to the security of the investment firm's network and information systems to ensure confidentiality, integrity and availability of the investment firm's processes, data and assets;

f) governance arrangements of the investment firm and the ability of members of the management body to perform their duties; and

g) the exposure of the investment firm to the interest rate risk arising from non-trading book activities.

(6)[6] For the purposes of Subsection (5) hereof, the Authority shall duly take into account whether the investment firm holds a professional indemnity insurance provided for in Subsection (6) of Section 101.

(7)[7]

(8) In the review and evaluation the Authority shall consider whether the value adjustments and provisions taken for positions in the trading book enable the investment firm to sell or hedge out its positions within a short period of maximum thirty days without incurring material losses under normal market conditions.

(9)[8]

(10)[9]

(11) The Authority shall establish the frequency and intensity of the review and evaluation having regard to the size, systemic importance, nature, scale and complexity of the activities of the investment firm concerned and taking into account the principle of proportionality. The review and evaluation shall be updated at least on an annual basis.

(12)[10]

(13)[11] In conducting the review and evaluation under Paragraph *c)* of Subsection (5), the Authority shall take into account the business model of the investment firms.

(14)[12] In conducting the review and evaluation under Paragraph *f)* of Subsection (5), the Authority shall, at least, have access to:

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1 Established by Subsection (1) of Section 35 of Act CX of 2020, effective as of 26 June 2021.
2 Established by Subsection (1) of Section 35 of Act CX of 2020, effective as of 26 June 2021.
3 Repealed by Paragraph h) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
4 Repealed by Paragraph h) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
5 Established by Subsection (2) of Section 35 of Act CX of 2020, effective as of 26 June 2021.
6 Established by Subsection (2) of Section 35 of Act CX of 2020, effective as of 26 June 2021.
7 Repealed by Paragraph h) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
8 Repealed by Paragraph h) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
9 Repealed by Paragraph h) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
10 Repealed by Paragraph h) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
11 Amended by Point 16 of Section 44 of Act CX of 2020.
12 Amended by Point 17 of Section 44 of Act CX of 2020.

a) agendas and supporting documents for meetings of the management and supervisory bodies and their committees, and

b) the results of the internal or external evaluation of performance of the management body.

(15) The Authority shall carry out as appropriate but at least annually supervisory stress tests on investment firms it supervises, to facilitate the supervisory review and evaluation process.

(16)[1] The Authority shall, within six months of the submission of each recovery plan, and after consulting the competent supervisory authorities of the EEA Member States where significant branches of the investment firm are located insofar as is relevant to that branch, review and assess the recovery plans of investment firms. The review shall cover the extent to which the recovery plan satisfies the requirements laid down in Section 102 and the following criteria:

a) the implementation of the arrangements proposed in the plan is reasonably likely to maintain or restore the viability and financial position of the investment firm or of the group, as to whether it is capable to restore the investment firm's financial stability in the case of adverse developments which constitute a serious threat to the investment firm's liquidity or solvency, taking into account the preparatory measures that the investment firm has taken or has planned to take;

b) the plan is reasonably likely to be implemented relying on the relevant stress scenarios, including in scenarios which would lead other investment firms to implement recovery plans within the same period.

(16a)[2] The Authority shall review and assess the recovery plan submitted by the investment firm taking into account:

a) the level of complexity of the investment firm's organizational structure;

b) the investment firm's risk profile;

c) the investment firm's capital base and funding structure.

(16b)[3] The Authority shall make available the recovery plan submitted by the investment firm to the MNB acting within its resolution function, with the proviso that the Authority shall assess the recommendations made by the MNB acting within its resolution function.

(17)[4] If, based on the evaluation, there are material deficiencies in the recovery plan, or material impediments to its implementation, the Authority shall - by way of a resolution - order the investment firm to rework its recovery plan within two months, extendable by one month.

(18)[5] Before adopting the decision referred to in Subsection (17) the Authority shall give the investment firm the opportunity to state its opinion on the deficiencies and impediments exposed.

(19)[6] If the Authority is of the opinion that the investment firm did not rework its recovery plan according to the resolution provided for in Subsection (17), the Authority shall bring another resolution laying down the methods, means, elements and details for reworking the recovery plan once again.

Section 162/A[7]

1 Established by Subsection (9) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
2 Enacted by Subsection (1) of Section 68 of Act CXXVI of 2018, effective as of 29 December 2018.
3 Enacted by Subsection (1) of Section 68 of Act CXXVI of 2018, effective as of 29 December 2018.
4 Established by Subsection (9) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
5 Enacted by Subsection (10) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
6 Enacted by Subsection (2) of Section 68 of Act CXXVI of 2018, effective as of 29 December 2018.
7 Enacted by Section 36 of Act CX of 2020, effective as of 26 June 2021.

(1) The Authority shall impose the additional own funds requirement referred to in Paragraph *t)* of Subsection (1) of Section 164 only where, on the basis of the supervisory review and evaluation, any of the following situations apply for an investment firm:

a) the investment firm is exposed to risks or elements of risks, or poses risks to others that are material and are not covered or not sufficiently covered by the own funds requirement, and especially K-factor requirements, set out in Part Three or Four of Regulation 2019/2033/EU;

b) the investment firm does not meet the requirements relating to internal control mechanism and risk management procedures and to the internal models for the assessment of capital adequacy according to Section 106, and other supervisory measures are unlikely to sufficiently improve the arrangements, processes, mechanisms and strategies within an appropriate timeframe;

c) pursuant to Subsection (8) of Section 162 it appears impossible to sell or hedge out positions within a short period - not excceding thirty days - without incurring material losses under normal market conditions;

d) the review carried out in accordance with Section 163/A shows that non-compliance with the requirements for the application of the permitted internal models will likely lead to inadequate levels of capital;

e) the investment firm repeatedly fails to establish or maintain an adequate level of additional own funds as set out in Subsections (7) and (8).

(2) For the purposes of Paragraph *a)* of Subsection (1) hereof, risks or elements of risks shall be considered not to be covered or to be insufficiently covered by the own funds requirements set out in Parts Three and Four of Regulation 2019/2033/EU only where the amounts, types and distribution of capital considered in part or in whole adequate following the supervisory review of the assessment carried out by the investment firm in accordance with Subsection (1) of Section 106 are higher than the investment firm’s own funds requirement set out in Part Three or Four of Regulation 2019/2033/EU. The extra capital requirement may include risks or elements of risks that are explicitly excluded from the own funds requirement set out in Part Three or Four of Regulation 2019/2033/EU.

(3) The Authority shall determine the level of the additional own funds required pursuant to Paragraph *t)* of Subsection (1) of Section 164 as the difference between the capital considered adequate pursuant to Subsection (2) hereof and the own funds requirement set out in Part Three or Four of Regulation 2019/2033/EU.

(4) The Authority shall require investment firms to meet the additional own funds requirement prescribed in Paragraph *t)* of Subsection (1) of Section 164 with own funds subject to the following conditions:

a) at least three quarters of the additional own funds requirement is met with Tier 1 capital;

b) at least three quarters of the Tier 1 capital is composed of Common Equity Tier 1 capital;

c) those own funds are not used to meet any of the own funds requirements set out in points (a), (b) and (c) of Article 11(1) of Regulation 2019/2033/EU.

(5) The Authority shall substantiate in writing its decision to impose an additional own funds requirement as referred to in Paragraph *t)* of Subsection (1) of Section 164 by giving a clear account of the full assessment of the elements referred to in Subsections (1)-(4) hereof. That includes, in the case set out in Paragraph *d)* of Subsection (1), a specific statement of why the level of capital established in accordance with Subsection (7) is no longer considered sufficient.

(6) The Authority may impose an additional own funds requirement in accordance with Subsections (1)-(5) on small and non-interconnected investment firms on a case-by-case basis.

(7) Taking into account the principle of proportionality and commensurate with the size, systemic importance, nature, scale and complexity of activities of investment firms that do not meet the conditions for qualifying as small and non-interconnected investment firms, the Authority may require such investment firms to have levels of own funds which are sufficiently above the requirements set out in Part Three of Regulation 2019/2033/EU and in this Act, including additional own funds requirements. This way the Authority ensures that cyclical economic fluctuations do not lead to a breach of capital requirement and additional capital requirement or threaten the ability of the investment firm to wind down and cease activities in an orderly manner.

(8) The Authority shall, where appropriate, review the level of own funds that has been set by each investment firm that does not meet the conditions for qualifying as a small and non-interconnected investment firm set out in accordance with Subsection (7) and shall communicate the conclusions of that review to the investment firm concerned, including any expectation for adjustments to the level of own funds established in accordance with Subsection (7). The Authority shall communicate the date by which the adjustments are to be completed.

(9) The Authority shall inform the MNB acting within its resolution function concerning any additional capital requirement prescribed for an investment firm, and on the adjustments expected of investment firms referred to in Subsection (8).

Section 163[1]

(1) The Authority shall, at least annually, adopt a supervisory examination program for investment firms registered in Hungary:

a) for which the results of stress tests or the outcome of the supervisory review and evaluation process indicate significant risks to their ongoing financial soundness;

b)[2] which are found in breach of the provisions of this Act, prudential requirements and Regulation 2019/2033/EU;

c) which are considered systemically important under the financial system; or

d) which are to be subject to enhanced supervision by the decision of the Authority.

(2) The supervisory examination program shall inter alia include the following:

a) a plan for the execution of supervisory tasks;

b) distribution of resources for the execution of supervisory tasks;

c) an identification of which institutions are intended to be subject to enhanced supervision and the measures, exceptional measures necessary for such supervision; and

d) a plan for on-site inspections.

(3) For the purposes of Paragraph *c)* of Subsection (2), the Authority:

a) may increase the number or frequency of on-site inspections;

b) may appoint a supervisory commissioner;

c) shall order additional or more frequent reporting;

d) shall conduct additional or more frequent review of the operational, strategic or business plans;

e) shall perform thematic examinations monitoring specific risks that are likely to materialize.

Section 163/A[3]

1 Established by Section 102 of Act CCXXXVI of 2013, effective as of 1 January 2014.
2 Amended by Point 18 of Section 44 of Act CX of 2020.
3 Established by Section 37 of Act CX of 2020, effective as of 26 June 2021.

(1) The Authority shall review at least every three years the authorized internal models, provided for in Article 22 of Regulation 2019/2033/EU, investment firms use for calculating own funds requirements, in particular their compliance with the relevant requirements, and whether the internal models used are well developed and up-to-date.

(2) Within the framework of the review referred to in Subsection (1), the Authority shall take into account the changes in an investment firm's business and to the implementation of those internal models to new products.

(3) If the Authority identifies material deficiencies in risk capture by an investment firm's internal model, the Authority:

a) shall order the investment firm to rectify its methodology, or

b) shall take appropriate steps to mitigate the consequences of such deficiencies, including in particular by imposing higher multiplication factors, or imposing capital add-ons, or taking other appropriate and effective measures.

(4) If the Authority finds that the internal model used by an investment firm no longer meets the requirements for applying that approach, the Authority shall require the investment firm:

a) to demonstrate that the effect of non-compliance is immaterial, or

b) to present a plan for the timely restoration of compliance with the requirements and set a deadline for its implementation.

(5) In the case provided for in Paragraph *b)* of Subsection (4), the investment firm shall amend the plan if the Authority is of the opinion that it is unlikely to result in full compliance with the relevant requirements or that the deadline is inappropriate.

(6) If there is a demonstrated risk that the investment firm is unlikely to be able to restore compliance within the prescribed deadline and has not satisfactorily demonstrated that the effect of non-compliance is immaterial, the Authority:

a) shall revoke the permission for using the internal model,

b) shall limit the permission to compliant areas or those where compliance can be achieved, or shall set the deadline for repeated compliance with requirements.

(7) If for an internal market risk model numerous overshootings referred to in Article 336 of Regulation 575/2013/EU indicate that the investment firm's internal model is not or is no longer sufficiently accurate, the Authority:

a) shall revoke the permission for using the internal model, or

b) shall impose appropriate measures to ensure that the internal model is improved promptly.

Section 163/B[1]

(1) For the purposes of determining specific liquidity requirements on the basis of the review and evaluation, the Authority shall take into account:

a) the business model of the investment firm;

b) the arrangements, processes and mechanisms referred to in Paragraph *f)* of Subsection (1) of Section 101;

c) the outcome of the supervisory review and evaluation; and

d) systemic liquidity risk that threatens the integrity of the financial markets of Hungary.

(2) The Authority shall impose specific liquidity requirements only where, on the basis of supervisory review and evaluation, it concludes that an investment firm that has not been exempted from liquidity requirement in accordance with Article 43(1) of Regulation 2019/2033/EU:

a) is exposed to liquidity risk or elements of liquidity risk that are material and are not covered or not sufficiently covered by the liquidity requirement set out in Part Five of Regulation 2019/2033/EU; or

1 Established by Section 37 of Act CX of 2020, effective as of 26 June 2021.

b) does not meet the requirements relating to internal control mechanism and risk management procedures and to the internal models for the assessment of capital adequacy according to Section 106, and other administrative measures are unlikely to sufficiently improve the arrangements, processes, mechanisms and strategies within an appropriate timeframe.

(3) For the purposes of Paragraph *a)* of Subsection (2), liquidity risk or elements of liquidity risk shall be considered not to be covered or to be insufficiently covered by the liquidity requirement set out in Part Five of Regulation 2019/2033/EU only where the amounts and types of liquidity considered adequate by the Authority following the supervisory review of the assessment carried out by the investment firm in accordance with Subsection (1) of Section 106 are higher than the investment firm's liquidity requirement set out in Part Five of Regulation 2019/2033/EU.

(4) The Authority shall determine the level of the specific liquidity required as the difference between the liquidity considered adequate pursuant to Subsection (3) and the liquidity requirement set out in Part Five of Regulation 2019/2033/EU.

(5) The Authority shall require investment firms to meet the specific liquidity requirements with liquid assets as set out in Article 43 of Regulation 2019/2033/EU.

(6) The Authority shall substantiate in writing its decision to impose a specific liquidity requirement by giving a clear account of the full assessment of the elements referred to in Subsections (2)-(4).

Section 163/C[1]

(1) Under Section 173/A, multi-party proceedings shall be conducted and decisions shall be adopted within the framework of such multi-party proceedings in the case where supervisory review is conducted on a consolidated basis.

(1a)[2] If the Authority exercises supervision of the investment firm at the level of the EU parent company, it shall forward the recovery plan to the competent supervisory authority affected, the supervisory authority of the systemically significant branch, the MNB acting within its resolution function and the resolution authorities of the subsidiaries in due compliance with the data processing and data protection requirements set out by legislation and directly applicable acts of the European Union.

(2) When reviewing a group recovery plan, the competent supervisory authorities of the EEA Member States where significant branches of the group entity are located should also be involved in the multi-party proceedings.

(3) When reviewing a group recovery plan, it shall be assessed whether individual group entities are required to draw up their own recovery plan independent of the group recovery plan.

(4) If the Authority exercises supervision of an investment firm that is a subsidiary of an EU parent company, if the multi-party proceedings is considered to have failed the Authority may decide whether the subsidiary investment firm should be required to draw up its own recovery plan independent of the group recovery plan.

Chapter XXVIII

AUTHORITY MEASURES AND SANCTIONS

Section 164

1 Enacted by Subsection (11) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.

2 Enacted by Section 69 of Act CXXVI of 2018, effective as of 29 December 2018.

(1)[1] The Authority shall have powers to take the following measures - having regard to progressivity and proportionality - in the event of any breach of the obligations laid down in this Act:

a) issue an official warning to investment firms, commodity dealers, operators of multilateral trading facilities, to executive employees and owners of investment firms, commodity dealers or operators of multilateral trading facilities in the event of any infringement of or non-compliance with the relevant statutory provisions, internal policies prescribed in this Act and the Authority's resolution for compliance with the said provisions, or - if necessary - shall order compliance within the prescribed deadline;

b)[2] prohibit the conducting of the performance of investment service activities and the provision of ancillary services, commodity exchange services and intermediary services without authorization or notification;

c) demand reimbursement of the costs and expenses incurred in connection with the activities of an expert or a regulatory commissioner delegated by the Authority;

d)[3] initiate the dismissal of a senior executive or the auditor of an investment firm or commodity dealer, the withdrawal of the auditor's certificate to audit investment firms, or initiate disciplinary action against an employee of an investment firm or commodity dealer;

e) order the management body of an investment firm or commodity dealer to call an extraordinary general meeting, and may specify the mandatory agenda for such sessions;

f) instruct an investment firm or commodity dealer to draw up a reorganization plan within the prescribed deadline, and submit it to the Authority;

g) order an investment firm, commodity dealer or a market operator to disclose specific data or information;

h) order the suspension of all or part of investment service activities, the provision of ancillary services or the provision of commodity exchange services for a fixed period of time;

i) withdraw the authorization of an investment firm, commodity dealer or the operator of multilateral trading facilities for investment service activities, the provision of ancillary services and the provision of commodity exchange services, respectively;

j) order an investment firm or commodity dealer to transfer its pending contractual commitments to another service provider;

k) appoint a regulatory commissioner to an investment firm or commodity dealer;

l)[4] impose fines having regard to Subsections (5), (6) and (25) of Section 76 of the MNB Act;

m) initiate procedures with other competent authorities;

n) suspend access to client accounts and securities accounts maintained by an investment firm or a commodity dealer for a fixed period of time;

o) ban, restrict or impose conditions on investment firms and commodity dealers, in terms of:

oa) their payment of dividends;

ob) any payment made to an executive officer;

oc) the obtaining of loans by their owners from the said organizations or the provision of any services to them by these organizations that involve any degree of exposure;

od) their provision of any loan or credit to, or any similar transaction with, companies in which their owners or executive officers have any interest;

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1 Amended by Paragraph s) of Section 134 of Act LXIX of 2017.
2 Amended by Paragraph j) of Section 65 of Act CCXV of 2015.
3 Established by Subsection (1) of Section 126 of Act LXIX of 2017, effective as of 1 July 2017.
4 Established by Subsection (1) of Section 104 of Act CCXXXVI of 2013. Amended by Point 19 of Section 44 of Act CX of 2020.

oe)[1] distributions or interest payments by an investment firm to shareholders, members or holders of Additional Tier 1 instruments where that restriction or prohibition does not constitute an event of default of the investment firm;

of) the extension (prolongation) of deadlines specified in loan or credit agreements;

og) their opening of any new branches, introducing new services and new operations;

p) order investment firms and commodity dealers:

pa) to draw up new internal policies, or to revise or apply the existing policies along specific guidelines;

pb) to provide further training to employees (executives), or to hire employees (executives) with adequate professional experience and expertise;

pc) to reduce operating expenses;

pd) to set aside adequate reserves;

q) prohibit the outsourcing of investment service activities, ancillary services and commodity exchange services;

r) order the suspension of operations of multilateral trading facilities;

s) require the investment firm to take measures for the reinforcement of the arrangements, processes, mechanisms and strategies relating to its internal control mechanism, risk management procedures and internal models for the assessment of capital adequacy according to Section 106;

t)[2] to require investment firms to have own funds in excess of the requirements set out in Subsection (4), or to adjust the own funds and liquid assets required in case of material changes in the business of the investment firms;

u)[3] order the suspension of trading in certain financial instruments on an MTF or OTF, and may order the delisting of certain financial instruments;

v)[4] it may order the investment firm to determine the variable remuneration of persons covered by the remuneration policy as a percentage of total net revenue when it is inconsistent with the investment firm’s compliance with prudential requirements;

x)[5] make a public statement which indicates the person responsible for the breach and the nature of the breach;

y)[6] adopt a resolution to declare the fact of infringement, and shall order the cessation of the infringement or prohibit any further infringement;

z)[7] order the investment firm to implement a recovery plan provided for in Section 102, and to take the measures contained therein, or - if the event invoking the measures to be taken by the Authority differs from the assumption set out in the recovery plan - to review the recovery plan within thirty days and to take the measures set out in the revised recovery plan;

zs)[8] in the event of infringement of any provision of Regulation 600/2014/EU or this Act:

zsa) require or demand the provision of information including all relevant documentation from any person regarding the size and purpose of a position or exposure entered into via a commodity derivative, and any assets or liabilities in the underlying market,

zsb) require the temporary or permanent cessation of any practice or conduct that the Authority considers to be contrary to the provisions of Regulation 600/2014/EU and the provisions adopted in the implementation of this Act and prevent repetition of that practice or conduct,

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1 Enacted by Subsection (1) of Section 38 of Act CX of 2020, effective as of 26 June 2021.
2 Established by Subsection (2) of Section 38 of Act CX of 2020, effective as of 26 June 2021.
3 Established by Subsection (2) of Section 126 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted: by paragraph (14) Section 164 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
5 Enacted by Subsection (3) of Section 104 of Act CCXXXVI of 2013, effective as of 1 January 2014.
6 Enacted by Subsection (3) of Section 104 of Act CCXXXVI of 2013, effective as of 1 January 2014.
7 Enacted by Subsection (12) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
8 Enacted by Subsection (3) of Section 126 of Act LXIX of 2017, effective as of 3 January 2018.

zsc) request any person to take steps to reduce the size of the position or exposure,

zsd) limit the ability of any person from entering into a commodity derivative, including by introducing limits on the size of a position any person can hold at all times in accordance with this Act,

zse) suspend the marketing or sale of financial instruments or structured deposits where the conditions of Articles 40, 41 or 42 of Regulation 600/2014/EU are met,

zsf) suspend the marketing or sale of financial instruments or structured deposits where the investment firm has not developed or applied an effective product approval process or otherwise failed to comply with Section 17/A,

zsg) require the removal of a natural person from the management board of an investment firm,

zsh) a temporary or, for repeated serious infringements a permanent ban against any member of the investment firm's management body or any other natural person, who is held responsible, to exercise management functions in the investment firm,

zsi) a temporary ban on any investment firm being a participant in regulated markets, or a member of MTFs or a client of OTFs, and

zsj) suspension of the exercise of the voting rights attaching to the shares of the investment firm involved, if the qualifying influence exercised in the investment firm is likely to be prejudicial to the sound and prudent management of the investment firm, or if the person acquiring a qualifying interest in the investment firm fails to fulfill the obligation set out in Sections 37 and 37/B for the submission of a request relating to the acquisition of qualifying interest or to increasing his existing share.

(1a)[1] For the purposes of Regulation 2019/2033/EU and this Act, the Authority shall have the following powers having regard to progressivity and proportionality:

a) to require investment firms to take appropriate measures in due time to eliminate any existing infringement, or to prevent any infringement the investment firm is likely to commit within the next 12 months, if the Authority has evidence to the latter;

b) to require investment firms to present, within one year, a plan to restore compliance with supervisory requirements pursuant to Regulation 2019/2033/EU and this Act, to set a deadline for the implementation of that plan and to set a time limit for implementation, and require improvements to that plan regarding scope and deadline;

c) to require investment firms to apply a specific provisioning policy or treatment of assets in terms of own funds requirements;

d) to restrict or limit the business, operations or network of investment firms or to request the divestment of activities that pose excessive risks to the financial soundness of an investment firm;

e) to require the reduction of the risk inherent in the activities, products and systems of investment firms, including outsourced activities;

f) to impose additional or more frequent reporting requirements, including reporting on capital and liquidity positions;

g) to require additional disclosures; or

h) to require investment firms to reduce the risks posed to the security of its network and information systems to ensure confidentiality, integrity and availability of their processes, data and assets.

(2) The Authority may impose the measure contained in Subparagraph *oa)* of Subsection (1) if payment of any dividend is likely to jeopardize the compliance of the investment firm or commodity dealer in question with the capital requirements contained in this Act.

(3) Upon taking the measures specified in Paragraph *n)* of Subsection (1), the Authority shall forthwith notify the supervisory authorities of the Member States in which the investment firm affected by the measure operates a branch or provides cross-border services.

1 Enacted by Subsection (3) of Section 38 of Act CX of 2020, effective as of 26 June 2021.

(4)[1] In determining the level of extra capital requirement referred to in Paragraph *t)* of Subsection (1) hereof, the Authority shall take into account:

a) the quantitative and qualitative aspects of the investment firms' internal models for the assessment of capital adequacy;

b) the investment firms' internal control mechanisms and risk management processes; and

c) the findings of the investment firms' supervisory review.

(5)[2] In the event of taking measures and imposing fines upon an investment firm, the Authority shall notify the Befektető-védelmi Alap (*Investor Protection Fund*) simultaneously with adopting the resolution therefor if the resolution has any bearing on the Befektető-védelmi Alap carrying out its functions delegated under this Act and the CMA, or if it was adopted in connection with any infringement committed by an investment firm concerning the activities of the Befektető-védelmi Alap.

(6)[3] Moreover, the Authority shall notify the Befektető-védelmi Alap also if it detects any situation relying on information received from the competent authority supervising the investment firm's parent company that may have an impact on the Befektető-védelmi Alap carrying out its functions conferred by this Act and the CMA.

(7)[4] The Authority shall take the necessary measures if there is a demonstrated risk that the investment firm is unlikely to be able to comply within the twelve-month period ahead with the provisions of this Act and the regulations relating to prudential requirements.

(8)[5] If the investment firm fails to submit a revised recovery plan in spite of the Authority's decision, or if the revised recovery plan does not adequately remedy the deficiencies or potential impediments identified in the said decision, the Authority may direct the investment firm:

a) to reduce the risk profile of the investment firm, including liquidity risk;

b) to review the rules restricting a decision for any potential increase of the investment firm's capital;

c) to review the governance structure of the investment firm;

d) to make changes to the funding strategy so as to improve the resilience of the core business lines and critical functions.

(9)[6] The Authority shall order any other investment firm or market operator operating an MTF or OTF established in Hungary that may be involved in trading, to suspend or remove from trading in the cases under Subsections (1)-(2) of Section 325 of the CMA, or if the investment firm or market operator provides for the suspension or removal from trading of specific financial instruments or related derivatives in accordance with the provisions of this Act. It may be ordered where the suspension or removal is due to suspected market abuse, a take-over bid or the non-disclosure of inside information about the issuer or financial instrument infringing Articles 7 and 17 of Regulation 596/2014/EU except where such suspension or removal could cause significant damage to the investors' interests or the orderly functioning of the market. The Authority shall immediately make public and communicate to the European Securities and Markets Authority and the competent supervisory authorities of the other Member States such a decision.

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1 Enacted: by paragraph (15) Section 164 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
2 Enacted by Subsection (4) of Section 104 of Act CCXXXVI of 2013, effective as of 1 January 2014.
3 Enacted by Subsection (4) of Section 104 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Enacted by Subsection (13) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
5 Enacted by Subsection (13) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
6 Enacted by Subsection (4) of Section 126 of Act LXIX of 2017, effective as of 3 January 2018.

(10)[1] Where the suspension or removal from trading of an financial instrument or related derivatives is ordered by the competent supervisory authorities of another EU Member States in any trading venue or with respect to systematic internalizers on the grounds referred to in Subsection (9) save where it is likely to cause significant damage to the investors' interests or the orderly functioning of the internal market, the Authority shall order the investment firm or market operator operating an MTF or OTF established in Hungary to suspend or remove from trading said financial instruments or related derivatives. The Authority shall communicate to the European Securities and Markets Authority and the competent authorities of the other EU Member States such a decision. If the Authority did not order an investment firm or market operator operating an MTF or OTF established in Hungary the suspension or removal, the Authority shall enclose in the communication its reasons.

(11)[2] The provisions of Subsections (9)-(10) shall apply mutatis mutandis:

a) to the withdrawal of suspension, and

b) to the Authority's resolutions on imposing the sanctions referred to in Paragraph *u)* of Subsection (1) as regards the notification procedure.

(12)[3] The provisions of this Section shall apply to investment holding companies, mixed financial holding companies, mixed-activity holding companies, data providers and their senior executives.

Section 164/A[4]

(1) The Authority shall notify the European Securities and Markets Authority and other competent authorities of Union Member States of the details of:

a) any requests to reduce the size of a position or exposure pursuant to Subparagraph *zsc)* of Paragraph *zs)* of Subsection (1) of Section 164;

b) any limits on the ability of persons to enter into a commodity derivative pursuant to Subparagraph *zsd)* of Paragraph *zs)* of Subsection (1) of Section 164.

(2) The notification shall include, where relevant, the details of the request or the demand pursuant to Subparagraph *zsa)* of Paragraph *zs)* of Subsection (1) of Section 164 including the identity of the person or persons to whom it was addressed and the reasons therefor, as well as the scope of the limits introduced pursuant to Subparagraph *zsd)* of Paragraph *zs)* of Subsection (1) of Section 164 including the person concerned, the applicable financial instruments, any limits on the size of positions the person can hold at all times, any exemptions thereto and the reasons therefor.

(3) The notifications shall be made not less than twenty-four hours before the actions or measures are intended to take effect. In exceptional circumstances where it is not possible to give twenty-four hours' notice, the Authority may make the notification less than twenty-four hours before the measures are intended to take effect.

(4) If the Authority receives notification under this Section from the competent supervisory authority of another Member State of the European Union, it may take measures in accordance with Subparagraph *zsc)* or *zsd)* of Paragraph *zs)* of Subsection (1) of Section 164 where it is satisfied that the measure is necessary to achieve the objective of the competent supervisory authority of that other Member State. The Authority shall also give notice in accordance with this Section where it makes a proposal to the competent supervisory authority of the other Member State to take measures.

(5) When an action under Paragraph *a)* or *b)* of Subsection (1) relates to wholesale energy products, the Authority shall also notify the Agency for the Cooperation of Energy Regulators (ACER) established under Regulation 713/2009/EC.

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1 Enacted by Subsection (4) of Section 126 of Act LXIX of 2017, effective as of 3 January 2018.
2 Enacted by Subsection (4) of Section 126 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Section 67 of Act LVIII of 2021, effective as of 1 January 2022.
4 Enacted by Section 127 of Act LXIX of 2017, effective as of 3 January 2018.

(6) In relation to emission allowances, the Authority shall cooperate with public bodies competent for the oversight of spot and auction markets and competent authorities, registry administrators and other public bodies charged with the supervision of compliance under Act CCXVII of 2012 on Participating in the Scheme for Greenhouse Gas Emission Allowance Trading Within the Community and in the Implementation of the Decision on Effort Sharing in order to ensure that they can acquire a consolidated overview of emission allowances markets.

(7)[1] In relation to agricultural commodity derivatives, the Authority shall report to and cooperate with public bodies competent for the oversight, administration and regulation of physical agricultural markets under Regulation 1308/2013/EU of the European Parliament and of the Council.

Section 164/B[2]

(1) The Authority, when determining the type and level of an administrative sanction or measure imposed under the exercise of powers to impose sanctions provided for in Section 164, shall take into account all relevant circumstances, including, in particular:

a) the duration of the infringement;

b) the degree of responsibility of the natural or legal person responsible for the infringement;

c) the financial strength of the responsible natural or legal person, as indicated in particular by the total turnover of the responsible legal person or the annual income and net assets of the responsible natural person;

d) the importance of profits gained or losses avoided by the responsible natural or legal person, insofar as they can be determined;

e) the level of cooperation of the responsible natural or legal person with the Authority, without prejudice to the need to ensure disgorgement of profits gained or losses avoided by that person;

f) previous infringements by the natural or legal person responsible.

(2) The Authority may take into account additional factors to those referred to in Subsection (1) when determining the type and level of administrative sanctions and measures.

Section 165[3]

(1) Where an investment firm infringes or, due, inter alia, to a rapidly deteriorating financial condition, the authorization and operating requirements prescribed in this Act for that firm, the Authority may - in addition to the measure provided for in Paragraph *z)* of Subsection (1) of Section 164, impose the following measures:

a) may require the examination of the situation, identify measures to overcome any problems identified and draw up an action program to overcome those problems and a timetable for its implementation, and to draw up a plan for negotiation on restructuring of debt;

b) may order the executive board to convene the general meeting, and furthermore, it may advise these bodies to put specific items on the agenda and point out the requirement of making specific decisions; and/or

c) may withdraw the authorization granted for the election or appointment of a senior executive whose personal responsibility for the development of this situation has been established by final or definitive resolution, and may instruct the investment firm to elect or appoint another senior executive in replacement, with the proviso that this measure may not impose contemporaneously a fine upon the senior executive in question.

1 Amended by Paragraph e) of Subsection (1) of Section 70 of Act LVIII of 2021.
2 Enacted by Section 127 of Act LXIX of 2017, effective as of 3 January 2018.
3 Established by Section 54 of Act CXVIII of 2019, effective as of 1 January 2020.

(2) Upon the implementation under Paragraph *z)* of Subsection (1) of Section 164 of the recovery plan and when taking the measure referred to in Subsection (1) hereof, the Authority:

a) shall forthwith notify the MNB acting within its resolution function concerning the measure,

b) shall set an appropriate deadline for carrying out the measure, and

c) shall monitor and evaluate the effectiveness of the measure.

Section 166[1]

The Authority shall have powers to impose a fine upon any investment firm or commodity dealer, and upon their executive officers and other employees:

a) for any violation, circumvention, evasion, non-fulfillment or late fulfillment of the obligations set out in this Act or in specific other legislation adopted by authorization of this Act, in the MLT, in the resolution of the Authority and in its own internal regulations; or

b) if the fine is proposed by a foreign supervisory authority under Section 177.

Section 167[2]

Section 168

(1) The Authority may appoint one or more regulatory commissioners to oversee the activities of an investment firm or commodity dealer, particularly if:

a) it is in a situation where there is imminent danger that it cannot meet its liabilities;

b) its management body or any executive employee is unable to carry out his assigned duties, hence jeopardizing the interests of investors;

c) any discrepancies in its accounting system or internal control regime are of a magnitude whereby it is no longer possible to receive a true and fair view of its financial position.

(2) The situation referred to in Paragraph *b)* of Subsection (1) shall apply, among other reasons, if:

a) the owners or the founder of the branch fail to increase the equity capital of the investment firm or commodity dealer as prescribed; or

b) the management body fails to call a general meeting when it is ordered to do so by the Authority.

(3) The duties and powers of the regulatory commissioner shall be laid down in the resolution on his appointment.

(4) The regulatory commissioner shall present his report to the Authority within ninety days in which to outline the situation of the body in question, including any recommendations for further action. This time limit may be extended on one occasion, if justified, by maximum thirty additional days.

(5)[3] Based on the regulatory commissioner's recommendations the Authority shall decide on the course of further measures.

Section 169[4]

1 Established: by Section 114 of Act CXLIII of 2013. In force: as of 1. 10. 2013.
2 Repealed: by subparagraph e) paragraph (5) Section 84 of Act CXLVIII of 2009. No longer in force: as of 1. 01. 2010.
3 Amended: by Section 392 of Act LVI of 2009. In force: as of 1. 10. 2009.
4 Established by Section 35 of Act CIV of 2014, effective as of 1 January 2015.

(1) In the event of a partial transfer to the supervisory commissioner of the rights and authorities of the management body of an investment firm or commodity dealer, in the resolution on appointment the Authority shall specify the supervisory commissioner's role, duties and responsibilities in the investment firm or commodity dealer.

(2) A supervisory commissioner may be appointed to take over all rights and authorities of the management body of an investment firm or commodity dealer only if there is a significant deterioration in the financial situation of the investment firm or commodity dealer or where there are serious infringements of regulations relating to prudential requirements, and in the Authority's opinion partial transfer to the supervisory commissioner of the rights and authorities of the management body of the investment firm or commodity dealer, and the removal of the management body and the appointment of the new management body is insufficient to reverse that deterioration.

(3) Until the resolution provided for in Subsection (2) ordering the appointment of a supervisory commissioner is delivered by service of process, the liability of members of the management body of the investment firm or commodity dealer concerned shall remain in effect as defined by the provisions of the Civil Code on legal persons.

(4)[1] During the period of the supervisory commissioner's appointment to take over all rights and authorities of the management body, members of the management body may not perform their tasks and exercise their signatory rights as provided for in the provisions of the Civil Code on legal persons, and in the articles of association. For the period of appointment, the supervisory commissioner shall exercise the rights of members of the management body provided for by law and the articles of association with the qualification that calling the general meeting and setting specific items of the agenda is subject to the Authority's consent.

(5) In the event of a partial transfer to the supervisory commissioner of the rights and authorities of the management body of an investment firm or commodity dealer, the management body shall be allowed to exercise those rights and authorities which the resolution appointing the supervisory commissioner did not transfer to the supervisory commissioner.

(6)[2] By way of derogation from Subsections (4) and (5), members of the management body or the supervisory board shall have the right - also during the period of appointment of the supervisory commissioner - to bring administrative action to contest the resolution appointing the supervisory commissioner and the resolution the Authority has adopted against the investment firm or commodity dealer.

(7) The supervisory commissioner shall be responsible:

a) to assess the financial situation of the investment firm or commodity dealer affected;

b) to analyze any potential to satisfy the claims of clients;

c) to restore the records and registers of the investment firm or commodity dealer to the extent necessary for the purposes of Paragraphs *a)* and *b)*; and

d) to operate the investment firm or commodity dealer as a corporate entity to the extent necessary.

Section 170[3]

1 Established by Section 63 of Act CCXV of 2015, effective as of 1 January 2016.
2 Established by Subsection (12) of Section 310 of Act L of 2017, effective as of 1 January 2018.
3 Established by Section 110 of Act LXXXV of 2015, effective as of 7 July 2015.

(1) In the interest of exercising its supervisory control function in upholding the provisions of this Act and other regulations relating to investment services and ancillary services, the Authority shall have powers to appoint one or more on-site inspectors without causing unnecessary disturbance in the investment firm's operations, as often as deemed necessary, on a provisional basis, for a fixed period of time.

(2) The Authority shall provide letters of authorization to its agents conducting on-site inspections.

(3) The delegated on-site inspector shall be entitled:

a) to perform any supervisory activity;

b) to participate and make comments as an observer at the meetings of the management, the executive board, any body or committee empowered to make decisions relating to exposures, the supervisory board or at the general (delegate) meeting;

c) consult with the investment firm's auditor.

(4) The on-site inspector shall be appointed for a term of thirty days, that may be extended by another thirty days in duly justified cases.

(5) If the on-site inspector provided for in this Section finds any infringement, the Authority shall - at the inspector's motion - conduct direct inquiries or special inquiries taking into consideration the gravity of the infringement.

(6) The mandate of the on-site inspector shall terminate upon the expiry of the fixed term or upon the ruling of the Authority.

Chapter XXIX

COOPERATION WITH THE SUPERVISORY AUTHORITIES OF OTHER MEMBER STATES OF THE EUROPEAN ECONOMIC AREA

Consultation Prior to Authorization of Investment Service Activities

Section 171

(1) The Authority shall consult the competent supervisory authority of another EEA Member State prior to the granting of authorization to an investment firm to engage in investment service activities if:

a) the applicant is a subsidiary of an investment firm or credit institution authorized by the competent supervisory authority of another EEA Member State;

b) the applicant is a subsidiary of the parent company of an investment firm or credit institution authorized by the competent supervisory authority of another EEA Member State; or

c) the applicant is controlled by the same natural or legal persons as control an investment firm or credit institution authorized in another EEA Member State.

(2) The Authority shall consult the competent supervisory authority of the EEA Member State responsible for the supervision of credit institutions or insurance companies prior to the granting of authorization to an investment firm to engage in investment service activities if:

a) the applicant is a subsidiary of a credit institution or insurance company authorized by the competent supervisory authority of another EEA Member State;

b) the applicant is a subsidiary of the parent company of a credit institution or insurance company authorized by the competent supervisory authority of another EEA Member State; or

c) the applicant is controlled by the same natural or legal persons as control a credit institution or insurance company authorized by the competent supervisory authority of another EEA Member State.

(3) In the cases referred to Subsections (1) and (2), and when contacted by the competent supervisory authority of another EEA Member State regarding the applicant established in that state, the Authority shall cooperate in the process of examination of compliance with the applicable statutory provisions relating to the investment firm and the operator of a multilateral trading facility, and their owners and executive employees.

(4) Subsection (3) shall apply to any changes in the details contained in Subsections (1) and (2), and for the purposes of monitoring compliance with regulations pertaining to the operation and activities of investment firms and multilateral trading facilities on an ongoing basis.

(5)[1] The Authority shall disclose the opinion it has received from the competent supervisory authority of the other EEA Member State affected in its resolution adopted after consulting the said authority.

(6)[2] The Authority may refuse to act on a request to cooperate prescribed in Subsection (3) only if:

a) judicial proceedings have already been initiated in respect of the same actions and the same persons before the Hungarian authorities;

b) final judgment in respect of the same persons and the same actions has already been delivered in Hungary.

(7)[3] In the case of such a refusal, the Authority shall notify the requesting competent supervisory authority of another EEA Member State and the European Securities and Markets Authority accordingly, providing as detailed information as possible.

Notification Before the Commencement of Cross-Border Operations and Before the Establishment of a Branch

Section 172

(1) The Authority shall forward the notice received under Subsection (4) of Section 27 from an investment firm it has authorized to engage in investment service activities within one month from the time of receipt to the competent supervisory authority of the Member State referred to in Paragraph *a)* of Subsection (4) of Section 27.

(2) The Authority shall forthwith publish a notice received from the competent supervisory authority of another EEA Member State that contains the information specified in Subsection (4) of Section 27.

(3) The provisions contained in Subsections (1) and (2) shall also apply if the investment firm alters its investment service activities.

Section 173

(1) The Authority shall forward the complete notice received under Subsection (7) of Section 27 from an investment firm it has authorized to engage in investment service activities - together with the regulations of the Investor Protection Fund - within three months from the time of receipt to the competent supervisory authority of the Member State referred to in Paragraph *a)* of Subsection (7) of Section 27.

1 Enacted: by Section 158 of Act CIII of 2008. In force: as of 01. 01. 2009.
2 Enacted by Section 18 of Act CXLV of 2017, effective as of 3 January 2018.
3 Enacted by Section 18 of Act CXLV of 2017, effective as of 3 January 2018.

(2) The Authority shall forthwith publish a notice received from the competent supervisory authority of another EEA Member State that contains the information specified in Subsection (7) of Section 27.

(3) The provisions contained in Subsections (1) and (2) shall also apply in the event of any changes in the information contained in the investment firm's notice referred to in Subsection (7) of Section 27; the notice shall be sent to the Authority at least one month before the change is scheduled to take effect.

Section 173/A[1]

The Authority and the competent supervisory authorities of EEA Member States where the EU parent company, EU parent financial holding company or EU parent mixed financial holding company is established shall cooperate in monitoring the:

a) internal capital adequacy assessment process,

b) liquidity risk,

c) supervisory review,

d)[2]

e) institution-specific liquidity requirements

of an EU parent company and its subsidiaries, or an EU parent financial holding company and its subsidiaries, or an EU parent mixed financial holding company and its subsidiaries (hereinafter referred to as "multi-party proceedings").

Authorization of Branches of Third Country Investment Firms and Cooperation for the Supervision of Such Branches[3]

Section 173/B[4]

The Authority shall sign a cooperation agreement for the authorization and supervision of branches of investment firms established in any third country with the competent supervisory authority of the third country where the investment firm is established, inter alia covering the following:

a) setting the initial capital and monitoring compliance with such requirement;

b) monitoring compliance with organizational requirements, specifically the rules applicable to executive officers; and

c) rules on the exchange of information, the need to ensure market integrity, investor protection.

Authorization for the Combined Use of Different Risk Management Protocols

Section 174[5]

(1) If the Authority exercises supervision over the subsidiary investment firm of an EU parent company, EU parent financial holding company or EU parent mixed financial holding company, at the opening of the proceedings provided for in Section 173/A, the Authority:

1 Enacted by Section 105 of Act CCXXXVI of 2013, effective as of 1 January 2014.
2 Repealed by Paragraph i) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
3 Enacted by Section 128 of Act LXIX of 2017, effective as of 3 January 2018.
4 Enacted by Section 128 of Act LXIX of 2017, effective as of 3 January 2018.
5 Established by Section 106 of Act CCXXXVI of 2013, effective as of 1 January 2014.

a) shall forward the necessary information and documents without delay to the competent supervisory authorities of the EEA Member States, where any company is established that is subject to supervision on a consolidated basis together with the EU parent company, EU parent financial holding company or EU parent mixed financial holding company in question, and

b) shall simultaneously notify the competent supervisory authorities of the EEA Member States referred to in Paragraph *a)* concerning the deadlines for supplying an opinion, analysis or objection relating to the application to the Authority.

(2)[1] The Authority's resolution in a multi-party proceedings shall be made in concert with all competent supervisory authorities of EEA Member States participating in the proceedings (hereinafter referred to as "resolution adopted in multi-party proceedings"), and it shall be adopted:

a) in respect of Paragraphs *a), c)* and *d)* of Section 173/A, within four months from the date of submission of the Authority's risk assessment report made on a consolidated basis (covering also the adequacy on the consolidated level of own funds held by the group taking into account the financial situation and risk profile of the group) to the competent supervisory authority participating in the proceedings,

b) in respect of Paragraphs *b)* and *e)* of Section 173/A, within one month from the date of submission of the Authority's liquidity risk analysis report made on a consolidated basis (covering also the measures taken to address any significant matters and material findings relating to liquidity, including the measures relating to risk management and the need for institution-specific liquidity requirements) to the competent supervisory authority participating in the proceedings.

(3) If the multi-party proceedings is considered to have failed in the absence of the consent of the competent supervisory authority of any EEA Member State participating in the proceedings, the Authority shall open negotiations within the time limit referred to in Subsection (2) at the request of either of the competent supervisory authorities of EEA Member States with the EBA concerning the failure of the multi-party proceedings, or may do so at its own initiative.

(4) If the multi-party proceedings is considered to have failed in the absence of the consent of the competent supervisory authority of any EEA Member State, the Authority shall adopt a decision within ten working days following conclusion of the multi-party proceedings, taking into consideration the opinions, analysis and objections of all competent supervisory authorities of EEA Member States given during the multi-party proceedings.

(5)[2] If the Authority has opened negotiations with the European Banking Authority (hereinafter referred to as "EBA"), the deadline for adopting a decision shall expire, by way of derogation from Subsection (2), after ten working days following the date of submission of the decision adopted under Article 19(3) of Regulation 1093/2010/EU to the Authority.

(6) Following the negotiations provided for in Subsection (5), the Authority shall take its decision in conformity with the decision of EBA. If the Authority's decision differs considerably from the decision of EBA, it shall offer an explanation therefor.

(7) The Authority shall send a copy of its decision, with detailed reasons, to the competent supervisory authorities of each of the EEA Member States that participated in the proceedings, and to the parent company subject to supervision on a consolidated basis.

1 Established by Section 111 of Act LXXXV of 2015, effective as of 7 July 2015.
2 Amended by Point 20 of Section 44 of Act CX of 2020.

(8)[1] If the competent supervisory authority of another EEA Member State has powers to conduct the proceedings, and the subsidiary investment firm of the EU parent company, EU parent financial holding company or EU parent mixed financial holding company is supervised by the Authority, the Authority shall send its opinion and/or objections within the time limit specified by the competent supervisory authority of that other EEA Member State of jurisdiction for conducting the proceedings.

(9) If the competent supervisory authority of the EEA Member State where the EU parent company, EU parent financial holding company or EU parent mixed financial holding company is established has adopted a decision following the proceedings under Section 173/A, such resolution shall be binding in its entirety and directly applicable in Hungary. The Authority shall post a notice on its website in Hungarian, indicating that the competent supervisory authority of the EEA Member State has adopted a resolution. The enforcement of resolutions adopted by the competent supervisory authority of any EEA Member State relating to a body supervised by the Authority, monitoring compliance and the measures that may be imposed shall be governed by the relevant Hungarian laws pertaining to the Authority's resolutions.

(10) The Authority shall assess the need for making changes in the resolution referred to in Subsection (2):

a) at least once a year, or

b) at the request of the competent supervisory authority of the parent or subsidiary subject to supervision on a consolidated basis made out in writing, with reasons, in respect of Paragraph *d)* or *e)* of Section 173/A,

with the proviso that the competent supervisory authority mentioned in Paragraph *b)* may also participate in the proceedings.

Section 175[2]

Systemically Significant Branches[3]

Section 175/A[4]

(1) If an investment firm that is established in Hungary has established a branch in another EEA Member State or if the Authority functions as the consolidating supervisor of the investment firm setting up the branch, the Authority may - if so requested by the competent supervisory authority of the other EEA Member State - declare the branch as systemically significant jointly with the requesting supervisory authority.

(2) The Authority may request - based on the reasons referred to in Subsection (3) which can be considered as substantial grounds - the consolidating supervisor of another EEA Member State, or failing this the competent supervisory authority of the EEA Member State where the investment firm is established, to declare the Hungarian branch of the investment firm established that other EEA Member State as systemically significant by joint decision.

(3) Request for considering a branch to be systemically significant shall provide reasons with particular regard to the following:

a) the likely impact of a suspension or closure of the operations of the investment firm on market liquidity and the payment and clearing and settlement systems in the given EEA Member State;

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1 Amended by Paragraph c) of Section 37 of Act CIV of 2014.
2 Repealed by Paragraph c) of Section 39 of Act CIV of 2014, effective as of 1 January 2015.
3 Enacted: by Section 156 of Act CLIX of 2010. In force: as of 1. 01. 2011.
4 Enacted: by Section 156 of Act CLIX of 2010. In force: as of 1. 01. 2011.

b) the size and the importance of the branch in terms of number of clients within the context of the financial system of the given EEA Member State.

(4) The Authority shall do everything within its power to reach a joint decision with the competent supervisory authority of the other EEA Member State on the designation of a branch as being systemically significant.

(5) If no joint decision is reached within two months of receipt of a request mentioned above, and if Hungary is the host Member State, the Authority shall take its own decision within a further period of two months on whether the branch is systemically significant taking into account any views and reservations of the competent supervisory authorities of other EEA Member States involved expressed during the proceedings for reaching a joint decision.

(6) The Authority shall send a copy of its decision referred to in Subsection (5) to the competent supervisory authority of the EEA Member State concerned.

(7) The joint decision referred to in Subsection (4), and the decision of the competent supervisory authority of the host Member State, if other than Hungary, declaring a branch as systemically significant shall be binding in its entirety and directly applicable in Hungary.

Section 175/B[1]

If an investment firm that is established in Hungary has established a branch in another EEA Member State that is considered systemically significant, the Authority shall notify the competent supervisory authority of this other EEA Member State if it receives information concerning adverse developments in the investment firm or in other entities of a group to which supervision on a consolidated basis applies jointly with the investment firm, which could seriously affect the investment firm, as well as on imposing any sanctions upon or taking exceptional measures against the investment firm, including the supervisory measures under Paragraph *t)* of Subsection (1) of Section 164.

Cooperation between competent supervisory authorities of EEA Member States[2]

Section 175/C[3]

(1) The Authority shall cooperate closely with the competent supervisory authorities of other EEA Member States in particular by exchanging information about investment firms without delay, including the following:

a) the management and ownership structure;

b) compliance with own funds requirements;

c) compliance with the concentration risk requirements and liquidity requirements;

d) administrative and accounting procedures and internal control mechanisms;

e) any other relevant factors that may influence the risk posed by the investment firm.

(2) The Authority shall immediately provide the competent supervisory authority of the host EEA Member State with any information and findings about any potential problems and risks posed by an investment firm to the protection of clients or the stability of the financial system in the host EEA Member State which they have identified when supervising the activities of an investment firm.

1 Enacted: by Section 156 of Act CLIX of 2010. In force: as of 1. 01. 2011.
2 Enacted by Section 39 of Act CX of 2020, effective as of 26 June 2021.
3 Enacted by Section 39 of Act CX of 2020, effective as of 26 June 2021.

(3) The Authority shall take all measures necessary to avert or remedy potential problems and risks as referred to in Subsection (2) on the basis of information and findings provided by the competent supervisory authority of the host EEA Member State.

(4) Upon request made by the competent supervisory authority of the host EEA Member State, the Authority shall explain in detail how it has taken into account the information and findings provided by the competent supervisory authority of the host EEA Member State for the measures taken in accordance with Subsection (3).

(5) Where, following the communication of the information and findings, the Authority considers that the competent supervisory authority of the host EEA Member State has not taken the necessary measures referred to in Subsection (3) to protect clients or to protect the stability of the financial system, the Authority shall take appropriate measures.

(6) Before taking the appropriate measures referred to in Subsection (5), the Authority shall so inform the competent supervisory authority of the host EEA Member State, EBA and the European Securities and Markets Authority.

Section 175/D[1]

(1) In accordance with Article 19 of Regulation 1093/2010/EU, the Authority may refer to EBA cases in which a request for collaboration has been rejected or has not been acted upon within a reasonable time by the competent supervisory authority of an EEA Member State.

(2) If the Authority disagrees with the measures of the competent supervisory authority of the host EEA Member State, it may refer the matter to EBA in accordance with Article 19 of Regulation 1093/2010/EU.

(3) The Authority may request the competent supervisory authority of a clearing member’s home EEA Member State to provide information relating to the margin model and parameters used for the calculation of the margin requirement of the relevant investment firm for the purpose of monitoring compliance with point (c) of the first subparagraph of Article 23(1) of Regulation 2019/2033/EU.

(4) The Authority shall offer the possibility to the competent supervisory authority of the home EEA Member State to check by itself, or by a body that it has appointed for that purpose, upon prior notification of the Authority, the information provided for in Subsection (1) of Section 175/C having regard to the activity of the Hungarian branch of an investment firm established in another EEA Member State.

Powers and Competence of host EEA Member States

Section 176[2]

(1) The Authority shall have power to supervise the operations of the Hungarian branches of foreign investment firms authorized by the supervisory authorities of other EEA Member States for carrying out investment service activities for the purpose of compliance with the provisions laid down in Section 17/A, Sections 40-51, Sections 55-56, Sections 62-65, Sections 67-69, Sections 73-76 and Sections 151-153.

(2) The Authority shall have power to inspect the activities of Hungarian branches of investment firms established in other EEA Member States within the framework of supervisory procedures in cases considered material in order to ensure the stability of the financial system.

(3) Before carrying out the inspection referred to in Subsection (2), the Authority shall consult without delay the competent supervisory authority of the home EEA Member State.

1 Enacted by Section 39 of Act CX of 2020, effective as of 26 June 2021.
2 Established by Section 40 of Act CX of 2020, effective as of 26 June 2021.

(4) Following the completion of the inspections referred to in Subsection (2), the Authority shall communicate to the competent supervisory authority of the home EEA Member State the information obtained and findings that are relevant for the risk assessment of the investment firm concerned.

Section 177[1]

(1) In the event of any infringement:
a) of the provisions of this Act or any other national law of Hungary by an investment firm or a market operator established in another EEA Member State in connection with the provision of cross-border services in Hungary, and/or
b) of any provision of this Act - other than those mentioned in Section 176 - or any other national law of Hungary by the Hungarian branch of an investment firm or a market operator established in another EEA Member State,
the Authority shall notify the competent supervisory authority of the home EEA Member State.
(2) If the Authority finds that, following the notification referred to in Subsection (1), the investment firm or its branch, or the market operator affected remains engaged in the conduct violating the relevant statutory provision and regulations unbecoming or contrary to the measures adopted by the competent supervisory authority of the home EEA Member State, the Authority - upon notifying the competent supervisory authority of the home EEA Member State - shall take all measures necessary in order to protect investors and the stability of the financial system.
(3) The Authority shall forthwith notify the competent supervisory authority of the home EEA Member State, the European Commission and the European Securities and Markets Authority, concerning the measures the Authority has taken under Subsections (1) and (2), including the reasons.

Section 178[2]

The Authority may, for statistical purposes, require all investment firms and market operators established in other EEA Member States providing cross-border services in the territory of Hungary to report periodically on those activities, similar to the disclosure requirements applicable to investment firms and market operators established in Hungary.

Section 178/A[3]

(1)[4] Where the Authority has good reasons to suspect that acts contrary to the provisions of Directive 2014/65/EU - as adapted into the relevant national laws -, and/or the provisions of Regulation 600/2014/EU, carried out by entities not subject to its supervision, are being or have been carried out on the territory of another Member State, it shall notify this in as specific a manner as possible to the competent supervisory authority of the other Member State and the European Securities and Markets Authority.

1 Established by Section 112 of Act LXXXV of 2015, effective as of 7 July 2015.
2 Amended by subparagraph h) paragraph (2) Section 178 of Act CXCIII of 2011, Paragraph t) of Section 134 of Act LXIX of 2017.
3 Enacted: by Section 142 of Act CL of 2009. In force: as of 1. 01. 2010.
4 Established by paragraph (17) Section 164 of Act CXCIII of 2011. Amended by Paragraph u) of Section 134 of Act LXIX of 2017.

(2)[1] The Authority shall take appropriate action upon being notified by the competent supervisory authority of another Member State concerning any infringement of the provisions of this Act carried out by entities subject to its supervision. Consequently, the Authority shall inform the notifying competent authority and the European Securities and Markets Authority of the outcome of the action and, to the extent possible, of significant interim developments.

Section 178/B[2]

When so requested by the home Member State of multilateral trading facilities, the Authority shall disclose information concerning the members of multilateral trading facilities.

Chapter XXX

PROCEEDINGS IN CONNECTION WITH ANY INFRINGEMENT OF THE REGULATIONS RELATING TO BUSINESS-TO-CONSUMER COMMERCIAL PRACTICES[3]

Section 179[4]

In connection with any infringement of the regulations relating to business-to-consumer commercial practices, the authority specified in the UCPA shall have competence in accordance with the provisions contained therein, if the infringement concerns any consumer to whom the definition under Paragraph *a)* of Section 2 of the UCPA applies, or a retail client or potential client after they are bound by any agreement, with the exception that any person recognized as a retail client (potential client) under this Act shall be treated as a consumer within the meaning of the UCPA, also if other than natural persons.

PART NINE

CLOSING PROVISIONS

Authorizations

Section 180

(1) The Government is hereby authorized to decree:
a)[5] the requirements in terms of personnel, equipment, technical and security facilities for carrying out investment service activities, providing ancillary services and commodity exchange services, and the requirements relating to the maximum fee chargeable - exclusive of value added tax - for certification procedures;

1 Established: by paragraph (17) Section 164 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
2 Enacted: by Section 142 of Act CL of 2009. In force: as of 1. 01. 2010.
3 Established: by paragraph (3) Section 50 of Act XLVII of 2008. In force: as of 01. 09. 2008.
4 Established: by Section 77 of Act CXLVIII of 2009. In force: as of 1. 01. 2010.
5 Established by Section 37 of Act CLXXXII of 2016, effective as of 28 December 2016.

b) the mandatory layout of the standard service agreement of providers of investment services and ancillary services and commodity dealers, and of the contracts for investment service activities, ancillary services, and commodity exchange services;

c)[1] the detailed regulations for the enforcement of a pledge relating to financial instruments and certain securities, for exercising the right to satisfaction directly, and for sales other than by judicial enforcement;

d)[2] the requirements relating to experts designated to examine the IT systems of investment firms and commodity dealers;

e) the regulations concerning the risk management system employed relative to interest-rate risks;

f)[3] the detailed regulations regarding the complaints handling procedures of investment firms, and their complaints handling policy;

g)[4]

h)[5]

(2)[6] The Minister is hereby authorized to decree the detailed regulations:

a) concerning the minimum content requirements for information to be provided before the conclusion of a contract concluded with the client, during and upon the termination of the contractual relationship;

b)[7] for the official training programs and examinations, and the requirements for obtaining the ensuing official certificate for the pursuit of the activities of money market sales representatives, the amount of the examination fee, the terms of payment and the conditions for refund;

c)[8] concerning the product approval process to be used by investment firms;

d)[9] on incentives structures related to investment service activities and ancillary services.

(3)[10] The Governor of the Magyar Nemzeti Bank is hereby authorized to decree the detailed regulations concerning the procedure for providing information to consumers before the conclusion of a contract, during and upon the termination of the contractual relationship, and for handling client complaints in terms of formal and procedural requirements.

(4)[11] The Governor of the MNB is hereby authorized to decree, acting within its function as supervisory authority of the financial intermediary system, to determine:

a) in accordance with Article 465(2) of Regulation 575/2013/EU, the levels of the Common Equity Tier 1 and Tier 1 capital ratios that investment firms shall meet or exceed;

b) the applicable percentage falling within the ranges specified in Article 467(2) of Regulation 575/2013/EU;

c) in accordance with Article 468(3) of Regulation 575/2013/EU, the applicable percentage of unrealized gains relating to assets and liabilities measured at fair value that is not removed from Common Equity Tier 1 capital;

d) in accordance with Article 478(3) of Regulation 575/2013/EU, the applicable percentages for deduction from Common Equity Tier 1, Additional Tier 1 and Tier 2 items;

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1 Established by Subsection (2) of Section 278 of Act XVI of 2014, effective as of 15 March 2014.
2 Established by Subsection (1) of Section 113 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Established by Section 190 of Act LXVII of 2016, effective as of 1 January 2017.
4 Repealed by Paragraph a) of Section 112 of Act CCXXXVI of 2013, effective as of 1 January 2014.
5 Repealed by Paragraph j) of Section 45 of Act CX of 2020, effective as of 26 June 2021.
6 Established by Subsection (2) of Section 113 of Act LXXXV of 2015, effective as of 7 July 2015.
7 Amended by Paragraph k) of Section 65 of Act CCXV of 2015, Paragraph c) of Section 66 of Act LIII of 2016, Paragraph d) of Subsection (2) of Section 70 of Act LVIII of 2021.
8 Enacted by Subsection (1) of Section 130 of Act LXIX of 2017, effective as of 3 January 2018.
9 Enacted by Subsection (1) of Section 130 of Act LXIX of 2017, effective as of 3 January 2018.
10 Enacted: by paragraph (3) Section 115 of Act CXLIII of 2013. In force: as of 1. 10. 2013.
11 Enacted by Section 107 of Act CCXXXVI of 2013, effective as of 1 January 2014.

e) the applicable percentages provided for in Article 479(4) of Regulation 575/2013/EU for the temporary application of the items that qualified as consolidated Common Equity Tier 1 capital under the regulations in force by 31 December 2013, which, however, do not qualify as such under the provisions of Regulation 575/2013/EU currently in force;

f) in accordance with Article 480(3) of Regulation 575/2013/EU, the value of the applicable factor for recognition in consolidated own funds of minority interests and qualifying as Additional Tier 1 and Tier 2 capital items;

g) in accordance with Article 481(5) of Regulation 575/2013/EU, the applicable percentages prescribed under the regulations in force by 31 December 2013 for Common Equity Tier 1, common equity, Additional Tier 1 and own-fund items, pertaining to the temporary application of filters or deductions not provided for in Regulation 575/2013/EU;

h) in accordance with Article 486(6) of Regulation 575/2013/EU, the applicable percentages prescribed under the regulations in force by 31 December 2013 for Common Equity Tier 1, Additional Tier 1 and Tier 2 capital items, pertaining to the temporary application of such items, which, however, do not meet the requirement set out in Regulation 575/2013/EU;

i)[1] in accordance with Article 89(3) of Regulation 575/2013/EU, that investment firms are required to comply with the requirements set out in Points *a)* or *b)* of Article 89(3) having regard to qualifying interests outside the financial sector;

j)[2] in accordance with Article 178(1)*b)* of Regulation 575/2013/EU the duration after which default shall be considered to have occurred;

k)[3] in accordance with Article 178(2)*d)* of Regulation 575/2013/EU the threshold on the basis of which a past due credit obligation shall be considered material;

l)[4] in accordance with Article 327(2) of Regulation 575/2013/EU the approach under which netting is allowed between a convertible security and an offsetting position in the instrument underlying it;

m)[5] in accordance with Article 395(1) of Regulation 575/2013/EU the application of limits lower than 150 million euro to large exposures;

n)[6] in accordance with Article 400(2) of Regulation 575/2013/EU the scope of exemptions from limits to large exposures;

o)[7] in accordance with Article 416(5) of Regulation 575/2013/EU the assets identified to be of high and extremely high liquidity and credit quality.

(5)[8] The Governor of the MNB is hereby authorized to decree, acting within its function as supervisory authority of the financial intermediary system, the rules for the calculation, registration and publication of the discount rate applicable for determining the present value of payments for the performance-based component of remuneration.

(6)[9] The Governor of the MNB is hereby authorized to decree, acting within his function as supervisory authority of the financial intermediary system, prudential requirements relating to exposures in default and restructured receivables with a view to promoting sound and effective risk management.

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1 Enacted by Section 36 of Act CIV of 2014. Amended by Point 7 of Section 44 of Act CX of 2020.
2 Enacted by Section 36 of Act CIV of 2014, effective as of 1 January 2015.
3 Enacted by Section 36 of Act CIV of 2014, effective as of 1 January 2015.
4 Enacted by Section 36 of Act CIV of 2014, effective as of 1 January 2015.
5 Enacted by Section 36 of Act CIV of 2014, effective as of 1 January 2015.
6 Enacted by Section 36 of Act CIV of 2014, effective as of 1 January 2015.
7 Enacted by Section 36 of Act CIV of 2014, effective as of 1 January 2015.
8 Enacted by Subsection (14) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
9 Enacted by Section 35 of Act CLXXVIII of 2015, effective as of 1 January 2016.

(7)[1] The Governor of the MNB is hereby authorized to decree, acting within his function as supervisory authority of the financial intermediary system, to decree prudential requirements relating to credit rating of clients and partners, and to collateral valuation.

(8)[2] The Governor of the MNB is hereby authorized to decree the detailed provisions relating to the professional qualifications and competences prescribed for natural persons providing investment advice and information to clients on financial instruments, investment service activities or ancillary services.

Entry into Force

Section 181

(1) This Act - with the exception set out in Subsection (2) - shall enter into force on 1 December 2007.

(2)[3]

(3)[4]

(4)[5]

(5)[6]

Transitional Provisions[7]

Section 182[8]

(1)[9] Investment firms are required to comply with the provisions contained in Annex 4 relating to internal remuneration policies and to the setting up of remuneration committees, as established by Subsection (2) of Section 159 of Act CLIX of 2010 on the Amendments of Financial Regulations, as of 31 August 2011 at the latest.

(2) Securities and core loan capital existing at the time of Act CLIX of 2010 on the Amendments of Financial Regulations entering into force, which are in compliance with the requirements set out in Annex 2 to this Act, as effective on 31 December 2010, relating to core loan capital, but which will not satisfy either of the requirements set out in Points 3, 6, 7 and 10 of Annex 2 after 1 January 2011, shall be treated until 31 December 2040 to have satisfied the requirements prescribed for subscribed and paid up capital of mixed properties, or core loan capital, where such securities and core loan capital may be included in the core capital subject to the following conditions:

a) between 1 January 2020 and 31 December 2029 they may not exceed 20 per cent of the core capital;

b) after 1 January 2030 they may not exceed 10 per cent of the core capital.

(3) Any loan existing at the time of Act CLIX of 2010 on the Amendments of Financial Regulations entering into force that is treated as subsidiary loan capital according to Annex 2 to this Act, as effective on 31 December 2010, shall be treated until 31 December 2025 to have satisfied the requirements prescribed for subsidiary loan capital.

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1 Enacted by Section 35 of Act CLXXVIII of 2015, effective as of 1 January 2016.
2 Enacted by Subsection (2) of Section 130 of Act LXIX of 2017, effective as of 1 July 2017.
3 Repealed by Subsection (5) of Section 181 of this Act, effective as of 16 December 2007.
4 Repealed by Subsection (4) of Section 181 of this Act, effective as of 2 December 2007.
5 Repealed by this same Subsection effective as of 2 December 2007.
6 Repealed by this same Subsection effective as of 16 December 2007.
7 Enacted: by Section 158 of Act CLIX of 2010. In force: as of 1. 01. 2011.
8 Enacted: by Section 158 of Act CLIX of 2010. In force: as of 1. 01. 2011.
9 Amended: by paragraph (9) Section 30 of Act XCVI of 2011. In force: as of 15. 07. 2011.

(4) The book value of core loan capital, subsidiary loan capital or subordinated loan capital of own issue, that the investment firm has called and shown in the financial records under assets at the time of Act CLIX of 2010 on the Amendments of Financial Regulations entering into force, shall not be deducted until 31 December 2011 when determining own funds.

(5)[1] Effective as of 1 January 2016, investment firms shall calculate the amount of capital conservation buffer under Section 110/A, as established by Act CCXXXVI of 2013 on the Amendments of Financial Regulations (hereinafter referred to as "Act CCXXXVI/2013") as per the following:

a) in the period between 1 January 2016 and 31 December 2016, 0.625 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

b) in the period between 1 January 2017 and 31 December 2017, 1.25 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU; and

c) in the period between 1 January 2018 and 31 December 2018, 1.875 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU.

(6)[2] Investment firms shall, in accordance with Section 110/B as established by Act CCXXXVI/2013 - with the exceptions set out in Subsection (2), (3) or (4) -, maintain an institution-specific countercyclical capital buffer at the latest as of 1 January 2019.

(7)[3] Where a countercyclical capital buffer is prescribed by the MNB under Section 183/A of the MNB Act, as established by Act CCXXXVI/2013, investment firms shall maintain an institution-specific countercyclical capital buffer:

a) in the period between 1 January 2014 and 31 December 2014, up to 0.625 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

b) in the period between 1 January 2015 and 31 December 2015, up to 1.25 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU; and

c) in the period between 1 January 2016 and 31 December 2016, up to 1.875 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

with the proviso that it shall be calculated as of 1 January 2017 by the rate specified in Section 110/B, as established by Act CCXXXVI/2013.

(8)[4] Where a countercyclical capital buffer is prescribed by the MNB under Section 183/A of the MNB Act, as established by Act CCXXXVI/2013, investment firms shall maintain an institution-specific countercyclical capital buffer:

a) in the period between 1 January 2015 and 31 December 2015, up to 0.625 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

b) in the period between 1 January 2016 and 31 December 2016, up to 1.25 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU; and

c) in the period between 1 January 2017 and 31 December 2017, up to 1.875 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

with the proviso that it shall be calculated as of 1 January 2018 by the rate specified in Section 110/B, as established by Act CCXXXVI/2013.

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1 Enacted by Section 108 of Act CCXXXVI of 2013, effective as of 1 January 2014.
2 Enacted by Section 108 of Act CCXXXVI of 2013, effective as of 1 January 2014.
3 Enacted by Section 108 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Enacted by Section 108 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(9)[1] Where a countercyclical capital buffer is prescribed by the MNB under Section 183/A of the MNB Act, as established by Act CCXXXVI/2013, investment firms shall maintain an institution-specific countercyclical capital buffer:

a) in the period between 1 January 2016 and 31 December 2016, up to 0.625 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

b) in the period between 1 January 2017 and 31 December 2017, up to 1.25 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU; and

c) in the period between 1 January 2018 and 31 December 2018, up to 1.875 per cent of the total risk exposure amount provided for in Paragraph 3 of Article 92 of Regulation 575/2013/EU;

with the proviso that it shall be calculated as of 1 January 2019 by the rate specified in Section 110/B, as established by Act CCXXXVI/2013.

(10)[2] If an investment firm proceeds according to Subsections (5) and (7) of Section 182 and the designated authority of another EEA Member State or a third country where the investment firm operates has not set a countercyclical buffer rate, in determining the institution-specific countercyclical capital buffer the investment firm shall maintain a 0 per cent countercyclical capital buffer rate in respect of its exposures to counterparties located in that EEA Member State or third country.

(11)[3] Effective as of 1 January 2016, investment firms shall calculate the amount of capital buffers applicable to global systemically important investment firms under Section 110/D, as established by Act CCXXXVI/2013, as per the following:

a) in the period between 1 January 2016 and 31 December 2016, 25 per cent of the capital buffer requirement relating to global systemically important investment firms provided for in Section 92;

b) in the period between 1 January 2017 and 31 December 2017, 50 per cent of the capital buffer requirement relating to global systemically important investment firms provided for in Section 92; and

c) in the period between 1 January 2018 and 31 December 2018, 75 per cent of the capital buffer requirement relating to global systemically important investment firms provided for in Section 92.

(12)[4] Investment firms shall make public the information provided for in Paragraphs *a)-c)* of Subsection (1) of Section 123/A, as established by Act CCXXXVI/2013, from 1 July 2014, and the information provided for in Paragraphs *d)-f)* of Subsection (1) of Section 123/A, as established by Act CCXXXVI/2013, from 1 January 2015.

(13)[5] Global systemically important investment firms shall disclose to the European Commission the information provided for in Paragraphs *d)-f)* of Subsection (1) of Section 123/A, as established by Act CCXXXVI/2013, from 1 July 2014.

(14)[6]

(15)[7] The provisions of Points 7-23 of Annex 4 shall apply to remunerations paid after 1 January 2014 also if the agreement pertaining to such distribution was concluded before the time of this Act entering into force. Investment firms existing at the time of this Act entering into force may - by way of derogation from Point 5 of Annex 4 - use up to 30 June 2014 a remuneration policy approved by the supervisory board and examined by the supervisory board.

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1 Enacted by Section 108 of Act CCXXXVI of 2013, effective as of 1 January 2014.
2 Enacted by Section 108 of Act CCXXXVI of 2013, effective as of 1 January 2014.
3 Enacted by Section 108 of Act CCXXXVI of 2013, effective as of 1 January 2014.
4 Enacted by Section 108 of Act CCXXXVI of 2013, effective as of 1 January 2014.
5 Enacted by Section 108 of Act CCXXXVI of 2013, effective as of 1 January 2014.
6 Repealed by Paragraph d) of Section 39 of Act CIV of 2014, effective as of 1 January 2015.
7 Enacted by Section 108 of Act CCXXXVI of 2013, effective as of 1 January 2014.

(16)[1] The recovery plan provided for in Section 102, as established by Subsection (4) of Section 157 of the Resolution Act, and the group recovery plan shall be submitted to the Authority by the management body in its managerial function of an investment firm existing or whose authorization is pending at the time of entry into force of the Resolution Act for the first time at the latest by 31 December 2014.

(17)[2] At the time of Act LXXXV of 2015 on the Amendment of Legislation with a View to Promoting the Development of the Financial Intermediary System (hereinafter referred to as "Act LXXXV/2015") entering into force:

a) internal controllers employed by any investment firm or commodity dealer at that time shall comply with the requirements set out in Paragraph *a)* of Subsection (2b) of Section 19 at the latest from 1 January 2019,

b) senior executives of any investment firm elected, appointed at that time shall comply with the requirements set out in Paragraphs *b)* and *c)* of Subsection (1a) of Section 22 at the latest from 1 January 2019,

c)[3]

(18)[4]

(19)[5]

(20)[6] Subsections (2)-(8) of Section 136, as established by Act LXXXV/2015, shall also apply to cases already in progress at the time of Act LXXXV/2015 entering into force.

(21)[7] Subsection (1) of Section 97 of this Act, as amended by Act LXXXV of 2015 on the Amendment of Legislation with a View to Promoting the Development of the Financial Intermediary System for the Purpose of Approximation, shall not apply until the time of completion of statutory audits of annual accounts, consolidated annual accounts for the financial year covering the date of entry into force thereof, at the latest until 31 December 2016.

(22)[8] Intermediaries shown in the Authority's register as unattached at the time of Act CCXV of 2015 on the Amendment of Certain Acts Affecting Members of the Financial Intermediary System (hereinafter referred to as "Act CCXV/2015") entering into force shall submit to the Authority an intermediary agreement within six months from the entry into force of Act CCXV/2015. On that basis the Authority shall enter into the register the agreement and the principal. In the event of an intermediary's failure to comply with such obligation in due time, his money market intermediary status shall cease to exist on the strength of law, any regulatory act of the Authority notwithstanding, and the Authority shall delete the money market intermediary's data from the register.

(23)[9] At the time of Act LXIX of 2017 on the Amendment of Certain Acts Governing the Functioning of Financial Markets and the Trading of Financial Instruments for the Purpose of Approximation (hereinafter referred to as "Act LXIX/2017") entering into force, the natural person defined in Subsection (1) of Section 116/A shall comply with the requirements set out in Paragraph *c)* of Subsection (2) of Section 116/A at the latest from 1 January 2019.

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1 Enacted by Subsection (15) of Section 157 of Act XXXVII of 2014, effective as of 16 September 2014.
2 Enacted by Section 114 of Act LXXXV of 2015, effective as of 7 July 2015.
3 Repealed by Subsection (1) of Section 135 of Act LXIX of 2017, effective as of 1 July 2017.
4 Repealed by Subsection (1) of Section 135 of Act LXIX of 2017, effective as of 1 July 2017.
5 Repealed by Subsection (1) of Section 135 of Act LXIX of 2017, effective as of 1 July 2017.
6 Enacted by Section 114 of Act LXXXV of 2015, effective as of 7 July 2015.
7 Enacted by Section 64 of Act CCXV of 2015, effective as of 1 January 2016.
8 Enacted by Section 64 of Act CCXV of 2015, effective as of 1 January 2016.
9 Enacted by Section 131 of Act LXIX of 2017, effective as of 1 July 2017.

(24)[1] Within thirty days following the time of Act LXIX/2017 entering into force, the investment firm, commodity dealer, intermediary shall check to verify whether its employees employed under contract of employment or any other work-related contractual relationship for providing investment advice and information to clients on financial instruments, investment service activities or ancillary services meet the requirements set out in Paragraphs *a)* and *b)* of Subsection (2) of Section 116/A.

(25)[2] By 31 December 2017 the Authority shall irretrievably delete all data processed in the register provided for in Section 116/A in effect on 30 June 2017.

(26)[3] Applications for the authorization of the provision of data reporting services, submitted by 30 September 2021, shall be assessed by the Authority.

(27)[4] In connection with all data providers not considered to be of limited relevance within the internal market as provided for in Article 2(3) of Regulation 600/2014/EU of the European Parliament and of the Council the Authority shall submit to the European Securities and Markets Authority all data and documents it has at its disposal, or the certified copies thereof, at the latest by 1 January 2022.

(28)[5] Any natural person employed by an investment firm, commodity dealer or intermediary under contract of employment or any other form of employment relationship, who satisfied the requirements set out in Paragraph *b)* of Subsection (1) of Section 22/B on 31 December 2021, shall be considered to meet the requirements to be recognized as professional qualification after 1 January 2022 forward with respect to Paragraph *c)* of Subsection (2) of Section 116/A.

(29)[6] Subsection (11) of Section 123 shall not apply between 28 February 2022 and 28 February 2023.

Section 182/A[7]

The Institution referred to in Section 123/B shall make available the information provided for in Subsection (1) of Section 123/C relating to financial accounts opened before the time of entry into force of the FATCA Act in writing or - on general principle in a manner which precludes identification of account holders - on its website at the latest by 30 June 2015.

Section 182/B[8]

(1) Section 20/C, enacted by Section 60 of Act XLIV of 2016 on the Amendment of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors and Other Financial Regulations (hereinafter referred to as “Act XLIV/2016”), shall apply for the first time in the financial year beginning after the date of entry into force of Act XLIV/2016.

(2) Subsections (8) and (9) of Section 20/A, repealed by Section 63 of Act XLIV/2016 may be applied in the financial year covering the date of entry into force of Act XLIV/2016.

(3) Subsection (2) of Section 97, repealed by Section 63 of Act XLIV/2016 shall remain to apply to statutory audit activities performed relating to the financial year beginning before 17 June 2016.

Section 182/C[9]

1 Enacted by Section 131 of Act LXIX of 2017, effective as of 1 July 2017.
2 Enacted by Section 131 of Act LXIX of 2017, effective as of 1 July 2017.
3 Enacted by Subsection (1) of Section 68 of Act LVIII of 2021, effective as of 1 January 2022.
4 Enacted by Subsection (1) of Section 68 of Act LVIII of 2021, effective as of 1 January 2022.
5 Enacted by Subsection (1) of Section 68 of Act LVIII of 2021, effective as of 1 January 2022.
6 Enacted by Subsection (2) of Section 68 of Act LVIII of 2021, effective as of 28 February 2022.
7 Enacted by Section 14 of Act XIX of 2014, effective as of 16 July 2014.
8 Enacted by Section 61 of Act XLIV of 2016, effective as of 4 June 2016.
9 Enacted by Section 19 of Act CXLV of 2017, effective as of 21 November 2017.

(1) Subsection (2a) of Section 117, Paragraph *v)* of Section 120 and Section 120/A, as established by Act CXLV of 2017 on the Amendment of Certain Acts Relating to the Insurance and Financial Sectors for the Purpose of Approximation (hereinafter referred to as "Act CXLV/2017") shall also apply to contracts outstanding at the time of entry into force thereof.

(2) The investment firm controlled by a credit institution shall inform in writing its clients with contracts outstanding at the time of entry into force of Act CXLV/2017 concerning the opportunity to make a statement under Subsection (2) of Section 120/A at least thirty days prior to the data transfer under Section 164/B of the CIFE. After informing the clients with contracts outstanding, information shall be posted in this respect on its website in a manner capable of raising awareness. Data transfer under Section 164/B of the CIFE may be started past the thirtieth day following the date of publication on the website.

Section 182/D[1]

(1) Until 3 July 2021:

a) the clearing obligation set out in Article 4 of Regulation No. 648/2012/EU of the European Parliament and of the Council and the risk mitigation techniques set out in Article 11(3) of Regulation No. 648/2012/EU of the European Parliament and of the Council shall not apply to C6 energy derivative contracts entered into by non-financial counterparties that meet the conditions in Article 10(1) of Regulation No. 648/2012/EU of the European Parliament and of the Council or by non-financial counterparties that shall be authorized for the first time as investment firms as from the date of entry into force of Act CXXVI of 2018 on the Amendment of Certain Acts Relating to the Financial Intermediary System for the Purpose of Approximation; and

b) such C6 energy derivative contracts provided for in Paragraph *a)* shall not be considered to be OTC derivative contracts for the purposes of the clearing threshold set out in Article 10 of Regulation No. 648/2012/EU of the European Parliament and of the Council.

(2) C6 energy derivative contracts benefiting from the transitional provisions set out in Subsection (1) shall be subject to all other requirements laid down in Regulation No. 648/2012/EU of the European Parliament and of the Council.

(3) The Authority shall notify the European Securities and Markets Authority of the C6 energy derivative contracts which have been granted an exemption in accordance with Subsection (1).

Section 182/E[2]

Investment firms shall apply the provisions relating to the nomination committee, as established by Act CXVIII of 2019 on the Amendment of Certain Acts Relating to the Financial Intermediary System, Public Finance and Economic Stability, at the latest from 31 May 2020.

Section 182/F[3]

Where an investment firm operating in accordance with point (1)(b) of Article 4(1) of Regulation 575/2013/EU, and Section 8/A has already been authorized on 24 December 2019 to operate as an investment firm, it shall submit an application for an operating (business) license prescribed for credit institutions at the latest by 27 December 2020.

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1 Enacted by Section 70 of Act CXXVI of 2018, effective as of 29 December 2018.
2 Enacted by Section 55 of Act CXVIII of 2019, effective as of 1 January 2020.
3 Enacted by Section 41 of Act CX of 2020, effective as of 26 December 2020.

Approximation Clause

Section 183

(1) This Act serves the purpose of conformity with the following legislation of the Communities:

a)[1] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;

b)[2] Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits;

c)[3] Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions;

d)[4] Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector;

e)[5] Directive 2010/78/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 98/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority);

f)[6] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

g)[7] Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate;

h)[8] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation;

i)[9] Directive 2014/56/EU of the European Parliament and the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts;

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1 Established by Subsection (1) of Section 132 of Act LXIX of 2017, effective as of 3 January 2018.
2 Established by Subsection (1) of Section 132 of Act LXIX of 2017, effective as of 3 January 2018.
3 Amended: by paragraph (2) Section 66 of Act CLI of 2012. In force: as of 28. 10. 2012.
4 Enacted: by Section 159 of Act CIII of 2008. In force: as of 01. 01. 2009.
5 Enacted: by paragraph (19) Section 164 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
6 Established by Subsection (1) of Section 109 of Act CCXXXVI of 2013, effective as of 1 January 2014.
7 Enacted: by paragraph (6) Section 24 of Act LXXXIII of 2013. In force: as of 22. 06. 2013.
8 Enacted by Section 12 of Act CXCII of 2015, effective as of 1 January 2016.
9 Enacted by Section 62 of Act XLIV of 2016, effective as of 4 June 2016.

j)[1] Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy;

k)[2] Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU;

l)[3] Directive (EU) 2020/1504 of the European Parliament and of the Council of 7 October 2020 amending Directive 2014/65/EU on markets in financial instruments;

m)[4] Directive (EU) 2019/2177 of the European Parliament and of the Council of 18 December 2019 amending Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money-laundering or terrorist financing;

n)[5] Directive (EU) 2021/338 of the European Parliament and of the Council of 16 February 2021 amending Directive 2014/65/EU as regards information requirements, product governance and position limits, and Directives 2013/36/EU and (EU) 2019/878 as regards their application to investment firms, to help the recovery from the COVID-19 crisis.

(2)[6] This Act contains provisions for the implementation of the following legislation:

a)[7] Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012;

b) Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;

c)[8] Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;

d)[9] Commission Delegated Regulation (EU) 2017/567 of 18 May 2016 supplementing Regulation (EU) No. 600/2014 of the European Parliament and of the Council with regard to definitions, transparency, portfolio compression and supervisory measures on product intervention and positions;

e)[10] Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No. 1093/2010, (EU) No. 575/2013, (EU) No. 600/2014 and (EU) No. 806/2014;

f)[11] Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP).

Amendments

1 Enacted by Section 71 of Act CXXVI of 2018, effective as of 29 December 2018.
2 Enacted by Subsection (1) of Section 42 of Act CX of 2020, effective as of 26 June 2021.
3 Enacted by Subsection (1) of Section 69 of Act LVIII of 2021, effective as of 10 November 2021.
4 Enacted by Subsection (2) of Section 69 of Act LVIII of 2021, effective as of 1 January 2022.
5 Enacted by Subsection (3) of Section 69 of Act LVIII of 2021, effective as of 28 February 2022.
6 Established by Subsection (2) of Section 109 of Act CCXXXVI of 2013, effective as of 1 January 2014.
7 Established by Subsection (2) of Section 132 of Act LXIX of 2017, effective as of 3 January 2018.
8 Enacted by Subsection (3) of Section 132 of Act LXIX of 2017, effective as of 3 January 2018.
9 Enacted by Subsection (3) of Section 132 of Act LXIX of 2017, effective as of 3 January 2018.
10 Enacted by Subsection (2) of Section 42 of Act CX of 2020, effective as of 26 June 2021.
11 Enacted by Subsection (4) of Section 69 of Act LVIII of 2021, effective as of 11 April 2022.

Sections 184-219[1]

Amendment of Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities

Section 220[2]

Annex 1 to Act CXXXVIII of 2007

1.[3] PFA: Act CXCV of 2011 Act on Public Finances;
2.[4] RTA: Act on the Rules of Taxation;
3.[5] Insurance Act: Act LXXXVIII of 2014 on the Business of Insurance;
4.[6] Criminal Code: Act C of 2012 on the Criminal Code;
5. CRA: Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings;
6. Bankruptcy Act: Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings;
7. FCA: Act CXXXII of 1997 on Hungarian Branch Offices and Commercial Representative Offices of Foreign-Registered Companies;
8.[7] UCPA: Act XLVII of 2008 on the Prohibition of Unfair Business-to-Consumer Commercial Practices (hereinafter referred to as "UCPA");
9.[8] Consumer Credit Act: Act CLXII of 2009 on Consumer Credit;
10.[9] Banking Act: Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises;
11.[10] Duties Act: Act XCIII of 1990 on Duties;
12.[11]
13.[12]
14.[13] MNB Act: the Act on the Magyar Nemzeti Bank;
15.[14] MLT: Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing;
16.[15] Civil Code: Act on the Civil Code of the Republic of Hungary;
16.[16] CMA: Act CXX of 2001 on the Capital Market;
16.[17]

1 Repealed, together with the previous subtitle, by Subsection (4) of Section 181 of this Act, effective as of 2 December 2007.
2 Repealed by Subsection (5) of Section 181 of this Act, effective as of 16 December 2007.
3 Amended: by paragraph (3) Section 113 of Act CXCV of 2011. In force: as of 1. 01. 2012.
4 Amended by Section 159 of Act CLIX of 2017.
5 Established by Section 133, Point 1 of Annex 2 of Act LXIX of 2017, effective as of 3 January 2018.
6 Established: by paragraph (2) Section 304 of Act CCXXIII of 2012. In force: as of 1. 07. 2013.
7 Enacted: by paragraph (5) Section 50 of Act XLVII of 2008. In force: as of 01. 09. 2008.
8 Established by Section 133, Point 2 of Annex 2 of Act LXIX of 2017, effective as of 3 January 2018.
9 Numbering amended by paragraph (5) Section 50 of Act XLVII of 2008. Amended by Paragraph d) of Section 111 of Act CCXXXVI of 2013.
10 Numbering amended: by paragraph (5) Section 50 of Act XLVII of 2008. In force: as of 01. 09. 2008.
11 Repealed by Paragraph b) of Section 312 of Act L of 2017, effective as of 1 January 2018.
12 Repealed: by subparagraph d) paragraph (2) Section 59 of Act V of 2012. No longer in force: as of 1. 03. 2012.
13 Established: by Section 72 of Act CCVIII of 2011. In force: as of 1. 01. 2012.
14 Established by Subsection (3) of Section 88 of Act LIII of 2017, effective as of 26 June 2017.
15 Established: by Section 143 of Act CL of 2009. In force: as of 1. 01. 2010.
16 Enacted by Section 133, Point 3 of Annex 2 of Act LXIX of 2017, effective as of 3 January 2018.
17 Repealed: by subparagraph t) Section 54 of Act XLVII of 2008. No longer in force: as of 01. 09. 2008.

17. Accounting Act: Act C of 2000 on Accounting;
18.[1]
19. DMFC: Act XXV of 2005 on the Distance Marketing of Consumer Financial Services;
20. Arbitration Act: Act LXXI of 1994 on Arbitration;
21. JEA: Act LIII of 1994 on Judicial Enforcement;
22.[2] PRJ: Act XLVII of 2009 on the Penal Register, on the Register of Judgments Delivered by the Courts of Member States of the European Union Against Hungarian Nationals, and on the Register of Biometric Data Related to Criminal Prosecution and Law Enforcement;
23.[3] Collective Investments Act: Act XVI of 2014 on Collective Investment Trusts and Their Managers, and on the Amendment of Financial Regulations.

Annex 2 to Act CXXXVIII of 2007[4]

Annex 3 to Act CXXXVIII of 2007

Rules and principles for the assessment, documentation and disclosure of earnings achieved in a portfolio managed by a body providing portfolio management services

1. All data and information, which are necessary to demonstrate the results achieved in a portfolio and to perform the prescribed calculations must be compiled and kept on file.
2. All source information for portfolio assessment and the methods employed must be made available to the investors.
3. All portfolios must be evaluated at least monthly.
4. Portfolios must be evaluated on a market value basis.
5. For the evaluation of interest-bearing bonds and all other instruments on which any interest is paid the amount of interest accrued for a given period must be taken into consideration.
6. Yields from moneys and other similar instruments must be included in total earnings.
7. Yields shall be computed on each trading day.
8. Unless otherwise prescribed by legal regulation, the yield of portfolios shall be calculated on a capital-weighted monthly average or time-weighted daily average.
9. Return must be assessed on the whole, including any and all capital gains and profits, realized or not.
10. The earnings of the various periods must be shown in a geometrical sequence.
11. The return achieved in periods of less than one year cannot be computed on an annual basis.
12. Every yield figure must have an indication as to which period it pertains.
13. The costs and expenses of trading shall not be included when rating the efficiency of management.
14. Non-refundable withholding tax on dividends, interest income and capital gains must be deducted from the yield amount. Withholding tax that can be refunded shall be taken into consideration.
15. It shall be indicated whether the yield calculated is net or gross, namely, whether it includes the fees paid by the investor to the portfolio manager or to its affiliated company.

1 Repealed by Subsection (8) of Section 165 of Act CCLII of 2013, effective as of 15 March 2014.
2 Enacted: by paragraph (20) Section 164 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
3 Established by Subsection (4) of Section 278 of Act XVI of 2014, effective as of 15 March 2014.
4 Repealed by Paragraph k) of Section 45 of Act CX of 2020, effective as of 26 June 2021.

16. Any fact and additional information that may be of importance for making an informed judgement of a portfolio's performance, or to offer an explanation for the yield calculated shall also be indicated.

17. In terms of efficiency rating, any diversification of capital or use of derivative instruments, and the extent of such, shall be demonstrated in a yield calculation so as to permit the identification of risks.

18. Where a reference index has been made part of a portfolio, in line with the underlying investment policy, the yield of such a reference index is to be shown for the same period or periods to which the yield of a portfolio pertains using the same yield calculation methods.

19.[1] When rating the efficiency of a portfolio manager, the yield figures shall cover the past five years or, if less than five years, the full period of their activities, broken down by calendar year.

Annex 4 to Act CXXXVIII of 2007[2]

Remuneration Policy

1. Investment firms shall have in place internal remuneration policies consistent with their size, internal organization and the nature, the scope and the complexity of their activities.

2.[3] The remuneration policy shall apply:

a) to the investment firm's senior executives,

b) to the investment firm's staff of risk takers and the staff engaged in control as defined in the investment firm's internal policies, including the employees carrying out the internal control functions,

c) to the investment firm's employees of the same remuneration category as the persons covered by Paragraph *a)* or *b)* whose professional activities have a material impact on the investment firm's risk profile, and

d) to the investment firm's employees whose professional activities have a material impact on the investment firm's risk profile.

3.[4] The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the investment firm. The remuneration policy is a gender neutral remuneration policy. The remuneration policy is in line with the business strategy, objectives, values and long-term interests of the investment firm, and incorporates measures to avoid conflicts of interest.

4. The investment firm shall apply the provisions on remuneration policy to all entities to which supervision on a consolidated basis applies jointly with the investment firm.

5. The supervisory board shall adopt and periodically review the general principles of the remuneration policy and the management body is responsible for its implementation, subject, at least annually, to internal review.

6.[5] An investment firm, where the value of its on and off-balance sheet assets is on average exceeds thirty-five billion forints over the four-year period immediately preceding the given financial year, shall establish a remuneration committee. That remuneration committee shall be gender balanced and shall exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity. The remuneration committee may be established at group level.

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1 Established: by paragraph (20) Section 164 of Act CXCIII of 2011. In force: as of 1. 01. 2012.
2 Established by Section 110, Annex 5 to Act CCXXXVI of 2013, effective as of 1 January 2014.
3 Established by Section 115, Annex 4 of Act LXXXV of 2015, effective as of 1 January 2016.
4 Established by Section 43, Point 1 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.
5 Established by Section 43, Point 2 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.

6a.[1] The remuneration committee shall be responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the investment firm and which are to be taken by the management body. When preparing the decisions, the remuneration committee shall take into account the public interest and the long-term interests of shareholders, investors and other stakeholders in the investment firm. The chair and the members of the remuneration committee shall be members of the management body who do not perform any executive functions in the investment firm concerned. If the management body of the investment firm concerned does not have at least three members who do not perform any executive functions, members of the supervisory body may also participate in the remuneration committee. Where employee representation is provided for in the supervisory board, the remuneration committee shall include one or more employee representatives.

7. Investment firms shall define the ratio that fixed salary and incentives represent within the total remuneration. Investment firms shall fix in their internal policy the ratio that basic remuneration represent within the total remuneration, where the variable component shall not exceed 100 per cent of the fixed component of the total remuneration, save where Point 8 applies.

8. Investment firms may provide payments under the pay-for-performance principle up to 200 per cent of the basic remuneration:

a) if so authorized by the investment firm's general meeting;

b) if the motion tabled in the general meeting provides a detailed explanation for the higher bonus based on performance;

c) provided that in the general meeting members of the investment firm act:

ca) by a majority of at least 66 per cent provided that at least 50 per cent of the shares or equivalent ownership rights are represented, or

cb) by a majority of 75 per cent of the ownership rights represented; and

d) the investment firm notifies the Authority of the motion before the general meeting, and of the resolution adopted under Paragraph *c)*.

9. The motion provided for in Paragraph *b)* of Point 8 shall contain:

a) the reasons for the higher basic remuneration - performance pay ratio;

b) the maximum percentage recommended;

c) information relating to the number and positions of the executive and other employees affected; and

d) the impact on the maintenance of the investment firm's sound capital base.

10. The persons referred to in Paragraph *c)* of Point 9 shall not, directly or indirectly, exercise their shareholder, proprietary or membership rights in passing the resolution provided for in Paragraph *c)* of Point 8.

11. The Authority shall assess the information received under Paragraph *d)* of Point 8 and shall monitor the investment firms' remuneration practices.

12.[2] Investment firms shall verify to the Authority that the increased basic remuneration - performance based remuneration ratio proposed does not violate the provisions of this Act, prudential requirements and the provisions of Regulation 2019/2033/EU.

13.[3] For the purposes of Points 7 and 8 investment firms shall apply the discount rate for determining the amount to a maximum of 25 per cent of total variable remuneration, provided it is paid in instruments specified under Point 18 that are deferred for a period of not less than five years.

14. Taking into account the restrictions fixed in Points 7 and 8, the basic remuneration should be of an amount to allow the operation of fully flexible remuneration policy, including the possibility to pay no variable remuneration, but a fixed basic remuneration only.

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1 Enacted by Section 43, Point 3 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.
2 Established by Section 43, Point 4 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.
3 Established by Section 38, Annex 2 of Act CIV of 2014, effective as of 1 January 2015.

15.[1] Where remuneration is performance related, the performance of the executive employee or other staff member and of the business unit concerned, as well as the overall results of the investment firm shall be assessed simultaneously, with financial and non-financial criteria taken into account. The assessment of the performance is set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance - taking account of the underlying business cycle of the investment firm and its business risks - and that payment of performance-based components may be guaranteed only in exceptional cases, when hiring new staff and only for the first year of employment and where the investment firm has a strong capital base. The measurement of performance used to calculate variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of the capital and the liquidity required under Regulation 2019/2033/EU.

16. Guaranteed variable remuneration is not permitted, and shall not be a part of prospective remuneration plans.

17. The variable remuneration can be paid or vests upon the executive employee or other staff member only if:

a) it is sustainable according to the financial situation of the investment firm, and

b) it is justified on the basis of the performance of the investment firm, the business unit and the executive employee or other staff member concerned.

18.[2] At least 50 per cent of any variable remuneration shall consist, unless otherwise provided for by law, of the following, or a balance of the following:

a) shares or equivalent ownership interests of the investment firm concerned, subject to the legal structure of the investment firm concerned and taking into account the resulting unique characteristics, or share-linked instruments or equivalent non-cash instruments in the case of investment firms, and

b) where appropriate, Additional Tier 1 instruments, Tier 2 instruments or other instruments, and

ba) which can be fully converted to Common Equity Tier 1 instruments, or

bb) which can be written down from the said instruments, and

that in each case adequately reflect the credit quality of the investment firm as a going concern and are appropriate to be used for the purposes of variable remuneration, with the proviso that the instruments referred to in this point shall be subject to an appropriate retention policy. The purpose of the retention policy is to align the incentives of the individual with the longer-term interests of the investment firm, its creditors and clients.

18a.[3] Where an investment firm does not issue any of the instruments referred to in Point 18, the Authority may approve the use of alternative arrangements fulfilling the same objectives. The Authority may introduce restrictions on the types and designs of those instruments or prohibit the use of certain instruments for performance based remuneration.

19. Where the financial performance of an investment firm is subdued to an extent defined by the internal policy due to the excessive risk-taking behavior of any executive employee or member of staff, the total variable remuneration of this executive employee or member of staff shall be reduced.

1 Established by Section 43, Point 5 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.
2 Established by Section 43, Point 6 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.
3 Enacted by Section 43, Point 7 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.

20.[1] A substantial portion, and in any event at least 40 per cent - or at least 60 per cent in the case of a variable remuneration component of an amount above the limit specified in the internal policy - of the variable remuneration component shall be deferred aligned with the nature of the business, its risks and the activities of the executive employee or member of staff in question, and paid distribubted on a time basis over a period of three to five years. The length of the deferral period shall be established in accordance with the business cycle, the nature of the business, its risks and the activities of the member of staff concerned.

20a.[2] The amount of variable remuneration shall be contracted where subdued or negative financial performance of the investment firm occurs, taking into account both current remuneration and reductions in payouts of amounts previously earned, including through malus or clawback arrangements.

21.[3] Up to 100 per cent of the total variable remuneration shall be subject to malus or clawback arrangements. Investment firms shall set specific criteria in the internal policy for the application of malus and clawback. Such criteria shall in particular cover situations where the executive employee or the staff member:

a) participated in or was responsible for conduct which resulted in significant losses to the investment firm, or if held responsible for significant losses to the investment firm; and

b) failed to meet appropriate standards of fitness and propriety.

22. Payment of variable remuneration must not limit the ability of the investment firm to strengthen its capital base to the extent necessary, and may not employ any vehicles or methods which are not consistent with the implementation of the principles of the remuneration policy.

23.[4] Payment of performance based remuneration must not result in non-compliance with the provisions of this Act, prudential requirements and the provisions of Regulation 2019/2033/EU.

24. Payments related to the early termination of a contract shall reflect performance achieved over time and are designed in a way that does not reward failure.

25.[5] Remuneration packages relating to full compensation for remuneration or buy out from contracts in previous employment must align with the long-term interests of the investment firm including retention, deferral, performance and clawback arrangements.

26.[6] If the investment firm has a pension policy, it shall be in line with the business strategy, objectives, values and long-term interests of the investment firm. If, according to the pension policy, pension benefits are granted on a discretionary basis by an investment firm to an executive employee or staff member as part of that employee’s variable remuneration package, and such executive employee or staff member

a) leaves the investment firm before retirement, discretionary pension benefits shall be held by the investment firm for a period of five years in the form of instruments defined in Point 18,

b) reaches retirement, such discretionary pension benefits shall be paid by the investment firm in the form of instruments referred to in Point 18 subject to a five-year retention period following the termination of employment.

26a.[7] Points 18, 20 and Point 26 shall not apply to:

a) an investment firm, where the value of its on and off-balance sheet assets is on average equal to or less than one hundred million euro over the four-year period immediately preceding the given financial year;

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1 Established by Section 43, Point 8 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.
2 Enacted by Section 56, Point 2 of Annex 3 of Act CXVIII of 2019, effective as of 1 January 2020.
3 Amended by Paragraph c) of Section 57 of Act CXVIII of 2019.
4 Established by Section 43, Point 9 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.
5 Amended by Paragraph d) of Section 57 of Act CXVIII of 2019.
6 Established by Section 56, Point 3 of Annex 3 of Act CXVIII of 2019, effective as of 1 January 2020.
7 Enacted by Section 43, Point 10 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.

b) an individual whose annual variable remuneration does not exceed fifty thousand euro and does not represent more than one fourth of that individual's total annual remuneration.

27. The remuneration of staff engaged in control functions shall be independent from the business units they oversee, and are calculated in accordance with the achievement of the objectives linked to their functions.

28. Subject to the exception set out in Point 29, the remuneration of the staff members carrying out supervisory functions (including internal control functions) and risk management functions shall be directly overseen by the supervisory board, unless the investment firm has a remuneration committee.

29. If the investment firm has a remuneration committee, the remuneration committee shall be responsible to oversee the remuneration of the employees concerned.

30. Executive employees and staff members of investment firms are required to undertake not to use personal hedging strategies to undermine the risk alignment effects embedded in their remuneration arrangements.

31. The Hungarian branches of investment firms established in other EEA Member States shall apply the provisions of the national law of the State where the investment firm is established.

32.[1] Where an investment firm benefits from extraordinary public financial support as defined in Point 53 of Section 3 of the Resolution Act, it does not pay any variable remuneration to members of the management body, and where variable remuneration paid to staff other than members of the management body would be inconsistent with the maintenance of a sound capital base and its timely exit from extraordinary public financial support, variable remuneration shall be limited to a portion of net revenue.

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1 Enacted by Section 43, Point 11 of Annex 2 of Act CX of 2020, effective as of 26 June 2021.

TARTALOMJEGYZÉK