

Act CXII of 1996

on Credit Institutions and Financial Enterprises¹

PART IV

DEPOSIT INSURANCE AND INSTITUTIONAL PROTECTION

Chapter XV

The Országos Betétbiztosítási Alap (National Deposit Insurance Fund)

Section 97

(1)² Credit institutions - with the exceptions specified in Subsection (3) - must join the Országos Betétbiztosítási Alap (National Deposit Insurance Fund) (hereinafter referred to as "Fund").

(2)³ Foreign branches of credit institutions that have their registered offices in the territory of the Republic of Hungary shall be covered by deposit insurance services provided by the Fund, except where the laws of the country in which the branch is set up do not permit it. Foreign branches of credit institutions that have their registered offices in the territory of the Republic of Hungary may voluntarily join the deposit insurance scheme of the given country. Credit institutions shall notify the Fund when joining the deposit insurance scheme of the host country, whether compulsorily or voluntarily, including the conditions for joining, immediately upon gaining knowledge or when the application is lodged.

(3)⁴ Branches of credit institutions established in other Member States of the European Union are not required to join the Fund if they are covered by a deposit-guarantee scheme under Directive 94/19/EC of the European Parliament and of the Council. If the Authority gives its permission, branches of third-country credit institutions shall not be required to join the Fund if the Authority determines that they have deposit insurance that is the equivalent of the deposit-guarantee scheme prescribed under Directive 94/19/EC of the European Parliament and of the Council.

(4)⁵ When judging the equivalence of a deposit-guarantee scheme within the meaning of Subsection (3), the Authority shall consider:

- a) the deposits that are covered by the deposit insurance scheme;
- b) the clientele that is affected by the deposit insurance scheme;
- c) the amount of deposit insurance;
- d) the expected time requirement for deposit payment on the basis of the deposit insurance procedures;
- e) the possibility of filing deposit claims;
- f) the opinion of the Fund.

(5)⁶ If a branch is not required to join the Fund pursuant to Subsection (3), it may voluntarily join the Fund in order to obtain the supplementary cover referred to in Subsection (7) if it is able to meet the Fund's requirements for membership.

¹ Promulgated on 12 December 1996.

² Established by Subsection (1) of Section 67 of Act CXXIV of 2000, as established by Subsection (1) of Section 69 of Act LXIV of 2002, effective as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

³ Established by Subsection (2) of Section 27 of Act LXIV of 2002. Third sentence enacted by Subsection (1) of Section 7 of Act XLVIII of 2004, effective as of 10 June 2004.

⁴ Established by Subsection (2) of Section 7 of Act XLVIII of 2004, effective as of 10 June 2004.

⁵ Enacted by Subsection (2) of Section 67 of Act CXXIV of 2000, as established by Subsection (2) of Section 69 of Act LXIV of 2002, effective as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

⁶ Established by Subsection (3) of Section 7 of Act XLVIII of 2004, effective as of 10 June 2004.

(6)¹ Any branch of a credit institution established in another Member State of the European Union that is not covered by a deposit-guarantee scheme prescribed under Directive 94/19/EC of the European Parliament and of the Council must join the Fund in order to obtain the supplementary cover referred to in Subsection (7). If, in the opinion of the Authority, the branch of a third-country credit institution does not have deposit insurance that is the equivalent of the deposit-guarantee scheme prescribed under Directive 94/19/EC of the European Parliament and of the Council, it shall join the Fund in order to obtain the full range of insurance coverage.

(7)² If the maximum amount of compensation provided by the Fund or the scope of deposits covered exceeds the maximum amount guaranteed, the extent of cover or the scope of deposits covered by a deposit-guarantee scheme for branches, the Fund shall, at the request of the branch, provide supplementary cover upon the branch joining the Fund. Supplementary compensation may be claimed if the competent authority of the country in which the head office of the branch is located notifies the Fund about frozen deposits. Other aspects of supplementary compensation claims shall be governed by the provisions of Section 105.

(8)³ The Fund may enter into cooperation agreements with foreign deposit-guarantee schemes and with foreign supervisory authorities, and may exchange information from the records on deposit holders covered by the deposit-guarantee schemes and on the insured accounts, and for the settlement of compensation claims. The various deposit-guarantee schemes shall inform each other of the amount of compensation they are liable to pay to any given deposit holder.

Section 97/A⁴

Compensation for deposits collected by branches of third-country credit institutions may be paid only up to the amount insured by the Fund.

Section 98

(1) The Fund shall be liable:

- a)⁵
- b) to pay compensation in the amount specified in Section 101 to a deposit-holder whose account held at a member credit institution is frozen, as well as
- c) to perform the tasks, related to guarantees provided on certain deposits or to the fulfillment of a given insurance, for a consideration, based on an order under a separate agreement entered into with the Government,
- d)⁶ providing depositors with information in Hungarian or, in the case of foreign branches of credit institutions which are established in Hungary, in the language of the country in which the branch has been established.

(2) Based on an order received from the deposit-holder and other creditors, the Fund shall carry out representation within its scope of responsibilities defined in Subsection (1) above at composition negotiations and during liquidation proceedings.

Deposits Insured by the Fund

Section 99

(1) The insurance provided by the Fund applies to registered accounts only.

(2) The insurance provided by the Fund - with the exceptions set out in Section 100 - shall apply to all deposits regardless of the number and currency of deposits which have been placed

- a) without any state guarantee or state surety assumed on the strength of law before 30 June 1993, and
 - b) without any state guarantee after the 30th June 1993
- at credit institutions which are members of the Fund.

(3) The insurance provided by the Fund shall apply to deposit documents issued or offered in series similar to securities until 30 June 1993, irrespective of its denomination.

¹ Established by Subsection (4) of Section 7 of Act XLVIII of 2004, effective as of 10 June 2004.

² Established by Subsection (5) of Section 7 of Act XLVIII of 2004, effective as of 10 June 2004.

³ Enacted by Subsection (5) of Section 27 of Act LXIV of 2002, effective as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

⁴ Established by Section 68 of Act CXXIV of 2000, effective as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

⁵ Repealed by Paragraph a) of Subsection (1) of Section 37 of Act CLXXXVIII of 2005, effective as of 1 January 2006.

⁶ Established by Section 69 of Act CXXIV of 2000, effective as of 1 January 2001.

(4)¹

Section 100

(1) The insurance provided by the Fund shall not cover the deposit accounts of:

- a) publicly financed bodies;
 - b) business associations in exclusive state ownership;
 - c) municipal governments;
 - d)² insurance companies, voluntary mutual insurance funds and private pension funds;
 - e) investment funds;
 - f)³ the Nyugdíjbiztosítási Alap (Pension Insurance Fund) and the Egészségbiztosítási Alap (Health Insurance Fund) and their management bodies, the health insurance administration agency and the pension insurance administration agency;
 - g) extra-budgetary funds;
 - h) financial institutions;
 - i) the MNB;
 - j)⁴ investment firms, members of the exchange and commodities brokers;
 - k)⁴ compulsory or voluntary deposit insurance, institution and investor protection funds, and the Pénztárak Garancia Alapja (Pension Guarantee Funds);
 - l)⁵ executive employees of credit institutions, appointed auditors of credit institutions, persons holding at least a five per cent interest in the credit institution, and the close relatives of any of the above who share a common household with them;
 - m)⁶ economic operators [Paragraph c) of Section 685 of the Civil Code] in which the person described in Paragraph l) holds a qualifying interest;
 - n)⁷ venture capital companies and venture funds;
- nor the foreign equivalents of such deposits.⁸
- (2) The insurance provided by the Fund shall not apply furthermore to:
- a) deposits on which the deposit-holder receives significantly higher interests or other pecuniary benefits according to the contract as compared to the deposits of the same amount and for the same fixed period at the time of execution of the contract; and
 - b) deposits in respect of which it has been determined by a definitive court decision that the sum deposited therein originates from money laundering;
 - c)⁹ deposits placed in a currency other than euro or the legal tender of the Member States of the European Union or the Organization for Economic Cooperation and Development.

Indemnity Paid by the Fund

Section 101

1 Repealed by Paragraph a) of Subsection (1) of Section 299 of Act LXIV of 2002, effective as of 1 January 2003.

2 Established by Section 7 of Act CLXXXVIII of 2005, effective as of 1 January 2006.

3 Amended by Paragraph g) of Subsection (1) of Section 80 of Act CIX of 2006.

4 Established by Section 28 of Act LXIV of 2002, effective as of 1 January 2003.

5 Established by Subsection (1) of Section 70 of Act CXXIV of 2000, effective as of 1 January 2001. Not applies to deposits placed before the time of entry into force. See Section 143 of Act CXXIV of 2000.

6 Established by Section 32 of Act CIII of 2008, effective as of 1 January 2009.

7 Enacted by Subsection (1) of Section 70 of Act CXXIV of 2000, effective as of 1 January 2001. Not applies to deposits placed before the time of entry into force. See Section 143 of Act CXXIV of 2000.

8 Established by Section 28 of Act LXIV of 2002, effective as of 1 January 2003. See also Section 280 of Act LXIV of 2002.

9 Established by Section 8 of Act XLVIII of 2004, effective as of 10 June 2004.

(1)¹ The Fund shall compensate persons entitled to compensation for the principal and interest on frozen deposits in forints, up to a maximum amount of fifty thousand euro per person and per credit institution on the aggregate. The amount of compensation shall be translated to forints by the official MNB exchange rate in effect on the day preceding the day of the opening of the compensation procedure as specified in Subsection (1) of Section 105. In the case of deposits in foreign exchange, the amount of compensation and the amount limit specified in this Subsection shall be determined based on the official MNB exchange rate in effect on the day preceding the day of the opening of the compensation procedure as specified in Subsection (1) of Section 105, regardless of the time of payment.

(2)² The Fund shall compensate persons entitled to compensation for uncapitalized and unpaid interest due on frozen principal up to the day of the opening of the compensation procedure as specified in Subsection (1) of Section 105, up to the limit specified in Subsection (1) of this Section by calculating with the interest rate specified in the contract.

(3)³

(4) In the case of prize drawing deposit, contractual interests shall mean the interests at which the credit institution accepting the deposit has created the prize base since the drawing date preceding the date of payment. As for the calculation of interests, the date of drawing preceding the date of payment shall be considered as the date of fixing.

(5)⁴ The deposit holder may not, upon any grounds, demand any payment from the Fund over and above the compensation amount defined in Subsections (1)-(4) above.

(6) In the case of joint deposits, the amount limit of compensation defined in Subsection (1) shall be taken into account separately in respect of each person entitled to compensation. From the point of view of calculating the compensation amount - unless otherwise stipulated in the contract -, the deposit-holders shall be entitled to the deposit amount in equal proportions.

(7)⁵ In the case of merger of credit institutions, the deposits - with the exception of home savings deposits - of the same depositor that were placed with the merging or the acquiring credit institutions shall continue to be considered as separate deposits in terms of the amount limit specified in Subsection (1) for a maximum period of five years.

(8) In the case of transfer of customer accounts, in terms of the amount limit specified in Subsection (1), the regulations on mergers under Subsection (7) shall duly apply.

(9)⁶ No compensation shall be paid on deposits in connection with which criminal proceedings are in progress due to money laundering allegations until the definitive conclusion of such proceedings.

(10)⁷ The amount limit of compensation defined under Subsection (1) of this Section for deposits placed in group accounts shall be taken into account in the case of condominiums and housing cooperatives separately for each residential unit, and in the case of building societies and school associations they shall be taken into account separately for each depositor irrespective of the time of placement of the deposit.

(11)⁸ Upon the deposit-holder's death, the deposits of the testator and the heirs - irrespective of the time of placement of the deposit - shall be treated as separate accounts for a period of one year from the operative date of the grant of probate or the court ruling, or until the expiry of the fixed-rate instruments - whichever occurs later -, and they shall not be counted on the aggregate with other accounts the heirs may have when determining the amount limit of compensation under Subsection (1). Compensation for the testator's deposit shall be payable up to the amount limit referred to in Subsection (1), regardless of the number of heirs. This provision shall also apply to joint accounts.

Section 102

1 Established by Subsection (1) of Section 1 of Act XLI of 2009, effective as of 30 June 2009. See also Subsection (3) of Section 13 of Act XLI of 2009.

2 Established: by paragraph (2) Section 1 of Act XLI of 2009. In force: as of 1. 01. 2010.

3 Repealed: by paragraph (7) Section 13 of Act XLI of 2009. No longer in force: as of 1. 01. 2010.

4 Established by Subsection (2) of Section 29 of Act LXIV of 2002, effective as of 1 January 2003.

5 Established by Subsection (2) of Section 71 of Act CXXIV of 2000, effective as of 1 January 2001. Time restriction applies only to sums deposited after the time of amendment entering into force. See Section 144 of Act CXXIV of 2000.

6 Enacted by Subsection (3) of Section 39 of Act CLVIII of 1997, effective as of 1 January 1998.

7 Established: by paragraph (1) Section 47 of Act CL of 2009. In force: as of 1. 01. 2010.

8 Enacted: by paragraph (2) Section 47 of Act CL of 2009. In force: as of 1. 01. 2010.

(1)¹ In the case of deposits insured by the Fund, any set-offs may be made between the credit institution and the deposit-holder if the deposit-holder has overdue debts towards the credit institution relating to loans or other transactions. The credit institution shall inform the Fund about its set-off claims and shall supply information relating to the deposits. The credit institution shall produce documents in proof of having notified the deposit-holder (debtor) of its set-off claim. If the set-off is executed, the Fund shall pay the deposit-holder the amount remaining after deduction of the amount specified in Section 101 due and transferred to the credit institution.

(2)² In the course of determining the amount of compensation, all frozen receivables due to the client from a member of the Fund are to be added up. If a member of the Fund has overdue receivables to the client, it shall be included in the client's receivables when determining the compensation amount.

(3) In the case of deposits serving as collateral, the Fund shall effect any payment only if the grounds for receiving the compensation amount can be determined beyond doubt based on the parties' agreement or on the definitive resolution of a court or authority.

Section 103

(1) The Fund may assume insurance of deposits intended to be insured by the state following 30 June 1993 for a fee to be agreed upon.

(2)³ In connection with deposits covered by a state guarantee or state surety facilities, the central budget shall begin to pay the funds required for honoring the guarantee to the Fund within twenty working days following the day of the opening of the compensation procedure as specified in Subsection (1) of Section 105. The Fund may only use these funds for fulfilling payment obligations deriving from honoring the state guarantee or surety facilities, which payments may be supervised by a representative of the minister in charge of public finances in the premises of the credit institution.

(3) The Fund may execute the tasks described in Subsections (1) and (2) above according to a written agreement with the State.

(4) Receivables due to the deposit-holders from the credit institution shall be assigned upon the State up to the amounts paid on the grounds of calling the state guarantee. Upon the assignment of claims, the State shall succeed the formerly entitled party. The State is entitled to enforce its receivables in course of the liquidation proceedings. In the course of liquidation of the credit institution, the State is entitled to declare itself as a creditor also in respect of the deposits from which the rights have not yet been assigned upon the state if the state is otherwise required to effect payments under a guarantee.

Chapter XVI

Compensation

Section 104⁴

Payments from the Fund

Section 105

(1)⁵ The Fund shall begin to compensate the depositors following the day on which the deposits were frozen or, if in the case of a Commission decision under Paragraph c) of Subsection (1) of Section 30 or if liquidation proceedings have been initiated, following the publication of the court order on liquidation, whichever of the three occurs first (day of the opening of the compensation procedure) and shall effect all compensation payments to the account-holders within twenty working days. In justified cases, the Commission may authorize the Fund to extend the payment deadline once, by not more than ten working days.

1 Established: by paragraph (1) Section 2 of Act XLI of 2009. In force: as of 1. 01. 2010.

2 Established: by paragraph (2) Section 2 of Act XLI of 2009. In force: as of 1. 01. 2010.

3 Established: by Section 3 of Act XLI of 2009. In force: as of 1. 01. 2010.

4 Repealed together with the preceding subtitle by Paragraph a) of Subsection (1) of Section 37 of Act CLXXXVIII of 2005, effective as of 1 January 2006.

5 Established: by paragraph (1) Section 4 of Act XLI of 2009. In force: as of 1. 01. 2010.

(2)¹ The Fund shall publish in at least two daily newspapers of nationwide circulation and also on its website the conditions for the compensation of account-holders and the information related to implementation. Furthermore, the information published by the Fund shall be posted on the website of the credit institution affected by the compensation.

(3)²
(4) In the case of registered deposits, the credit institution receiving the deposit shall record two further identification data - from among those listed in Schedule No. 3 as prescribed by the Fund - in addition to the deposit-holder's name for the purpose of being able to establish entitlement to compensation clearly, beyond any doubt.

(5)³ Payments shall be made through orders given to credit institutions, by means of depositing the sum of compensation on an account carried by another credit institution, postal transfer, check or direct cash payment in the legal tender of the country where the deposit is placed. Compensation shall be paid out only if above the equivalent of five hundred forints.

*Section 106.*⁴

The credit institution affected by the compensation shall, when requested by the Fund, enter into an agreement with the Fund to perform the functions related to the settlement of compensation claims that are due on the deposits covered by the Fund. For these services, the credit institution shall be entitled to a fee as stipulated in its last standard service agreement to be in effect while it was operating or in accordance with the item in its last standard service agreement that is most similar in content.

Assignment of Paid Deposit Receivables

Section 107

(1) In the event the Fund has paid compensation to the deposit-holder, the receivables due from the credit institution shall be assigned - up to the amount paid - from the deposit-holder to the Fund. With such assignment, the Fund shall take the place of the formerly entitled party. The Fund shall be entitled to enforce the assigned receivables in the liquidation proceedings.

(2)⁵ The credit institution concerned shall repay or reimburse the Fund the amounts paid and the costs incurred by the Fund in relation to the payments in the case of any payments made from the Fund to the person entitled to compensation. This provision shall also be observed if the credit institution's membership in the Fund has been terminated.

(3) In the course of liquidation of a credit institution, the Fund shall also be entitled to declare itself as a creditor in respect of the deposits from which the rights have not yet been assigned to the Fund, but in respect of which it has a payment obligation according to Section 101, including the costs incurred in relation to effecting of the payments.

(4)⁶ For the purposes of Subsection (2) above, the paying credit institution's fee, the costs of transfers, printing costs, and communications costs shall be recognized as costs incurred by the Fund in connection with making compensation payments.

Chapter XVII

Legal Status and Organizational Structure of the Fund

Legal Status of the Fund

Section 108

(1) The Fund is vested with legal personality.

(2) The Fund is seated in Budapest.

(3) The Fund may not be required to pay any corporate taxes, local taxes or duties on its assets, revenues and proceeds.

¹ Established: by paragraph (2) Section 4 of Act XLI of 2009. In force: as of 1. 01. 2010.

² Repealed: by paragraph (7) Section 13 of Act XLI of 2009. No longer in force: as of 1. 01. 2010.

³ Established by Section 9 of Act XLVIII of 2004, effective as of 10 June 2004.

⁴ Established: by Section 5 of Act XLI of 2009. In force: as of 1. 01. 2010.

⁵ Established by Section 8 of Act CLXXXVIII of 2005, effective as of 1 January 2006.

⁶ Enacted by Section 73 of Act CXXIV of 2000, effective as of 1 January 2001.

(4) The Fund's monetary assets may not be appropriated and may not be used for purposes other than those specified in Section 98.

(5) The Fund's equity capital may not be divided.

Section 109

The Fund's financial and accounting control shall be performed by the Állami Számvevőszék (State Audit Office).

Section 109/A¹

(1) The Fund shall appoint an auditor.

(2) The Fund's auditor shall be selected by the board of directors from among persons entitled to audit financial institutions.

(3) The term of appointment for an auditor who is a natural person shall be limited to five years. The same auditor may be contracted once again three years after the original term expires. An auditor employed by an audit firm (employee, executive officer, working member) may audit the books of the Fund for a maximum period of five years and may be contracted once again three years after the original term expires.

(4) The auditor shall be responsible for carrying out the audits of the Fund's accounting records and annual account and to comment on the authenticity of the material submitted to the board of directors in connection with the management of the Fund and the management and use of assets.

Organizational Structure of the Fund

Section 110

(1) The Fund's governing body is the board of directors.

(2) Members of the board of directors of the Fund are:

a)² the person delegated by the minister in charge of the money, capital and insurance markets;
b) a Deputy Governor of the MNB;

c) the Chairman of the Authority;³

d) two persons appointed by the interest representation organizations of credit institutions; and

e) the managing director of the Fund.

(3) Members of the board of directors - with the approval of the board of directors - shall appoint a permanent proxy who shall attend the meetings of the board of directors in the absence of the member with full rights of making decisions.

(4)⁴ Meetings of the board of directors shall have a quorum if more than half of the members are present. Resolutions of the board of directors shall be passed by a simple majority of votes. In cases of equal voting, the vote of the chairman shall be decisive.

(5) The board of directors shall elect a chairman and a deputy chairman annually from among its members. The managing director may not be elected as chairman or deputy chairman.

Duties of the Board of Directors

Section 111

(1) The board of directors shall:

a) govern and control the financial management and other activities of the Fund;

b) approve the rules and regulations of the Fund;

c) determine the tasks and remuneration of the managing director and representatives of the Fund;

d) decide on the composition of special ad hoc committees created for the performance of certain tasks;

e) determine the time, location and agenda of meetings of the board of directors;

f) prescribe the use of special symbols, information and other means for credit institutions to convey that the deposits placed with those credit institutions are insured;

g) decide on actions to be taken in respect of carrying out the Fund's functions;

¹ Enacted by Section 10 of Act XLVIII of 2004, effective as of 10 June 2004.

² Amended by Paragraph r) of Subsection (2) of Section 170 of Act CIX of 2006.

³ See Subsection (4) of Section 37 of Act XXII of 2004.

⁴ Established by Section 9 of Act CLXXXVIII of 2005, effective as of 1 January 2006.

- h) determine the order of payments to be effected by the Fund under this Act;
 - i) decide on the Fund's budget, including its operating costs;
 - j)¹ approve the Fund's annual account and auditor's report, determine the Fund's financial position once a year on or before 30 May of the year following the end of the financial year, and it shall submit its report thereupon to the Állami Számvevőszék (State Audit Office) and send the same to the credit institutions;
 - k) establish once a year the Fund's fee policy within the framework of this Act and shall notify the credit institutions on this policy, and shall determine the members' annual payment obligations based on this fee policy;
 - l) decide on any exclusions;
 - m) determine any obligation to pay increased and extraordinary fees as described in Subsections (6)-(8) of Section 121;
 - n)-o)²
 - p)³ make recommendations to the Authority for the control of credit institutions in terms of compliance with the requirements regarding deposit insurance;
 - q)⁴ perform other functions conferred by this Act.
- (2) When carrying out its functions, the board of directors may use the services of the Authority.

Section 112

- (1) The board of directors shall have powers to appoint and recall the managing director as well as exercise employer's rights in respect of him. The board of directors may transfer this right - with the exception of appointment and dismissal - to the chairman of the board of directors.
- (2) The board of directors shall oversee the activities of the Fund's managing director.

Managing Director and Work Organization of the Fund

Section 113

- (1) The Fund has an independent work organization.
- (2) The managing director shall perform the operative management of the Fund's activities. The managing director shall exercise employer's rights in respect of the employees.
- (3) The managing director - subject to the consent of the board of directors - may contract the services of non-employees and may conclude cooperation agreements for the performance of certain functions.
- (4) In respect of the Fund's managing director and employees, the provisions of Act XXII of 1992 on the Labor Code shall be applied.

Section 114

When acting within the scope of its responsibilities, the board of directors shall issue the orders by duly applying the rules of conflict of interests described in this Act.

Disclosure of Information to the Fund

Section 115

- (1) The Fund may only request information from the credit institutions which are necessary for its activities and which are not available to the MNB or the Authority.
- (2) Upon the Fund's request,
- a) the credit institution shall be required to provide information from the data described by the Fund in compliance with this Act,
 - b) the Authority and the MNB shall be required to provide information from the data available to them.
- (3)⁵ The executive officer of any Hungarian branch that has joined the Fund shall immediately notify the Fund in writing if the parent credit institution or any of its branches in any country has become insolvent.

¹ Established by Subsection (1) of Section 33 of Act LXIV of 2002, effective as of 1 January 2003.

² Repealed by Paragraph a) of Subsection (1) of Section 37 of Act CLXXXVIII of 2005, effective as of 1 January 2006.

³ Established by Section 10 of Act CLXXXVIII of 2005, effective as of 1 January 2006.

⁴ Designation amended by Subsection (2) of Section 33 of Act LXIV of 2002.

⁵ Established by Subsection (1) of Section 75 of Act CXXIV of 2000, effective as of 1 January 2001.

(4)¹ The Fund may use the information described in Subsection (2) above only to the extent required for the performance of its duties.

(5)² The Authority shall have powers to conduct inspections at member institutions to monitor compliance with the requirements pertaining to deposit insurance, including the availability of data to the Fund's payment mechanism and the aggregation of accounts separately for each person. The Authority shall set up its annual control plan in consideration of the Fund's opinion.

(6)³ Credit institutions shall have facilities to keep records on the deposit accounts and account-holders, containing the identification data specified in Chapter I of Schedule No. 3, and to make them available within five working days upon the Fund's request for the purpose of compensation.

(7)⁴ The Fund shall test the operation of its payment mechanism on a regular basis based on the data sets supplied by the member institutions.

Section 116

(1)⁵ All bank secrets and business secrets as well as data, facts or circumstances, obtained by the persons engaged with the Fund under contract of employment or similar relationship, or under personal service contracts, as well as the members of the board of directors, and all data, facts or circumstances which are not required to be disclosed by the Fund to other authorities or to the public shall be treated by such persons as strictly confidential.

(2)⁶

(3)⁷ The provisions of the Civil Code governing trade secrets shall apply, in particular, to data from the agreement and cooperation referred to in Subsection (8) of Section 97, which are treated as trade secrets by foreign deposit insurance schemes or foreign competent supervisory authorities -, however, it shall be without prejudice to the availability to the general public of data and information relating to the public functions conferred upon the Fund.

Section 117

Any claims against the Fund for damages caused unlawfully may be enforced only if properly evidenced that the Fund's action or negligence violates any law and the incurred damages are the result of such action or negligence.

Carrying the Fund's Accounts and Cash Management Procedures

Section 118

(1)⁸

(2) All of the Fund's revenues, including those from its operation, shall be credited to the Fund's current account; on the other hand, operating expenses and payments in connection with insurance activities and payments relating to the prevention of the freezing of deposits shall be made from this current account.

(3)⁹ The Fund's monetary assets - with the exception of petty cash, the liquidity reserve kept on the current account and the amounts transferred to a credit institution for effecting payments or for other purposes necessary for the Fund's operation - shall be kept in government securities or in deposits placed in the MNB.

(4) The Fund's profits, if any, may only be used to increase its equity capital.

¹ Numbering amended by Subsection (5) of Section 39 of Act CLVIII of 1997.

² Established: by paragraph (1) Section 6 of Act XLI of 2009. In force: as of 1. 01. 2010.

³ Established: by Section 48 of Act CL of 2009. In force: as of 1. 01. 2010.

⁴ Established: by paragraph (3) Section 6 of Act XLI of 2009. In force: as of 1. 01. 2010.

⁵ Established by Subsection (6) of Section 39 of Act CLVIII of 1997, effective as of 1 January 1998.

⁶ Repealed by Subsection (6) of Section 13 of Act XLI of 2009, effective as of 30 June 2009.

⁷ Enacted by Section 53 of Act LI of 2007, effective as of 1 July 2007.

⁸ Repealed: by paragraph (3) Section 73 of Act LXXXVI of 2009. No longer in force: as of 1. 11. 2009.

⁹ Established by Section 12 of Act CLXXXVIII of 2005, effective as of 1 January 2006.

Chapter XVIII

The Fund's Resources

Section 119

- (1) The Fund's resources are comprised of:
- a) affiliation fees;
 - b) regular or extraordinary annual payments by member credit institutions;
 - c)¹ eighty percent of the fines collected by the Authority from credit institutions, not including credit institutions set up as cooperative societies, which are members of a voluntary deposit insurance or institutional protection fund;
 - d) loans raised by the Fund;
 - e) other incomes.
- (2)² The Fund may borrow money from:
- a) the MNB, or
 - b) credit institutions

to carry out the functions conferred under Paragraph b) of Subsection (1) Section 98.

(3)³ The Government shall provide surety facilities for the loan borrowed by the Fund in the interest of fulfillment of its obligations described in Paragraph b) Subsection (1) of Section 98 according to Subsection (3) of Section 33 of Act XXXVIII of 1992 on Public Finances.

(4)⁴

Affiliation Fee

Section 120

Any credit institution that has been authorized by the Authority to receive deposits shall, upon joining the Fund, pay a one-time affiliation fee equal to half percent of its subscribed capital to the Fund within thirty days of receiving the authorization.

Annual Fees

Section 121

(1)⁵ The obligation of the Fund's members to pay annual fees shall be determined by taking into account the total amount of deposits carried - in accordance with Sections 99 and 100 - by the credit institution insured by the Fund on 31 December of the previous year, the credit institution's membership in voluntary deposit insurance and institutional funds, and other aspects stipulated in the Fund's rules and regulations. When providing supplementary cover, the amount of the deposits for which supplementary cover is provided shall be taken into consideration when determining the annual fee, along with the cover afforded by the deposit-guarantee scheme of the country in which the branch's home office is located. When determining the annual fee, the Fund may consider the ratings determined for the credit institutions and their obligations by the rating organization prescribed by specific other legislation.

(2) The amount of the annual fee to be paid as determined pursuant to Subsection (1) above may not be higher than two thousandths of the aggregate total interest holdings indicated under accrued and deferred liabilities on deposits insured by the Fund and kept with the member institution on the 31st of December of the previous year and the deposits insured by the Fund as stipulated by statutory provisions on credit institutions' obligation to prepare annual accounts and to keep books.

(3) The credit institution shall pay the annual fee in quarterly installments, by the fifteenth day of the quarter to which it pertains to the Fund's current account.

¹ Established by Subsection (7) of Section 39 of Act CLVIII of 1997, effective as of 1 January 1998.

² Introductory sentence established by Section 13 of Act CLXXXVIII of 2005, effective as of 1 January 2006.

³ Established by Section 7 of Act XLI of 2009, effective as of 30 June 2009.

⁴ Repealed by Paragraph a) of Subsection (1) of Section 299 of Act LXIV of 2002, effective as of 1 January 2003.

⁵ Established by Section 35 of Act LXIV of 2002, effective as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

(4) The amount of the fee to be paid by the credit institution shall be determined on the basis of the declarations forwarded by the credit institution to the Fund in the form and at the date as described in the regulations of the Fund.

(5) The fee to be paid by the credit institution for the year when receiving authorization for banking operations shall be determined, according to the general rules, by multiplying 1/365 of the annual fee determined based on the deposit holdings at the end of the year with the number of days insured by the Fund.

(6) If a credit institution is engaged in high-risk activities justifying an increase in the fee according to the regulations, the Fund may increase the fee to be paid by the credit institution in the course of the year. Prior to increasing the fee, the Fund shall:

- a) request the opinion of the Authority and the MNB;
- b) allow the credit institution to submit its comments.

(7) The fee increased as per Subsection (6) may not exceed three thousandths of the credit institution's insured deposit holdings as of 31 December of the previous year.

(8) In the interest of repaying the loan borrowed by the Fund under Paragraph d) Subsection (1) of Section 119, the Fund may prescribe an extraordinary payment obligation for the credit institutions determined on the basis of uniform principles, and the extent and schedule of such payment obligation must be adjusted to the conditions of loan repayment. The amount of the extraordinary payment obligation may not exceed the amount of the fee determined according to Subsection (2) in respect of any credit institution.

(9) Where the Fund gains any income in connection with the events that prompted the Fund to obtain the loan, it shall - on general principle - be used to reduce the existing loan debt and thereafter to reduce the extraordinary payment obligation of the credit institutions and to repay the same.

(10)¹ In the initial year of its liquidation (voluntary or compulsory), the credit institution must pay the prorated annual fee in accordance with the provisions described in this Section by the initial day of the liquidation or winding up proceeding. The fee shall be projected on the basis of the average insured deposit holdings in the quarter preceding payment.

Accounting of Fees Received

Section 122

The credit institution shall show the amount paid to the Fund (including the affiliation fee) under other operating charges.

Joining the Fund

Section 123

(1)² Simultaneously with submitting the application for authorization to engage in the activities governed under Section 18, the credit institution must also send a declaration on joining the Fund and attach a copy of such declaration to the application for authorization to perform business activities, unless the credit institution is set up as a branch and it is not obligated to join the Fund according to Subsection (3) of Section 97.

(2) The declaration on joining must be prepared in the form as published by the Fund.

Chapter XIX

Initiation of Actions and Sanctions, Termination of Membership in the Fund

Section 124

(1) Where a credit institution:

- a) fails to fulfil the payment obligations described in Sections 120 and 121 in due time;
- b) indicates its membership in the Fund in its standard service agreement or on deposit documents in a deceptive manner or provides third parties with false information on material issues related to the deposits insured by the Fund;
- c)³ violates the regulations on information requirements relating to deposit insurance;

¹ Established by Section 76 of Act CXXIV of 2000, effective as of 1 January 2001.

² Established by Section 36 of Act LXIV of 2002, effective as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

³ Established by Subsection (3) of Section 35 of Act XLVII of 2008, effective as of 1 September 2008.

- d) has records from which the deposit-holders' entitlement to indemnity cannot be unambiguously determined;
- e)¹ violates the regulations on deposit insurance:
the Fund shall advise the credit institution to discontinue the unlawful conduct and shall simultaneously inform the Authority.
- (2)² If the credit institution fails to cease the unlawful conduct referred to in Subsection (1) above within thirty days of the warning, the Fund may request the Authority to take action against the credit institution, impose a fine upon it, or, with the assent of the Authority, suspend the credit institution's membership for a minimum of twelve months after issuing a warning concerning the pertinent measures if the credit institution remains to carry on the unlawful conduct during this time. The Fund shall concurrently notify the MNB concerning the request for regulatory measures.
- (3) In the case of moving for exclusion, the credit institution's membership in the Fund shall be terminated after the date specified in the advance notice, with the exception if:
- a) the credit institution has taken the actions aimed at conforming to regulations or terminating an improper conduct.
- b)³

Section 125

The Fund shall exclude a credit institution with immediate effect, if the credit institution is no longer permitted to receive deposits by decision of the Authority.

Section 126

- (1)⁴ Subject to the exception set out in Subsection (4), the exclusion of a credit institution or termination of its membership shall not effect the insurance of deposits placed with the credit institution during the period of its membership.
- (2) If a credit institution has been excluded from the Fund or its membership has been terminated, it may not request a refund of its earlier payments. The exclusion or the termination of membership shall not effect the obligation of the excluded credit institution to pay the annual fee on the insured deposits as described in Section 121.
- (3)⁵ A credit institution, when increasing or decreasing its subscribed capital, shall not be required to pay an affiliation fee on the amount of increase, and may not request the prorated portion of the paid affiliation fee to be refunded.
- (4)⁶ The Fund - following termination of the membership of a credit institution - shall not pay compensation for any account that is covered by any foreign deposit-guarantee scheme.

Section 127

In the event of exclusion under Section 124, the Fund shall notify the Authority and the MNB in writing - within twenty four hours - about the exclusion and the reasons therefor, and shall publish the same notice within forty-eight hours in at least two daily newspapers of nationwide circulation.

Information to Deposit-holders

Section 204⁷

1 Enacted by Subsection (8) of Section 39 of Act CLVIII of 1997, effective as of 1 January 1998.

2 Established by Section 77 of Act CXXIV of 2000, effective as of 1 January 2001.

3 Repealed by Paragraph a) of Subsection (1) of Section 160 of Act CXXIV of 2000, effective as of 1 January 2001.

4 Established by Subsection (1) of Section 8 of Act XLI of 2009, effective as of 30 June 2009. See also Subsection (3) of Section 13 of Act XLI of 2009.

5 Enacted by Subsection (9) of Section 39 of Act CLVIII of 1997, effective as of 1 January 1998.

6 Enacted by Subsection (2) of Section 8 of Act XLI of 2009, effective as of 30 June 2009. See also Subsection (3) of Section 13 of Act XLI of 2009.

7 Established by Section 18 of Act XLVIII of 2004, effective as of 10 June 2004.

(1)¹ Credit institutions must provide deposit-holders with readily intelligible information concerning the material issues that affect the deposit-holders in regard to the Fund and foreign deposit-guarantee institutions and, in the event of holding any participating interest in such, the voluntary deposit guarantee and institutional protection funds specified in Chapter XX; thus, for example, the types of deposits covered by the Fund, the extent of cover, and - when deposits are frozen or the credit institution has been liquidated - the conditions for compensation payments under Subsection (1) of Section 101 as well as the procedure required for obtaining the cover. Furthermore, credit institutions are required to inform deposit-holders where the insurance provided by the Fund shall not cover an account under Section 100 or Subsection (4) of Section 126.

(2) Unless otherwise agreed by the parties, credit institutions shall supply the information referred to in Subsection (1) above in the Hungarian language.

Section 205²

(1) A credit institution shall inform its depositors if its membership in the Fund or in a foreign deposit-guarantee institution has been terminated, and it shall remove all mention of the deposit insurance stipulated by this Act from all notices and other similar information material. The aforesaid information shall contain the rights of depositors and the procedure for the enforcement of such rights.

(2) Unless otherwise agreed by the parties, credit institutions shall supply the information referred to in Subsection (1) above in the Hungarian language.

Section 205/A³

It is prohibited to use any information relating to deposit insurance, the Fund or the voluntary deposit and institutional protection fund for the purpose of increasing deposit holdings, in particular for advertisements.

Periodic Information

Section 206

(1) In the case of recurrent contracts (contracts for deposits tied up on a recurrent basis), the financial institution shall send the client a clear and comprehensive statement (extract) in writing that is easy to understand:

- a) at least once a year, and
- b) at the time the contract expires.

(2) The statement sent on the account - unless otherwise stipulated by the standard service agreement or another contract - shall be considered accepted if the customer does not raise any objection in writing within sixty days of receiving the statement; it, however, shall not effect the enforceability of deposit to which it pertains.

(3) The client may request - at his own expense - a statement on individual transactions carried out in the past five years preceding the request. The credit institution is required to send such statements in writing to the client within ninety days.

(4)⁴

(5)⁵ Unless otherwise agreed by the parties, credit institutions shall make out and supply the extract referred to in Subsection (1) and the statement referred to in Subsection (3) above in the Hungarian language.

Section 211

(1)⁶ Credit institutions may only enter into deposit contracts (or release deposit documents) or issue debt securities if the underlying contract contains a reference to the regulations specified under Subsection (1) of Section 100 and Paragraph c) of Subsection (2) of Section 100.

¹ Last sentence enacted by Section 11 of Act XLI of 2009, effective as of 30 June 2009.

² Established by Section 19 of Act XLVIII of 2004, effective as of 10 June 2004.

³ Enacted by Subsection (6) of Section 35 of Act XLVII of 2008, effective as of 1 September 2008.

⁴ Repealed: by paragraph (3) Section 73 of Act LXXXVI of 2009. No longer in force: as of 1. 11. 2009.

⁵ Enacted by Section 20 of Act XLVIII of 2004, effective as of 10 June 2004.

⁶ Established by Section 21 of Act XLVIII of 2004, effective as of 1 January 2005.

(2) If a credit institution that is a member of the Fund carries out deposit transactions through another legal entity on the basis of Paragraph h) Subsection (1) of Section 14, such legal entity must also indicate the credit institution on behalf of which it is receiving the deposit.

(3)¹ Deposit documents made out in the form of securities must visibly indicate that the contract serving the basis thereof is a savings deposit contract.

Schedule No. 2 to Act CXII of 1996

IV. Definition of Terms Exclusively for the Purposes of Part IV

1.² 'Deposit' shall mean the deposits described under Point I/2 of this Schedule and debt securities issued by credit institutions, not including:

- a) deposits placed with a credit institution by another credit institution,
- b) mortgage bonds issued by mortgage loan companies in accordance with specific other legislation,
- c)³ subordinated loan capital, core loan capital, subsidiary loan capital,
- d) junior subordinated loan capital,
- e) contributions by a cooperative member to credit institutions set up as cooperative societies.

2. 'Deposit-holder' shall mean the person under whose name the account was opened, or - solely in respect of bearer deposits - who presents the deposit certificate.

3. 'Authorized signatory' shall mean the owner of a deposit, or, if he is not the owner of the deposit, the person duly authorized by the account-holder to dispose of the account with or without restrictions.

4. 'Beneficiary' shall mean the account-holder or the person designated as such by the account-holder to the credit institution in writing.

5.⁴ 'Joint account' shall mean an account, other than a group account, that has more than one owner or beneficiary (opened on behalf of more than one person).

6.⁵ 'Person entitled to indemnity' shall mean the deposit holder. Deposits whose contractual terms and conditions stipulate an agreement to the contrary shall constitute an exception. The person who, on the basis of the deposit owner's authorization, has powers to dispose of the account at the time the account is frozen but who is, however, neither the owner nor beneficiary of the account shall not be recognized as the person entitled to indemnity, irrespective of the effective time of his right of disposition.

7.⁶ 'Frozen account' shall mean an account for which the credit institution is unable to make payments within five business days of the due dates prescribed by law or as contracted.

8.⁷ 'Registered deposit' shall mean a deposit whose owner can be clearly identified on the basis of the identification data contained in the deposit contract, savings deposit contract or bank account contract.

9.⁸ 'Group account' shall mean the accounts of condominiums, housing cooperatives, school associations and building societies.

1 Established by Section 56 of Act LXIV of 2002, effective as of 1 January 2003.

2 Established by Point I/10 of Schedule No. 1 to Act LXIV of 2002, effective as of 1 January 2003. See also Section 280 of Act LXIV of 2002.

3 Established by Subsection (1) of Section 32 of and Point 3 of Schedule No. 1 to Act CLXXXVIII of 2005, effective as of 1 January 2006.

4 Established by Section 44 of and Point 7 of the Schedule to Act XXXIX of 2003, effective as of 1 July 2003.

5 Established: by Section 62 of Act CL of 2009. In force: as of 1. 01. 2010.

6 Established by Section 138 of and Point 20 of Schedule No. 1 to Act CXXIV of 2000, effective as of 1 January 2001.

7 Enacted by Section 138 of and Point 21 of Schedule No. 1 to Act CXXIV of 2000, effective as of 1 January 2001.

8 Enacted by Section 44 of and Point 8 of the Schedule to Act XXXIX of 2003, effective as of 1 July 2003.

Schedule No. 3 to Act CXII of 1996¹

I. Identification Data²

1.³ Personal identification data and address of natural persons: name, birth name, mother's name, date and place of birth, citizenship, home address, mailing address, identification document (passport) number, number of any other document suitable for identification under Act LXVI of 1992 on Records of the Personal Data and Address of Citizens.

2. Identification data of financial institutions, companies, and acceptors: name, abbreviated name, registered office, addresses of business locations and branches, tax number, name and position of persons authorized to represent the company.

3.-5.⁴

¹ Established by Section 139 of and Schedule No. 4 to Act CXXIV of 2000, effective as of 1 January 2001.

² Designation amended by Subsection (2) of Section 32 of and Schedule No. 2 to Act CLXXXVIII of 2005.

³ Established by Section 22 of Act XLVIII of 2004, effective as of 10 June 2004.

⁴ Repealed by Paragraph a) of Subsection (1) of Section 37 of Act CLXXXVIII of 2005, effective as of 1 January 2006.