

## **Act CXX of 2001**

### **on the Capital Market<sup>1</sup>**

With a view to promoting the development of the capital market, to improving its transparency, to fostering international competitiveness, to improving regulations pertaining to actors of capital markets, to improving the security of investments and to protecting investors and clients, and to ensuring sound supervisory arrangements with regard to the capital markets, Parliament has adopted the following Act:

#### ***PART ONE***

#### ***INTRODUCTORY PROVISIONS***

##### **Chapter I**

##### **SCOPE**

##### ***Section 1<sup>2</sup>***

Unless provided by international agreement to the contrary, this Act shall apply to:

*a)*<sup>3</sup> securities issued as part of a series and offered in the territory of Hungary, as well as to the offering of such securities by a Hungarian issuer - other than the Hungarian State - in the territory of the European Union and the admission of securities issued as part of a series to trading on an exchange market operating in the territory of Hungary;

*b)*<sup>4</sup> the acquisition of a participating interest in the capital of any public limited company that has a registered office in Hungary, or whose shares are admitted to trading on a Hungarian regulated market;

*c)-e)*<sup>5</sup>

*f)*<sup>6</sup> the activities of any stock exchange, central securities depository, clearing house, central counterparty established in Hungary;

*g)*<sup>7</sup> the cross-border services provided by an organization engaged in the activities of stock exchanges, the central securities depository, or body acting as a central counterparty, that is established in Hungary;

*h)* the Investor Protection Fund, and to the insurance facilities it provides;

*i)* the supervisory activities of the relevant Hungarian authorities as laid down in this Act;

*j)* the supervision of outsourcing service providers under the provisions of this Act;

*k)*<sup>8</sup> the activities of traders carried out in a stock exchange established in Hungary in connection with stock exchange trading;

*l)*<sup>9</sup>

*m)*<sup>10</sup> any investment recommendation produced and/or disseminated by a person or organization

<sup>1</sup> Promulgated on 25 December 2001.

<sup>2</sup> Established by Section 2 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>3</sup> Established: by paragraph (1) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>4</sup> Amended: by subparagraph a) Section 176 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>5</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>6</sup> Established by Subsection (1) of Section 6 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>7</sup> Established by Subsection (1) of Section 6 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>8</sup> Established by Section 5 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>9</sup> Repealed: by subparagraph b) Section 27 of Act LXXXIII of 2013. No longer in force: as of 22. 06. 2013.

that is established or has a registered office in Hungary;

n)-p)<sup>11</sup>

q)<sup>12</sup> securities lending and/or borrowing operations performed by investment fund managers, collective investment trusts, investment firms, central securities depository, financial institutions, insurance companies, voluntary mutual insurance funds, private pension funds and institutions for occupational retirement provision in the territory of Hungary as governed in this Act.

### *Section 1/A<sup>13</sup>*

This Act shall apply to:

- a) securitization, other than STS securitization and synthetic securitization; and
- b) SSPEs, originators of securitization, sponsors, institutional investors and original lenders.

### *Section 2<sup>14</sup>*

This Act shall not apply to:

- a) the marketing of cooperative shares, checks, bills of exchange, compensation notes, warehouse warrants, and the private offering of government securities;

b)<sup>15</sup>

### *Section 3<sup>16</sup>*

(1)<sup>17</sup> Sections 307-310 and Sections 355-357 shall not apply to stock exchanges incorporated as branches, Sections 355-357 shall not apply to central counterparties incorporated as branches, and Sections 355-357 shall not apply to central securities depositories incorporated as branches.

(2)<sup>18</sup> Part Six shall not apply to transactions conducted by the State, the MNB, the ÁKK Zrt., the European System of Central Banks, or any other officially designated body, or by any person acting on their behalf with a view to managing foreign exchange reserves or relating to monetary, exchange-rate or public debt management policy operations.

## Chapter II

### INTERPRETATIVE PROVISIONS

#### *Section 4*

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

#### *Section 5*

(1)<sup>19</sup> For the purposes of this Act and other legal regulations implemented by authorization of this Act:

1. 'progressive issue' shall mean a method of offering debt securities to the public where the

<sup>10</sup> Amended: by subparagraph a) Section 176 of Act CXCIII of 2011. In force: as of 1. 01. 2012.

<sup>11</sup> Repealed by Paragraph b) of Subsection (1) of Section 298 of Act XVI of 2014, effective as of 15 March 2014.

<sup>12</sup> Established by Subsection (2) of Section 6 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>13</sup> Enacted by Section 2 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>14</sup> Established by Section 3 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>15</sup> Repealed by Point 1 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>16</sup> Established by Section 4 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>17</sup> Established by Section 7 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>18</sup> Established: by Section 46 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>19</sup> Established by Subsection (1) of Section 5 of Act CXXXVII of 2007, effective as of 1 December 2007.

underlying securities of the same maturity are sold within a time frame designated by the issuer;

2.<sup>20</sup> ‘offeror’ shall mean:

a) for the purposes of Chapters IV and LVI of this Act, the person defined in Article 2(i) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC,

b) for the purposes of Chapter VII of this Act, a person who makes a bid for the acquisition of interest in the capital of a public limited company;

2a.<sup>21</sup> ‘algorithmic trading’ shall have the same meaning as defined in the IRA;

3. ‘allocation’ shall mean a procedure conducted by an issuer or a dealer in securities based on predetermined allotment principles upon closing the subscription procedure or the auction in the event that the number of shares applied for or the number of purchase offers exceed the number available;

4. ‘parent company’ shall mean:

a)<sup>22</sup> with the exception set out in Paragraph b), the concept defined in the Accounting Act,

b) for the purposes of Chapters XIX/A and XIX/B, any company that effectively exercises a dominant influence over another company;

5. ‘auction’ shall mean a method of placing, where the issuer provides an opportunity - subject to specific conditions - to prospective buyers to make an offer, and where the takeover bid received are assessed under certain criteria;

6.<sup>23</sup> ‘government securities’ shall have the same meaning as defined in the IRA;

6a.<sup>24</sup> ‘sovereign issuer of government securities’ shall have the same meaning as defined in the IRA;

7.<sup>25</sup> ‘commodity’ shall have the same meaning as defined in the IRA;

8.<sup>26</sup>

9. ‘investment recommendation’ shall mean an analysis, proposal or any other information relating to financial instruments and/or exchange-traded instruments, and their issuers, that is published or made available to the public in some other way, and hence it is suitable to have an effect on the investor’s decision to invest and risk his own money and/or other assets, or that of others, for the purpose of making a profit subject to developments in the financial market;

10.<sup>27</sup> ‘investment fund’ shall have the meaning defined in the Collective Investments Act;

11.<sup>28</sup>

12.<sup>29</sup> ‘investment fund manager’ shall have the meaning defined in the Collective Investments Act;

13-14.<sup>30</sup>

15.<sup>31</sup> ‘investment unit’ shall have the meaning defined in the Collective Investments Act;

16.<sup>32</sup>

17.<sup>33</sup>

<sup>20</sup> Established by Subsection (1) of Section 13 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>21</sup> Enacted by Subsection (1) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>22</sup> Established: by paragraph (1) Section 65 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>23</sup> Established by Subsection (2) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>24</sup> Enacted by Subsection (3) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>25</sup> Established by Subsection (4) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>26</sup> Repealed: by subparagraph b) Section 27 of Act LXXXIII of 2013. No longer in force: as of 22. 06. 2013.

<sup>27</sup> Established by paragraph (4) Section 159 of Act CXCVIII of 2011. Amended by Paragraph b) of Section 239 of Act XVI of 2014.

<sup>28</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>29</sup> Established by paragraph (5) Section 159 of Act CXCVIII of 2011. Amended by Paragraph b) of Section 239 of Act XVI of 2014.

<sup>30</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>31</sup> Established by paragraph (6) Section 159 of Act CXCVIII of 2011. Amended by Paragraph b) of Section 239 of Act XVI of 2014.

<sup>32</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>33</sup> Repealed: by subparagraph b) Section 27 of Act LXXXIII of 2013. No longer in force: as of 22. 06. 2013.

18. 'investment advice' shall have the meaning defined in the IRA;
19. 'investment firm' shall have the meaning defined in the IRA;<sup>34</sup>
20. 'investor' shall mean any person who has entered into a contract with an investment fund management company or another investor to invest and risk his own money and/or other assets, or that of others, for the purpose of making a profit subject to developments in the financial market, regulated market or the stock exchange;
- 21.<sup>35</sup> 'qualifying interest' shall have the meaning defined in the IRA;
22. 'acquisition of a participating interest' shall mean the acquisition of voting shares or voting rights in the offeree company, including a purchase option or repurchase option for shares to which voting rights are attached, the call option on a future purchase agreement or the exercise of voting rights through the right of use or beneficiary ownership, furthermore, if control is acquired by any conduct other than an outright bid submitted by the buyer, such as succession or by way of a resolution of the public limited company that affects the voting rights of shareholders or that alters the voting percentages, or through the recovery of voting rights, or upon the cooperation of persons acting in concert aiming for this particular purpose;<sup>36</sup>
- 22a.<sup>37</sup> 'reported person' shall mean a person who is accused of having committed, or intending to commit, an infringement of Regulation (EU) No. 596/2014 by the reporting person;
- 22b.<sup>38</sup> 'reporting person' shall mean a person reporting an actual or potential infringement of Regulation (EU) No. 596/2014 to the Authority;
- 23.<sup>39</sup> 'insurance company' shall have the same meaning as defined in the Insurance Act; for the purposes of Chapter XIX/B a third-country insurance company provided for in the Insurance Act shall also be considered an insurance company;
- 24.<sup>40</sup>
- 25.<sup>41</sup> 'offeree company' shall mean a public limited company that has a registered office in the Republic of Hungary, or whose shares are admitted to trading on a Hungarian regulated market, the securities of which are the subject of a takeover bid;
26. 'swap' shall have the meaning defined in the Accounting Act;
27. 'group' shall mean a group of companies which consists of a parent company, its subsidiaries and the entities in which the parent company or its subsidiaries exercise dominant influence or hold a participating interest;
- 28.<sup>42</sup>
29. 'dematerialized securities' shall mean an electronic instrument identifiably containing all material information of securities, which are recorded, transmitted and registered electronically as defined in this Act and in specific other legislation;
30. 'resident' shall mean:
- a)<sup>43</sup> a natural person who has a valid personal identification document issued by the competent Hungarian authority, or may have one,
- b)<sup>44</sup> a company or organization if established in Hungary, including the independent enterprises of foreign nationals in Hungary (private entrepreneurs and self-employed individuals),
- c) the owner, executive officer, supervisory board member and employee of the company or organization specified in Paragraph b), acting in their official capacity, in respect of their legal transactions and the other actions performed in the name and on behalf of the company or

<sup>34</sup> See Subsections (1)-(6) of Section 182 of Act CXXXVIII of 2007.

<sup>35</sup> Established: by paragraph (1) Section 45 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>36</sup> See also Subsection (5) of Section 99 of Act CXXXVII of 2007.

<sup>37</sup> Enacted by Subsection (1) of Section 33 of Act LIII of 2016, effective as of 3 July 2016.

<sup>38</sup> Enacted by Subsection (1) of Section 33 of Act LIII of 2016, effective as of 3 July 2016.

<sup>39</sup> Established by Section 455 of Act LXXXVIII of 2014, effective as of 1 January 2016.

<sup>40</sup> Repealed: by subparagraph b) Section 27 of Act LXXXIII of 2013. No longer in force: as of 22. 06. 2013.

<sup>41</sup> Established: by paragraph (1) Section 20 of Act XCVIII of 2013. In force: as of 29. 06. 2013.

<sup>42</sup> Repealed by Section 12 of Act CLXII of 2015, effective as of 26 November 2015.

<sup>43</sup> Amended: by Section 269 of Act LVI of 2009. In force: as of 1. 10. 2009.

<sup>44</sup> Established: by paragraph (1) Section 73 of Act CXV of 2009. In force: as of 1. 01. 2010.

organization if, pursuant thereto, the company or organization acquires a right or incurs an obligation, shall qualify as a resident even if otherwise construed as a non-resident,

- d) the Hungarian branch of a foreign-registered company, not including free zone companies,
- e) representative offices in foreign countries;

31. 'non-resident' shall mean:

- a) a natural person who does not have a valid personal identification document issued by the competent Hungarian authority, and is not entitled to hold one,
- b) a company or organization, regardless of its legal form, if established abroad, and the branches of resident companies and organizations,
- c) the representative office of a non-resident in Hungary,
- d) free zone companies,
- e) the Hungarian branch of a foreign-registered company, if the branch has been established or is operating in a free zone;

32. 'endowment capital' shall mean the capital provided permanently and without restrictions or encumbrances for the foundation and operation of a branch;

33. 'specific risk' shall mean the risk of a price change related to any specific attributes of the underlying securities or derivative instruments;

33a.<sup>45</sup> 'matched principal trading' shall have the same meaning as defined in the IRA;

34. 'dominant influence' shall have the meaning defined in the CIFE;

35.<sup>46</sup> 'controlled company' shall have the same meaning as defined in Subsection (1) of Section 3:324 of the Civil Code;

36.<sup>47</sup> 'settlement system' shall mean a designated scheme for the processing, settlement and execution of transactions with financial instruments under uniform and common rules agreed by the clearing members;

36a.<sup>48</sup> 'original lender' shall have the meaning defined in point 20 of Article 2 of Regulation 2017/2402/EU of the European Parliament and of the Council;

37.<sup>49</sup> 'foreign clearing house' shall mean a company established outside of Hungary, for clearing transactions involving financial instruments, that is not governed by 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 648/2012/EU"), or by 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");

38-39a.<sup>50</sup>

40.<sup>51</sup>

41. 'relevant person' shall mean any natural or legal person producing or disseminating investment recommendations in the exercise of his profession or the conduct of his business;

42. 'securities' shall mean financial assets which are treated as securities according to the national law of the country where issued;

43. 'securities code' shall mean the ISIN code assigned for the identification of a securities series;

44. '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;

<sup>45</sup> Enacted by Subsection (5) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>46</sup> Established by Subsection (1) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>47</sup> Established by Subsection (1) of Section 206 of Act XVI of 2014, effective as of 15 March 2014.

<sup>48</sup> Enacted by Subsection (1) of Section 3 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>49</sup> Established by Subsection (1) of Section 8 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>50</sup> Repealed by Section 45 of Act CCXXXVI of 2013, effective as of 1 January 2014.

<sup>51</sup> Repealed: by subparagraph b) Section 27 of Act LXXXIII of 2013. No longer in force: as of 22. 06. 2013.

44a.<sup>52</sup> ‘securitization’ shall have the meaning defined in point 1 of Article 2 of Regulation 2017/2402/EU of the European Parliament and of the Council;

44b.<sup>53</sup> ‘originator of securitization’ shall have the meaning defined in point 3 of Article 2 of Regulation 2017/2402/EU of the European Parliament and of the Council;

45. ‘securities series’ shall mean - unless prescribed by this Act to the contrary - the total quantity of securities of identical type in terms of production, representing identical rights issued at a fixed date, or the total quantity of securities issued at different dates but representing identical rights at a specific date in the future;

46. ‘securities account’ shall mean a set of records on dematerialized securities and other related rights maintained on behalf of the owner of the securities;

47.<sup>54</sup>

48.<sup>55</sup> ‘supervisory authority’ shall mean the foreign authorities empowered to supervise the activities of foreign investment firms, commodity dealers, financial institutions, investment fund managers, regulated markets, stock exchanges, central securities depositories, clearing houses and central counterparties;

49.<sup>56</sup> ‘host Member State’ shall mean - for the purposes of Chapter V - a Member State in which securities are admitted to trading on a regulated market, if different from the home Member State specified in Paragraph *b*) of Point 140;

50. ‘marketing’ shall mean the initial offer of making available securities for establishing ownership;

51. ‘dealer in securities’ shall mean an investment firm or credit institution participating in the marketing of securities;

52. ‘head office’ shall mean the place where the central decision making occurs in connection with business operations;

53. ‘independent financial expert’ shall mean an auditor, a person licensed to provide investment advice or a dealer in securities who was not contracted within the three-year period preceding the publication of the takeover bid neither by the offeror, the offeree company affected by the purchase offer nor by a person holding any participating interest in the offeror or in the offeree company;

54.<sup>57</sup> ‘guarantee fund’ shall mean a money or securities fund managed by a central counterparty intended to guarantee the settlement of transactions involving commodities or financial instruments conducted in a stock exchange, outwith stock exchanges, serving as security pledged for settlement;

55. ‘third country’ shall mean any country that is not a member of the European Union;

56. ‘average residual maturity’ shall mean, in the case of fixed-rate instruments, the weighted average of the period remaining until maturity by the ratio of the price of the bond discounted by the yield calculated for the entire maturity period. In the case of variable-rate instruments the average residual maturity shall be the same as the duration remaining until the next payment of interest;

57. ‘debt securities’ shall mean all securities in which the issuer (debtor) acknowledges that a certain amount of money has been placed at its disposal and that it commits itself to repaying the amount of the principal (loan) as well as, in the case of interest-bearing securities, the agreed interest or other returns calculated as specified or its other yields (hereinafter referred to collectively as “interest”) as well as to performing any other predetermined services, when applicable, to the holder of the securities (the creditor) on the date and in the manner stipulated;

58. ‘long position’ shall mean all positions where any increase in the price of the underlying instrument results in future gains in terms of value;

<sup>52</sup> Enacted by Subsection (2) of Section 3 of Act CXXVI of 2018, effective as of 1 January 2019.

<sup>53</sup> Enacted by Subsection (2) of Section 3 of Act CXXVI of 2018, effective as of 1 January 2019.

<sup>54</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>55</sup> Established by Subsection (2) of Section 8 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>56</sup> Established by Subsection (1) of Section 1 of Act CX of 2020, effective as of 26 December 2020.

<sup>57</sup> Established by Subsection (3) of Section 8 of Act LXXXV of 2015. Amended by Paragraph a) of Subsection (1) of Section 29 of Act LXIX of 2017.

59.<sup>58</sup>

60.<sup>59</sup> 'institutional investor' shall mean:

a) credit institutions, financial institutions, investment firms, collective investment trusts, investment fund managers, insurance companies, voluntary mutual insurance funds, private pension funds, institutions for occupational retirement provision, the health insurance administration agency and the pension insurance agency empowered to manage the National Pension Insurance Fund,

b) all nonresidents who can be regarded as such under their own national laws;

61. 'ISIN code' shall mean an international identification code comprising letters and numbers assigned by the central depository to securities of the same type and to exchange products, or a combination of such codes;

62.<sup>60</sup> 'ancillary services company' shall have the meaning defined in the IRA;

63. 'subscription' shall mean an unconditional and irrevocable statement made by a prospective buyer wishing to invest in and acquire a particular security, which constitutes his acceptance of the offer and his commitment to provide the consideration therefor;

64. 'subscribed capital' shall have the meaning defined in the Accounting Act, including endowment capital;

64a.<sup>61</sup> 'report of infringement' shall mean a report submitted by the reporting person to the Authority regarding an actual or potential infringement of Regulation (EU) No. 596/2014;

65.<sup>62</sup> 'affiliated company' shall mean the company's parent company and subsidiary, a subsidiary of the company's parent company, a shareholder with a qualifying interest in the company or any other company in which the company or the owner, supervisory board member, managing director of the company or one of their close relatives has a qualifying interest;

65a.<sup>63</sup> 'trading venue' shall have the same meaning as defined in the IRA;

66. 'issue program' shall mean an operation in which an issuer publicly issues a series of debt securities or investment units of a closed-ended investment fund at certain intervals, the basic conditions of which are announced by the issuer or the fund management company when the program is initiated, and where the issuer or the fund management company specifies the individual characteristics and particulars of each issue;

67.<sup>64</sup> 'issuer' shall mean a person who is committed to perform the obligations embodied in securities in his own name;

68.<sup>65</sup> 'outsourcing' shall mean an arrangement of any form between a stock exchange, central securities depository, or a central counterparty and another person (outsourcing service provider) by which that service provider performs a process, a service or an activity which would otherwise be undertaken by the stock exchange, the central securities depository, or the central counterparty itself;

69.<sup>66</sup> 'small and medium-sized enterprises' shall mean companies, which, according to their last annual or consolidated accounts, meet at least two of the following three criteria:

a) employs fewer than two hundred and fifty persons, and

b) the balance sheet total shall not exceed forty-three million euro or its equivalent in forints translated according to the official MNB exchange rate in effect on the accounting date,

c) the annual turnover shall not exceed fifty million euro or its equivalent in forints translated according to the official MNB exchange rate in effect on the accounting date;

70.<sup>67</sup> 'clearing' shall mean the procedure that includes the processing, matching and confirmation

<sup>58</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>59</sup> Established by Subsection (2) of Section 206 of Act XVI of 2014, effective as of 15 March 2014.

<sup>60</sup> Established by Subsection (2) of Section 1 of Act CX of 2020, effective as of 26 June 2021.

<sup>61</sup> Enacted by Subsection (2) of Section 33 of Act LIII of 2016, effective as of 3 July 2016.

<sup>62</sup> Established: by paragraph (2) Section 45 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>63</sup> Enacted by Subsection (6) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>64</sup> Established by Subsection (2) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>65</sup> Established by Subsection (5) of Section 8 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>66</sup> Established: by paragraph (3) Section 65 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>67</sup> Established by paragraph (5) Section 20 of Act XCVIII of 2013. Amended by Paragraph a) of Subsection (1) of Section 29 of Act LXIX of 2017.

of payment orders and orders for the settlement of transactions involving commodities or financial instruments conducted in a stock exchange, outwith stock exchanges, and the creation of the underlying final position of clearing prior to settlement (gross or net), and ensuring that sufficient means are available for settlement;

71-74.<sup>68</sup>

75. 'consolidated annual report' shall have the meaning defined in the Accounting Act;

76.<sup>69</sup> 'collective investment instrument' shall have the meaning defined in the Collective Investments Act;

77.<sup>70</sup> 'collective investment trust' shall have the meaning defined in the Collective Investments Act;

77/A.<sup>71</sup>

78.<sup>72</sup> 'close relative' shall mean the persons defined in the Civil Code, including domestic partners;

79. 'central register of securities' shall mean a register maintained by the central depository containing the particulars of securities issued domestically in a retrievable set of records;

80. 'central securities account' shall mean a register maintained by the central depository containing records of dematerialized securities broken down by series;

80a.<sup>73</sup> 'central securities depository' shall mean a central securities depository as defined in Point (1) of Article 2(1) of Regulation 909/2014/EU;

81.<sup>74</sup> 'central credit information system' shall have the meaning defined in the Act on the Central Credit Information System;

82.<sup>75</sup> 'central counterparty' shall mean a central counterparty as defined in Point (1) of Article 2 of Regulation 648/2012/EU;

83.<sup>76</sup> 'central counterparty services' shall mean the clearing of transactions involving financial instruments and/or commodities, conducted in a stock exchange or over the counter, and commitments made in connection with the completion of a cleared transaction, where the central counterparty interposes itself between the counterparties to the contracts, becoming the buyer to every seller and the seller to every buyer;

84. 'indirect holding and indirect control' shall mean when shares in the capital or the voting rights of a company are controlled through the shares or voting rights held by another company in that company (hereinafter referred to as 'intermediary company'). The extent of indirect holding and indirect control shall be determined by multiplying the share or voting right held in the intermediary company by the share or voting right - whichever is greater - held by the intermediary company in the offeree company. If the share or voting right in the intermediary company is higher than fifty per cent, it shall be treated as a whole;

85. 'direct investment recommendation' shall mean an investment recommendation offering an express suggestion for the purchase, sale or investment in financial instruments or exchange-traded instruments, or to make an investment decision of the like;

85a.<sup>77</sup> 'direct electronic access' shall have the same meaning as defined in the IRA;

86. 'non-resident investment firm' shall mean a foreign-registered company that is licensed under the laws of the country where established to engage in activities which are compatible with the

<sup>68</sup> Repealed by Paragraph b) of Subsection (1) of Section 298 of Act XVI of 2014, effective as of 15 March 2014.

<sup>69</sup> Established by paragraph (8) Section 159 of Act CXCVIII of 2011. Amended by Paragraph b) of Section 239 of Act XVI of 2014.

<sup>70</sup> Established by paragraph (9) Section 159 of Act CXCVIII of 2011. Amended by Paragraph b) of Section 239 of Act XVI of 2014.

<sup>71</sup> Repealed by Paragraph a) of Subsection (31) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>72</sup> Established: by paragraph (3) Section 45 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>73</sup> Established by Subsection (6) of Section 8 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>74</sup> Established: by paragraph (2) Section 24 of Act CXXII of 2011. In force: as of 11. 10. 2011.

<sup>75</sup> Established by Subsection (7) of Section 8 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>76</sup> Established: by paragraph (6) Section 20 of Act XCVIII of 2013. In force: as of 29. 06. 2013. Amended by Paragraph a) of Section 28 of Act LXIX of 2017.

<sup>77</sup> Enacted by Subsection (7) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.



investment service activities and ancillary services defined in Section 5 of the IRA;

86a.<sup>78</sup> ‘securitization special purpose entity’ or ‘SSPE’ shall have the meaning defined in point 2 of Article 2 of Regulation 2017/2402/EU of the European Parliament and of the Council;

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

88. ‘custodianship’ shall have the meaning defined in the IRA;

89. ‘safe custody services’ shall have the meaning defined in the IRA;<sup>79</sup>

90. ‘liquid assets’ shall mean cash, repurchase agreement with a credit institution for government securities that can be terminated on demand and without restrictions, transferable government securities that can be converted to cash on demand and without restrictions, and any bank deposit that can be terminated on demand and without restrictions;

91. ‘secondary security’ shall mean a transferable security issued as part of a series by a custodian to the owner (ultimate beneficiary) of the secondary security, by which to exercise control over the principal security or the rights afforded by the securities;

91a.<sup>80</sup> ‘Commission Delegated Regulation (EU) 2017/565’ shall mean 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;

92.<sup>81</sup>

93.<sup>82</sup> ‘multilateral trading facility (MTF)’ shall have the same meaning as defined in the IRA;

94.<sup>83</sup> ‘offer of securities to the public / public offering’ shall have the same meaning as defined in Article 2(d) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;

95.<sup>84</sup> ‘offer to the public’ shall mean offer of securities to the public and admission of securities to trading on a regulated market as defined by Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;

96. ‘takeover bid (bid)’ shall mean a public offer (other than by the offeree company itself) made to the holders of the securities of a company to acquire all or some of those securities, which follows or has as its objective the acquisition of control of the offeree company, or to increase its existing influence;

97.<sup>85</sup>

98. ‘free delivery’ shall mean a transaction of transferable securities where the delivery of the securities and the remittance (transfer) of payment is accomplished at different times;

99.<sup>86</sup> ‘open-ended investment fund’ shall mean the investment fund defined as such in the Collective Investments Act;

100.<sup>87</sup> ‘persons acting in concert’ shall mean natural or legal persons, or other organizations who collaborate on the basis of an agreement, aimed either acquiring a participating interest in the capital of the offeree company, at acquiring control of the offeree company or at frustrating the successful outcome of a bid;

<sup>78</sup> Enacted by Subsection (3) of Section 3 of Act CXXVI of 2018, effective as of 1 January 2019.

<sup>79</sup> See Subsection (11) of Section 182 of Act CXXXVIII of 2007.

<sup>80</sup> Enacted by Subsection (8) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>81</sup> Repealed by Point 2 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>82</sup> Established by Subsection (2) of Section 13 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>83</sup> Established by Subsection (3) of Section 13 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>84</sup> Established by Subsection (4) of Section 13 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>85</sup> Repealed by Section 45 of Act CCXXXVI of 2013, effective as of 1 January 2014.

<sup>86</sup> Established by Subsection (5) of Section 13 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>87</sup> Established by Subsection (3) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

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- 101.<sup>88</sup> ‘money market instrument’ shall have the same meaning as defined in the IRA;
- 102.<sup>89</sup>
103. ‘financial instruments’ shall have the meaning defined in the IRA;
- 104.<sup>90</sup> ‘market operator’ shall have the same meaning as defined in the IRA;
105. ‘portfolio’ shall mean the collection of instruments entrusted to an institution that offers portfolio management, or the collection of instruments comprising various investments selected by those managing the portfolio;
106. ‘portfolio management’ shall have the meaning defined in the IRA;
- 107.<sup>91</sup> ‘position netting’ shall mean the conversion of a spot foreign exchange or securities transaction, a derivative, repurchase agreement or reverse repurchase agreement, or the conversion of liabilities and receivables from securities lending and/or borrowing, from any other arrangement for financial collateral or other form of security, or some other financial transaction involving commodities or financial instruments conducted in a stock exchange, outwith stock exchanges as a single net liability or receivable by any offsetting method recognized in the market of the transaction in question, executed under agreement by the parties in the event of non-performance of the contract or upon the occurrence of any event stipulated by the parties serving grounds for termination, in consequence of which the liability or receivable shall represent only the resulting net amount;
- 108.<sup>92</sup> ‘reference data’ shall have the meaning defined in the Act on the Central Credit Information System;
- 109.<sup>93</sup> ‘reference data provider’ shall mean a body licensed to engage in investment lending operations, and/or in securities lending and securities borrowing operations (investment firm, collective investment trust, investment fund manager, central securities depository, financial institution, voluntary mutual insurance fund, private pension fund, insurance company);
110. ‘repurchase agreement’ and ‘reverse repurchase agreement’ shall mean any agreement for the transfer of securities or commodities or guaranteed rights relating to title - to securities or commodities where that guarantee is issued by a recognized exchange which holds the rights to the securities or commodities - and the agreement does not allow the seller to transfer or pledge a particular security or commodity to more than one counterparty at one time, or for another transaction. The agreement also contains a commitment of the seller to repurchase and a commitment of the buyer to resell the securities in question at a specified price on a future date specified, or to be specified, by the transferor. The agreement between the parties may also contain a clause that the securities or commodities to which the agreement pertains and that are pledged in collateral may be substituted by securities or commodities of the same description. Such transaction shall be regarded as a repurchase agreement for the person selling the securities or commodities and a reverse repurchase agreement for the person buying them;
- 111.<sup>94</sup> ‘participating interest’ shall mean a relationship between a natural person and a company, other than a controlling influence, that constitutes direct or indirect ownership of 20 per cent or more of the voting rights or members’ share in the capital of the company. With respect to voting rights, the relevant provisions of the Accounting Act shall apply, regardless of whether or not the person in question falls within the scope of the Accounting Act;
112. ‘short position’ shall mean all positions where any decrease in the price of the underlying instrument results in future gains in terms of value;
113. ‘securities issued as part of a series’ shall mean, unless otherwise prescribed by law, securities representing the rights and obligations arising from the underlying relationship divided into a number

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<sup>88</sup> Established by Subsection (9) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>89</sup> Repealed: by subparagraph b) Section 27 of Act LXXXIII of 2013. No longer in force: as of 22. 06. 2013.

<sup>90</sup> Established by Subsection (10) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>91</sup> Established by paragraph (8) Section 20 of Act XCVIII of 2013. Amended by Paragraph a) of Subsection (1) of Section 29 of Act LXIX of 2017.

<sup>92</sup> Amended by Paragraph a) of Section 44 of Act CCXXXVI of 2013.

<sup>93</sup> Established by Subsection (8) of Section 8 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>94</sup> Established by Section 37 of Act CCXXXVI of 2013, effective as of 1 January 2014.

of identical parts (face value) of equal value;

113a.<sup>95</sup> ‘STS securitization’ shall mean simple, transparent and standardized securitizations so defined in Regulation 2017/2402/EU of the European Parliament and of the Council;

114.<sup>96</sup> ‘regulated market’ shall mean the exchange market or another regulated market of any Member State of the European Union that satisfies the following criteria:

a)<sup>97</sup> functions as a multilateral system operated or managed by a market operator,

b) brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract,

c) authorized by the competent supervisory authority of the Member State where established,

d) functions regularly and operates at specific hours,

e) must be included in the lists of regulated markets available on the official website of the European Commission;

115.<sup>98</sup>

116.<sup>99</sup> ‘regulated information’ shall mean all information which are to be supplied under regular and extraordinary disclosure requirements, and those relating to any acquisition of participating interest and inside information;

117.<sup>100</sup> ‘derivative instrument’ shall mean an instrument whose value depends on the value of the underlying financial instrument, foreign exchange, commodity or reference rate (reference product) and which may itself be traded;

117a.<sup>101</sup> ‘organized trading facility (OTF)’ shall have the same meaning as defined in the IRA;

118.<sup>102</sup> ‘synthetic securitization’ shall have the meaning defined in point 10 of Article 2 of Regulation 2017/2402/EU of the European Parliament and of the Council;

118a.<sup>103</sup>

119.<sup>104</sup> ‘sponsor’ shall have the meaning defined in point 5 of Article 2 of Regulation 2017/2402/EU of the European Parliament and of the Council;

119a.<sup>105</sup> ‘corporate action’ shall mean the opportunity when the holder of securities has occasion to exercise the rights in such securities vis-à-vis the issuer;

120.<sup>106</sup> ‘settlement’ shall mean an act to eliminate an existing balance of payments (position) - in money or otherwise between clients of the central securities depository and the clients of central counterparties, or - in the context of transactions concluded under commitment of the central counterparty - between the clients of the central counterparty and the body acting as the central counterparty;

121. ‘approved instruments’ shall mean the instruments admitted for trading on the exchange market under the rules laid down in its internal regulations and under equal conditions;

122.<sup>107</sup> ‘stock exchange’ shall mean a company where exchange-traded instruments are bought and sold under fixed rules to improve the efficiency of the movement and evaluation of capital, to spreading the risks related to prices and other factors, and promoting the free elaboration of prices;

123. ‘stock exchange information’ shall mean the offers made by exchange dealers on exchange-traded instruments and sorted by the trading system, also information related to prices and

<sup>95</sup> Enacted by Subsection (4) of Section 3 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>96</sup> Established: by Section 95 of Act CLIX of 2010. In force: as of 1. 01. 2011.

<sup>97</sup> Established: by paragraph (3) Section 30 of Act CLI of 2012. In force: as of 28. 10. 2012.

<sup>98</sup> Repealed by Section 45 of Act CCXXXVI of 2013, effective as of 1 January 2014.

<sup>99</sup> Amended by Paragraph b) of Subsection (1) of Section 29 of Act LXIX of 2017.

<sup>100</sup> Established: by paragraph (6) Section 45 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>101</sup> Enacted by Subsection (6) of Section 13 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>102</sup> Established by Subsection (5) of Section 3 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>103</sup> Repealed by Section 45 of Act CCXXXVI of 2013, effective as of 1 January 2014.

<sup>104</sup> Established by Subsection (5) of Section 3 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>105</sup> Enacted by Section 32 of Act CCXV of 2015, effective as of 1 January 2016.

<sup>106</sup> Established by Subsection (9) of Section 8 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>107</sup> Established: by paragraph (6) Section 65 of Act CL of 2009. In force: as of 1. 01. 2010.

rates on completed transactions and reference indices calculated and published by the exchange management;

124. 'listed securities' shall mean securities admitted to the official stock exchange listing;

125. 'exchange dealer' shall mean a person licensed to engage in trading in a stock exchange;

126. 'exchange-traded instrument' shall mean financial instruments and commodities traded on the stock exchange;

127. 'identification procedure' shall mean a procedure conducted by the central depository, with operators of securities accounts participating, aiming to establish the identity of holders of dematerialized securities;

128. 'client' shall mean a person who engages in any of the services governed under this Act;

129.<sup>108</sup>

130.<sup>109</sup> 'client account' shall mean a restricted-access account showing the financial assets of the client, used only for transactions connected to investment services, ancillary services and commodity exchange services provided by the keeper of the account;

130a.<sup>110</sup> 'tranche' shall have the meaning defined in point 6 of Article 2 of Regulation 2017/2402/EU of the European Parliament and of the Council;

131.<sup>111</sup> 'company' shall mean any entity, regardless of its legal form, that is regularly engaged in an economic activity;

132-133.<sup>112</sup>

134. 'executive employee' shall mean:

a) the executive officers and supervisory board members of a company,

b) in the case of branches, the person appointed by the foreign-registered company to lead the branch, and his deputy, and

c) any person so designated in the company's articles of association, charter document, memorandum of association, or organizational and operational procedures;

135.<sup>113</sup>

136.<sup>114</sup> 'controlled company' shall mean any company

a) in which a 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 stipulated in its charter document or under an agreement;

137.<sup>115</sup> 'trading day' shall mean any working day, except for those that the regulated market has declared a non-trading day in advance;

138.<sup>116</sup>

139.<sup>117</sup> 'terminating the continued trading of shares on a regulated market' shall mean the practice of removal of a share admitted to trading on a regulated market:

a) form all regulated markets (delisting),

b) from a specific regulated market, provided that it trades on another regulated market (transfer);

140.<sup>118</sup> 'home Member State' shall mean:

<sup>108</sup> Repealed by Paragraph a) of Subsection (1) of Section 49 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>109</sup> Established by Subsection (10) of Section 8 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>110</sup> Enacted by Subsection (6) of Section 3 of Act CXXVI of 2018, effective as of 1 January 2019.

<sup>111</sup> Established: by paragraph (7) Section 65 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>112</sup> Repealed by Section 45 of Act CCXXXVI of 2013, effective as of 1 January 2014.

<sup>113</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>114</sup> Enacted: by paragraph (7) Section 45 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>115</sup> Enacted: by paragraph (8) Section 45 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>116</sup> Repealed by Section 45 of Act CCXXXVI of 2013, effective as of 1 January 2014.

<sup>117</sup> Established: by Section 95 of Act CLIX of 2010. In force: as of 1. 01. 2011.

<sup>118</sup> Established by Section 1 of Act CLXII of 2015, effective as of 26 November 2015.

a) in connection with a regulated market, the Member State in which the regulated market's registered office provided for in the instrument of constitution is situated, or if it has no registered office under the relevant national law, the Member State in which its head office is located;

b) for the purposes of Chapter V:

ba) in the case of an issuer of debt securities the denomination per unit of which is less than 1000 euro, or the equivalent in another currency translated according to the official MNB exchange rate in effect on the day of placement, or an issuer of shares:

baa) the Member State in which the issuer has its registered office provided for in the instrument of constitution, or

bab) where the issuer is incorporated in a third country, the Member State chosen by the issuer from amongst the Member States where its securities are admitted to trading on a regulated market,

bb) for any issuer not covered by Paragraph ba), the Member State chosen by the issuer from among the Member State in which the issuer has its registered office provided for in the instrument of constitution, or those Member States where its securities are admitted to trading on a regulated market,

bc) for an issuer whose securities are no longer admitted to trading on a regulated market in its home Member State as defined by Subparagraph bab) or bb) but instead are admitted to trading in one or more other Member States, such new home Member State as the issuer may choose from amongst the Member States where its securities are admitted to trading on a regulated market or the Member State where the issuer has its registered office;

141.<sup>119</sup> 'key information' shall mean essential and appropriately structured information which is to be provided to investors with a view to enabling them to understand the nature and the risks of the issuer, guarantor and the securities that are being offered to them, including a description of the essential characteristics of the issuer and any guarantor, and of the investment in the relevant security admitted to trading on a regulated market;

142.<sup>120</sup> 'management body' shall mean the executive board and supervisory board of the market operator, including their members and directors, covering also the executive employees of market operators incorporated as branches;

143.<sup>121</sup> 'managing director' shall mean the chief executive appointed to manage the market operator under an employment relationship with the market operator, and any person so designated in the market operator's instrument of constitution or in any internal policy on operations, who participates in the governance of the market operator.

(2)<sup>122</sup> For the purposes of this Act:

1. 'OECD' shall mean the Organization for Economic Cooperation and Development;

2. 'ÁKK Zrt.' shall mean the Államadósság Kezelő Központ Zártkörűen Működő Részvénytársaság (Government Debt Management Company);

3. 'MNB' shall mean the Magyar Nemzeti Bank (National Bank of Hungary);

4.<sup>123</sup> 'Authority' shall mean the Magyar Nemzeti Bank (*National Bank of Hungary*) acting within its function as supervisory authority of the financial intermediary system;

5.<sup>124</sup> 'credit institution, bank, specialized credit institution, cooperative credit institution, financial institution' shall have the same meaning as defined in the CIFE;

6. 'branch' shall have the meaning defined in the FCA and in the CRA;

7. 'foreign company' shall have the meaning defined in the FCA;

8. 'IOSCO' shall mean the International Organization of Securities Commissions (Értékpapír Felügyelet Nemzetközi Szervezete).

<sup>119</sup> Enacted: by paragraph (4) Section 30 of Act CLI of 2012. In force: as of 28. 10. 2012.

<sup>120</sup> Enacted by Subsection (11) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>121</sup> Enacted by Subsection (11) of Section 6 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>122</sup> Established by Subsection (2) of Section 5 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>123</sup> Established: by Section 47 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>124</sup> Established by Subsection (4) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

(3)<sup>125</sup> For the purposes of this Act and other legal regulations implemented by authorization of this Act, the terms “European Union”, “Member States of the European Union” and “Member State” shall be understood as the European Economic Area and States who are parties to the Agreement on the European Economic Area.

## ***PART TWO***

### ***FORMS OF ISSUE AND MARKETING OF SECURITIES***

#### **Chapter III**

#### **FORMS OF ISSUE OF SECURITIES**

#### **General Provisions**

##### ***Section 6***

(1) Securities may be issued to represent a share or other interest in property of the issuer evidenced by printed certificate, or in the form of dematerialized securities.

(2) Securities issued as part of a series may be issued only in a registered form.

(3) Only registered and, with the exception of government securities, dematerialized securities may be offered to the public.

(4) All securities issued as part of a series must be of the same class and of the same face value.

(5)<sup>126</sup> With the exception of the shares of private limited companies, no certificate may be printed subsequently for dematerialized securities, nor in connection with securities that were dematerialized.

#### **Issue of Dematerialized Securities**

##### ***Section 7<sup>127</sup>***

(1) Any printed presentation of dematerialized securities must clearly indicate that it is not a financial instrument.

(2) The issuer, if having decided to issue securities in a dematerialized form, shall attach a single written document - that is not treated as a financial instrument - with each security, containing:

*a)* all particulars of the security as is prescribed by law, with the exception of the name of its holder;

*b)* the decision on the issue, and the date when it was adopted;

*c)* the aggregate face value of the complete series in issue;

*d)* the number and face value of the securities issued; and

*e)* the authorized signature of the issuer, or the signatures of two board members of the issuing limited company in respect of shares.

(3) Dematerialized securities are registered instruments with no serial number, where the name and other identification information of the holder is contained in the securities account.

##### ***Section 8***

(1)<sup>128</sup> In the event of any change in the data specified in Paragraphs *a)*, *c)* and *d)* of Subsection (2) of Section 7 for any reason, the original written instrument is to be cancelled and a new one shall be

<sup>125</sup> Enacted by Subsection (3) of Section 5 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>126</sup> Established by Subsection (5) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>127</sup> Established by Section 207 of Act XVI of 2014, effective as of 15 March 2014.

<sup>128</sup> Established: by Section 31 of Act CLI of 2012. In force: as of 28. 10. 2012.

issued.

(2) If issue is accomplished through subscription, the issuer is to provide the document specified in Subsection (2) of Section 7 on the day immediately following the date of closing the subscription. If allocation is introduced after the closing of the subscription procedure, the document shall be provided on the day immediately following the date of closing the allocation. In the event of any other form of marketing, the document is to be issued immediately following the day when the quantity of securities in issue is finalized.

(3) When issue is accomplished without a subscription procedure, meaning the issued instruments are sold directly to investors, the issuer shall specify the upper limit for the aggregate value of securities in issue and shall furnish the written instrument specified in Subsection (2) of Section 7 on the business day preceding the initial date of sale, and shall register any changes in the quantity of securities sold in a new written instrument submitted daily to the central depository.

### *Section 9<sup>129</sup>*

(1) The issuer shall deposit the document provided for in Subsection (2) of Section 7 in the central depository, and shall - at the same time - order the central depository to produce the security to which it pertains.

(2) In respect of the issue of dematerialized securities, upon the opening of the holder's entitlement to receive the security, the issuer shall forthwith inform the central depository based on the outcome of the allocation procedure as to the name of the holder's securities account manager, along with the number of securities to be credited into the central securities account. By instruction of the issuer the central depository shall open the central securities account as based on the written instruments specified in Subsection (2) of Section 7 upon the issuer's notice, and shall credit the corresponding securities.

(3) The securities account manager - upon receipt of notice from the central depository on the opening of the central securities account - shall credit securities with the same transaction date to the securities account he manages, and shall notify the account holder accordingly. The transaction date on new issues of dematerialized securities may not be retroactive.

(4) If in the process of issuance of securities the securities account manager is unable to reach the holder of dematerialized securities relying on the information the issuer has supplied, the securities account manager shall forward the new issues of securities to a designated securities account kept by the central depository in the issuer's name. After being credited, securities may be kept on said designated securities account for a period of six months, and the issuer shall be required to give instructions to the central depository for having the securities allocated to securities account managers or for cancelling them.

(5) It is the central depository's responsibility to ensure that the quantity of securities issued in the same series corresponds with the quantity shown under the central securities accounts at any given time. If the quantity of securities registered in the central securities accounts differs from the quantity issued as part of a series, the central depository shall promptly investigate the reason and shall take measures to remedy the discrepancy.

(6)<sup>130</sup> The issuer of dematerialized securities shall publish - by way of the means specified in the standard service agreement of the central securities depository - the particulars of any corporate action relating to securities it has issued which are considered materially relevant for the purposes of the central register of securities.

### *Section 9/A<sup>131</sup>*

<sup>129</sup> Established by Section 208 of Act XVI of 2014, effective as of 15 March 2014.

<sup>130</sup> Enacted by Section 33 of Act CCXV of 2015, effective as of 1 January 2016.

<sup>131</sup> Enacted by Section 34 of Act CCXV of 2015, effective as of 1 January 2016.

The issuer of dematerialized securities shall affect payments to investors relating to the securities it has issued through the central securities depository, or a credit institution, investment firm notified to the central securities depository, by way of the means laid down in the central securities depository's internal policy.

## **Conversion of Securities**

### *Section 10*

(1)<sup>132</sup> If an issuer converts printed securities into dematerialized securities, the holders of such securities shall be notified to surrender their securities; notification shall be made within thirty days of the date on which the decision is made by way of the means specified under Subsection (6) of Section 44 as well as in the Cégközlöny (Companies Gazette) if the conversion pertains to shares.

(2) The notification shall specify the venue where the said securities are to be surrendered, as well as the date of commencement and the length of the conversion procedure, which may not be less than sixty days. However, if all the securities have been surrendered the procedure may be ended before the sixtieth day.

(3)<sup>133</sup> When surrendering securities the holder must specify the investment firm or credit institution contracted to maintain his securities account. Failure to provide the name of such investment firm or credit institution shall be treated as failure to surrender.

(4)<sup>134</sup> The surrendering of securities shall be administered by a custodian. The securities deposited in the central depository at the time the conversion takes place shall be regarded as surrendered, provided the holder has a securities account.

### *Section 11*

(1) The operative date of conversion shall be the business day immediately following the last day specified by which to surrender the securities. On this day the issuer shall issue the document specified in Subsection (2) of Section 7.

(2)<sup>135</sup> The custodian shall record the securities received in securities deposit accounts until the time of conversion. On the day of conversion, the central depository shall credit the holder's central securities account with a quantity of dematerialized securities that is the same as the printed securities certificates received. Next, the securities intermediary shall promptly record the said amount of dematerialized securities in the holder's securities account.

(3)<sup>136</sup> Effective as of the day of conversion, the central depository shall record any securities that are part of the converted series and for which the corresponding printed securities were not surrendered in the issuer's securities account; title of ownership of such securities recorded in the account shall be held by the last owner of the printed securities, also taking into account the provisions of Subsection (2) of Section 12.

(4)<sup>137</sup> With regard to securities placed in a blocked account, the securities intermediary is to ensure that the received dematerialized securities are placed in a blocked account under the same terms and conditions and in continuation of the previous account.

### *Section 12*

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<sup>132</sup> Established by Subsection (1) of Section 76 of Act LXIV of 2002. Amended by Subsection (1) of Section 153 of Act LXII of 2005, Paragraph a) of Section 47 of Act CXVIII of 2019.

<sup>133</sup> Established: by Section 46 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>134</sup> Established by Subsection (2) of Section 76 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>135</sup> Established by Subsection (1) of Section 77 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>136</sup> Enacted by Subsection (2) of Section 77 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>137</sup> Numbering amended by Subsection (2) of Section 77 of Act LXIV of 2002.



(1)<sup>138</sup> Effective as of the time of conversion, the issuer shall retire the converted securities series and register them as dematerialized securities. The serial numbers of the securities certificates that were not surrendered for conversion are to be registered. Concerning the conversion of debt securities and investment units, the holder of such printed securities - upon surrendering them and upon specifying the name of the investment firm, credit institution or investment fund manager keeping his securities account - may request that the dematerialized securities be credited to his securities account until the maturity of the securities and/or until the termination of the investment fund that issued the investment units. In respect of shares and other equity securities, the issuer shall sell such converted securities within six months of the date of conversion through an investment firm or a credit institution. The issuer shall publish the rules of the sales procedure in the notification on conversion. If the sales procedure fails, the issuer shall decrease the share capital at the first general meeting held after the deadline for sale has expired.

(2)<sup>139</sup> Cancelled securities cannot be transferred. However, the holder of such securities may demand his certificates be replaced by dematerialized securities, or if the sales procedure has been completed, following the maturity period of debt securities or the termination of the investment fund if it concerns investment units, the holder may demand the price of the dematerialized securities if sold, or the redemption price due upon maturity. The issuer shall keep the price received for the securities or the redemption price due upon maturity in a deposit account opened at a credit institution until claimed by the rightful owner. The holder of securities who did not surrender the certificates in due time shall be liable to cover the costs incurred up to the time at which the securities are redeemed. Concerning the term of limitation, any pecuniary claim arising in lieu of the securities shall be treated as would a claim for surrendering the security that it replaces.

### *Section 12/A<sup>140</sup>*

(1) If an issuer converts dematerialized shares into printed share certificates, the holders of such shares shall be notified concerning the conversion process within sixty days of the date on which the decision is made by way of the means provided for in the instrument of constitution and by means of a public notice published in the *Cégeközlöny (Companies Gazette)*. If the instrument of constitution is amended in consequence of the issuer's decision to convert dematerialized shares into printed share certificates, the issuer shall notify the central depository immediately after the amended instrument of constitution is registered by the court of registry.

(2) The notice shall specify the opening day of the conversion process, the date when dematerialized shares will in fact be converted into printed shares, and the place where such printed share certificates can be collected.

(3) The conversion process may not take longer than ninety days.

(4) The issuer shall contract the services of a custodian for the safe-keeping of printed share certificates from the time the share certificates are produced until they are delivered to the shareholder. If the shareholder wishes to keep the printed share certificates in his existing safe custody account, the issuer shall be notified of the custodian of such account at the latest by the day of conversion, upon which the issuer is to deliver the shares to the custodian. If the issuer engages the central depository with the safe-keeping of printed share certificates, such certificates shall be considered delivered at the time the share certificates in question are debited from the central securities account and credited to the securities deposit account.

(5) On the day of conversion the issuer shall advise the central depository of having produced the printed share certificates in the same amount as the dematerialized shares. Effective as of the time of conversion, the issuer shall retire the converted dematerialized series of shares. On the day of conversion the account keeper shall delete the dematerialized shares from the securities account

<sup>138</sup> Established: by paragraph (14) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>139</sup> Established: by Section 32 of Act CLI of 2012. In force: as of 28. 10. 2012.

<sup>140</sup> Enacted by Subsection (6) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

based on the notice received from the central depository. Thereafter, the central depository shall delete the dematerialized shares from the central securities account and shall, at the same time, invalidate the document made out on the dematerialized shares and deposited with the central depository. The shareholder shall become entitled to collect the printed share certificates on the day of conversion, or such printed share certificates may be negotiated as of the day of conversion.

(6) After the day of conversion the custodian shall retain and keep records of the printed share certificates of the converted series, which the shareholder is yet to collect, with the proviso that the last holder of the dematerialized shares shall be construed as the holder of the printed share certificates.

(7) If dematerialized shares are transferred from a blocked account, the securities account keeper is to ensure that the printed share certificates are placed in a blocked account under the same terms and conditions and in continuation of the previous account.

(8)<sup>141</sup> The issuer shall sell the printed share certificates replacing the dematerialized shares of any shareholder who was not identified in the process of conversion within six months of the date of conversion, through an investment firm or a credit institution. The issuer shall publish the rules of the sales procedure in the notification on conversion. If the sales procedure fails, the issuer shall decrease the share capital at the first general meeting held after the deadline for sale has expired.

(9)<sup>142</sup> Unidentified shareholders may subsequently demand printed share certificates made out in place of dematerialized shares, or if sold, the consideration received for such printed share certificates. Until the shareholder comes forward, the issuer shall keep the sum received in consideration for the printed share certificates in a safe custody account opened at a credit institution. If the shareholder is identified following the conversion process, he shall be liable to cover the costs incurred up to the time at which the securities are redeemed. Concerning the term of limitation, any arising money claim shall be treated as would a claim for surrendering the shares that it replaces.

## **Issue and Marketing of Bonds, as a Special Form of Security<sup>143</sup>**

### *Section 12/B<sup>144</sup>*

(1) Bonds are registered debt securities, issued with or without a predetermined maturity period within the framework set out by law. Bonds are securities evidencing the issuer's (debtor's) commitment to repay the face value of the bond along with the predetermined interest and other returns specified, as well as to perform any other predetermined services (hereinafter referred to collectively as "interest") to the holder or beneficiary of the bond (creditor) on the date and in the manner stipulated.

(2) All bonds shall contain:

- a) the authorization for issue;
- b) name of the bond and its purpose;
- c) the face value, securities code and, with the exception of dematerialized bonds, the serial number;
- d) the name of the issuer;
- e) restrictions concerning marketability, if any;
- f) the maturity of the bond (except undated bonds) and the dates and conditions of the payment of interest and redemption (whether in part or in full);
- g) the type of security provided to guarantee repayment of the amount of the bond (except undated bonds) and the interest;
- h)<sup>145</sup> in connection with unilateral guarantees, the guarantor's legal statement and signature;

<sup>141</sup> Enacted by Section 209 of Act XVI of 2014, effective as of 15 March 2014.

<sup>142</sup> Enacted by Section 209 of Act XVI of 2014, effective as of 15 March 2014.

<sup>143</sup> Enacted by Subsection (7) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>144</sup> Enacted by Subsection (7) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

- i)<sup>146</sup> the place and date of issue;  
j)<sup>147</sup> the signature of the issuer.

(3)<sup>148</sup> In respect of dematerialized bonds the provisions of Subsections (1) and (2) shall apply, with the exception that the signature of the persons specified in Paragraphs *h*) and *j*) of Subsection (2) shall be affixed to the document issued by the issuer of the bond and deposited in the central depository in accordance with the provisions pertaining to securities. Instead of the signature, dematerialized bonds shall contain the names of the persons whose signature appears on the document.

(4) In the case of dematerialized bonds, the identification data of the bond holder shall be contained in the securities account in compliance with Subsection (3) of Section 7. The type of data required for identification is specified in the Act on the Prevention and Combating of Money Laundering and Terrorist Financing.

(5) Printed bond certificate shall contain, in addition to the details provided for in Subsection (2), the identification data of the first owner of the bond.

(6) For the purposes of Subsection (5) identification data shall include:

*a*) for natural persons, their surname and forename, surname and forename by birth, place and date of birth;

*b*) for legal persons and unincorporated organizations, their name, address, company registration number or other registration code.

(7) The document that is lacking any one of the particulars or data defined in Subsections (2), (3) and (5) shall not be recognized as a bond.

(8) The following shall be entitled to issue bonds:

*a*) the State, including foreign states;

*b*) the Magyar Nemzeti Bank (*National Bank of Hungary*);

*c*) local authorities;

*d*) international organizations and any other foreign organization that is authorized to issue bonds under national law;

*e*) economic operators with legal personality and the branches of foreign economic operators with legal personality;

*f*) other organizations so authorized by specific other act.

(9)<sup>149</sup> The guarantee given in the bond for the issuer shall be valid also if made in the form of unilateral act, and it may be enforced by the holder of the bond.

## Chapter IV

### OFFERING OF SECURITIES AND THEIR ADMISSION TO TRADING ON A REGULATED MARKET<sup>150</sup>

#### *Section 13*<sup>151</sup>

(1) In the application of the provisions of this Chapter:

*a*) ‘securities’ shall have the same meaning as defined in Article 2(a) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (hereinafter referred to as “Regulation 2017/1129/EU”);

<sup>145</sup> Established by Subsection (1) of Section 14 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>146</sup> Established by Subsection (1) of Section 14 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>147</sup> Enacted by Subsection (1) of Section 14 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>148</sup> Amended by Paragraph b) of Section 47 of Act CXVIII of 2019.

<sup>149</sup> Enacted by Subsection (2) of Section 14 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>150</sup> Established by Section 3 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>151</sup> Established by Section 15 of Act CXVIII of 2019, effective as of 26 December 2019.

b) 'securities representing membership rights' shall have the same meaning as defined in Article 2(b) of Regulation 2017/1129/EU;

c) 'debt securities' shall have the same meaning as defined in Article 2(c) of Regulation 2017/1129/EU;

d) 'issuer' shall have the same meaning as defined in Article 2(h) of Regulation 2017/1129/EU.

(2) The provisions of this chapter apply in addition to:

a) Regulation 2017/1129/EU;

b) Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No. 809/2004.

### *Section 14<sup>152</sup>*

Private offering of securities shall mean where the marketing of securities takes place by means other than offering them to the public (hereinafter referred to as "private offering").

### *Section 15<sup>153</sup>*

(1)<sup>154</sup> The registration of securities to trading on a multilateral trading facility or the publication of bid and offer prices is not to be regarded in itself as an offer of securities to the public. Following registration, securities admitted to trading on a multilateral trading facility shall be treated as publicly offered securities.

(2) In case of registration of securities to trading on a multilateral trading facility - by means other than offer to the public - the market operator engaged in the activity of operating the multilateral trading facility provided for in Paragraph *h*) of Subsection (1) of Section 5 of the IRA, or the investment firm shall determine the content of the information document which an issuer is required to produce upon initial admission to trading of its securities in a multilateral trading facility and the modalities of its review.

### *Section 16<sup>155</sup>*

In connection with the private offering of securities the issuer or the dealer must ensure that information shall be provided to all investors to enable them to make an informed assessment of the market position, the assets and liabilities, financial position, profit and losses, the legal status and of any foreseeable future developments and the prospects of the issuer and of the rights attached to such securities, including the information that may have surfaced during private discussion with the investors.

### *Section 17<sup>156</sup>*

(1) The issuer shall notify the Authority concerning the private offering of securities within fifteen days following the conclusion of the procedure.

(2)<sup>157</sup> Where any securities have been offered by ways other than public offering, the Authority

<sup>152</sup> Established by Section 16 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>153</sup> Established by Section 17 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>154</sup> Established by Section 2 of Act CX of 2020, effective as of 26 December 2020.

<sup>155</sup> Established by Section 7 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>156</sup> Established by Section 8 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>157</sup> Established by Section 4 of Act LII of 2007, effective as of 1 July 2007.

may request the issuer or the offeror to supply additional information to determine as to whether the offering should be considered a private offering in accordance with what is contained in Section 14.

(3) Any contract for the purchase of securities shall be null and void if the securities were offered by ways other than public offering, and it fails to conform to the conditions prescribed for private offering. The issuer and the dealer shall be subject to joint and several liability for any damages caused to investors.

### *Section 18<sup>158</sup>*

All written correspondence created in connection with the private offering of securities must clearly indicate that they are offered privately.

### *Section 19<sup>159</sup>*

## **Public Offering of Securities<sup>160</sup>**

### *Section 20<sup>161</sup>*

(1) In case of public offering of securities the provisions of Regulation 2017/1129/EU shall apply.

(2) The public offering of the shares of a private limited company, and/or the admission of such shares to trading on a regulated market, their registration in a multilateral trading facility or organized trading facility shall be subject to the decision of the general meeting concerning the amendment of the instrument of constitution.

(3) Following the offering of privately issued securities for sale to the public, and/or the admission of such securities to trading on a regulated market, such subscribed capital shall be treated as publicly offered securities.

(4) By way of derogation from Subsection (1) of Section 15, the admission of securities to trading on a multilateral trading facility shall be considered offered to the public where the admission of securities to trading on a multilateral trading facility is accompanied by a communication constituting an ‘offer of securities to the public’.

### *Section 21<sup>162</sup>*

(1)<sup>163</sup> Unless otherwise prescribed in this Act, and/or Regulation 2017/1129/EU, the issuer, the offeror or the person requesting admission to trading on a regulated market shall publish a public prospectus under Regulation 2017/1129/EU (hereinafter referred to as “prospectus”) in connection with the offer of securities to the public and/or their admission to trading on a regulated market. Publication of the prospectus is conditional upon the approval - under Regulation 2017/1129/EU - of the Authority.

(1a)<sup>164</sup> Instead of publishing a prospectus, a summary prospectus shall be prepared subject to the content requirements set out in Annex 3 for the offer of securities to the public where the offer value of the securities remains for a period of twelve months less than one million euro or equivalent at European Union level, and the offer of securities to the public cannot be covered by neither of the

<sup>158</sup> Established by Section 9 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>159</sup> Repealed: by paragraph (1) Section 52 of Act CLI of 2012. No longer in force: as of 28. 10. 2012.

<sup>160</sup> Enacted by Section 11 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>161</sup> Established by Section 18 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>162</sup> Established by Section 13 of Act LXII of 2005, effective as of 1 July 2005. Previous title repealed simultaneously by Paragraph a) of Section 161 of Act LXII of 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>163</sup> Established by Subsection (1) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>164</sup> Established by Subsection (1) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

cases provided for in Article 1(4) of Regulation 2017/1129/EU. The obligation to supplement a summary prospectus in the event of significant new factors, material mistakes or material inaccuracies shall apply without delay.

(1b)<sup>165</sup> The issuer and/or the offeror shall make public the summary prospectus provided for in Subsection (1a) within a reasonable time following the Authority's approval on the issuer's and/or the offeror's website.

(1c)<sup>166</sup> In the case of:

a) offers of securities to the public under Article 1(4)(a)-(e) and (j) of Regulation 2017/1129/EU, the rules set out in Section 16,

b) offers of securities to the public under Article 1(4) and admission to trading on a regulated market under Article 1(5)(a)-(h) of Regulation 2017/1129/EU, the rules set out in Subsection (1) of Section 17

shall apply *mutatis mutandis*.

(2)-(5)<sup>167</sup>

(6)<sup>168</sup> The issuer or the person requesting the registration of securities on a multilateral trading facility shall draw up an information document as a precondition for registration of the securities series in compliance with the content requirements set out by the market operator engaged in the activity of operating the multilateral trading facility provided for in Paragraph *h*) of Subsection (1) of Section 5 of the IRA or by the investment firm, subject to approval by the market operator, and shall publish it by means of the Authority's information storage mechanism in a language accepted by the Authority. No information document is required for the registration of securities on a multilateral trading facility if the offer of securities to the public takes place upon publication of a prospectus or summary prospectus.

(7)<sup>169</sup> The information document shall remain in effect for a period of twelve months after approval by the market operator or investment firm, during which time the securities can be registered on a multilateral trading facility.

(8)<sup>170</sup> Where any material fact or circumstances is brought to the knowledge of the market operator or investment firm between the time of approval by the market operator or the investment firm and the commencement of trading on a multilateral trading facility, upon which supplementing the information is deemed appropriate, the market operator or the investment firm shall order to have the information document supplemented after hearing the person seeking registration on a multilateral trading facility and the dealer.

(9)<sup>171</sup> The issuer, the person requesting the registration of securities on a multilateral trading facility, and the dealer shall take immediate measures for having the information document supplemented where any material fact or circumstance is brought to their knowledge between the time of approval by the market operator or the investment firm and the commencement of trading on a multilateral trading facility, upon which supplementing the information document is considered appropriate.

(10)<sup>172</sup> The information document may be supplemented upon the market operator's or the investment firm's consent.

(11)<sup>173</sup> No information document shall be published for the registration of securities on a multilateral trading facility in the cases under Article 1(5)(a)-(i) of Regulation 2017/1129/EU, with the proviso that the regulated market defined by Regulation 2017/1129/EU shall be construed as a

<sup>165</sup> Enacted by Section 4 of Act CXXVI of 2018, effective as of 29 December 2018.

<sup>166</sup> Enacted by Subsection (2) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>167</sup> Repealed by Point 3 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>168</sup> Established by Subsection (3) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>169</sup> Established by Subsection (3) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>170</sup> Established by Subsection (3) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>171</sup> Established by Subsection (3) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>172</sup> Established by Subsection (3) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>173</sup> Established by Subsection (3) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

multilateral trading facility in the application of this Subsection.

(12)<sup>174</sup> No information document shall be published for the registration of securities on a multilateral trading facility if the securities issued as part of a series are already admitted to trading on a regulated market or on a stock exchange established in an OECD Member State.

(13)<sup>175</sup> In the case of registration of securities on an organized trading facility the provisions of Subsections (6)-(12) shall apply mutatis mutandis.

## *Section 22<sup>176</sup>*

## *Section 23<sup>177</sup>*

(1)<sup>178</sup> Issuers are required to procure the services of an investment firm, credit institution authorized to engage in providing the service specified in Paragraph *f*) or *g*) of Subsection (1) of Section 5 of the IRA (for the purposes of this Chapter hereinafter referred to as “investment service provider”) for organizing and conducting the offer to the public of securities, with the exception if:

*a*) the provisions of this Act pertaining to public offering, and/or the provisions of Regulation 2017/1129/EU for drawing up and for the publication of the prospectus applies only in the case of admission to trading on a regulated market;

*b*) government securities are offered by the issuer himself;

*c*) an investment fund manager offers the investment units of the investment fund it manages;

*d*) a credit institution or investment firm offers to issue its own securities;

*e*) a non-resident credit institution or a non-resident investment firm offers its self-issued securities by way of its branch;

*f*) shares of the same class and/or type, securities of the same series are in the process of being admitted or have already been admitted, or are in the process of registration or have already been registered to trading in the same trading venue provided for in the IRA; or

*g*) public offering in the cases under Article 1(4)(a)-(i) and Article 1(5) of Regulation 2017/1129/EU or admission to trading on a regulated market takes place.

(2) Debt securities may also be offered to the public within the framework of an issue program. An issue program may be devised to offer various types of debt securities using various types of placement methods.

## *Section 24<sup>179</sup>*

(1) An investment service provider or a central depository that is authorized to undertake subscription guarantees and to provide safe custody services for securities, or to provide securities account management services may issue secondary securities - under an agreement with the issuer - on the securities in their possession, and when so instructed by the owners of the securities that were issued as part of a series.

(2) Secondary securities shall contain:

*a*) the name of the issuer;

*b*) all components of the underlying principal securities;

*c*) the securities code of the secondary securities;

*d*) the place and date of issue of the secondary securities;

<sup>174</sup> Enacted by Subsection (4) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>175</sup> Enacted by Subsection (4) of Section 19 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>176</sup> Repealed by Point 4 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>177</sup> Established by Section 15 of Act LXII of 2005, effective as of 1 July 2005. Previous title repealed simultaneously by Paragraph a) of Section 161 of Act LXII of 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>178</sup> Established by Section 20 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>179</sup> Established by Section 16 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

- e) the aggregate face value of the entire series in placement;
- f) the quantity of securities in placement; and
- g) the signature of the issuer of printed securities.

(3) During the life of secondary securities no rights may be exercised through the underlying principal securities.

### *Section 25<sup>180</sup>*

(1) The subscription of securities, including the purchase contract, that were offered - subject to the exception set out in Article 1(4) and (5) of Regulation 2017/1129/EU - in the absence of a prospectus or summary prospectus approved by the Authority, and - with the exception laid down under Subsection (1) of Section 23 - without the involvement of an investment service provider, shall be null and void. Furthermore, the subscription of securities, including the purchase contract, shall be null and void where the shares of a private limited company are offered to the public or presented for admission to trading on a regulated market in the absence of a decision by the general meeting for the company's transformation.

(2) In the case under Subsection (1), the issuer, the offeror, the person requesting admission of the securities to trading on a regulated market and the dealer shall be subject to joint and several liability for any and all damages sustained by the investors.

### *Sections 26-28<sup>181</sup>*

### *Section 29<sup>182</sup>*

(1) The issuer, or its management body provided for in the Civil Code, managing director provided for in the Civil Code, supervisory board provided for in the Civil Code, the dealer in securities (or the dealer acting as the syndicate leader where applicable), the person who has provided guarantees for the commitments embodied in securities, the offeror or the person requesting admission of the securities for trading on a regulated market, shall be held responsible for the information contained in the prospectus, summary prospectus or any supplement thereto, and in that context shall be subject to liability for any and all damage caused to an investor, and such liability shall remain in effect for five years after the date of publication of the prospectus. This liability cannot be validly excluded or limited. The prospectus, summary prospectus shall contain specific information in a clearly identifiable manner concerning the person who is held liable for the contents of the prospectus, summary prospectus or any part thereof, including the name and home address or registered office of this person and his role in the offering procedure. The liability of any person shall cover all information contained in the prospectus, summary prospectus, as well as the lack of any necessary information.

(2) A signed declaration of liability shall be annexed to the prospectus, summary prospectus by all persons held liable under Subsection (1) hereof. The declaration shall stipulate that all data and information in the prospectus and/or the summary prospectus are true and correct, and that it contains all information necessary for investors to make an informed assessment of the issuer or the person who has provided guarantees for the commitments embodied in securities and the securities to which it pertains.

(3) No civil liability shall attach to any person solely on the basis of the executive summary provided for in Article 7 of Regulation 2017/1129/EU, or on the basis of specific summary for the EU Growth prospectus under the second indent of Article 15(1) of Regulation 2017/1129/EU, including the translation thereof into any language, except if:

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<sup>180</sup> Established by Section 21 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>181</sup> Repealed by Point 5 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>182</sup> Established by Section 22 of Act CXVIII of 2019, effective as of 26 December 2019.



- a) it is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus; or
- b) it does not provide, when read together with the information contained in the prospectus, key information in order to aid investors when considering whether to invest in the securities.

### *Sections 30-32<sup>183</sup>*

#### *Section 33<sup>184</sup>*

(1)<sup>185</sup>

(2) Where any offer of securities is rendered contingent on certain minimum quantitative criteria by legal regulation or by the issuer or the offeror, and the entire quantity specified is not covered by commitments by the closing day of the marketing procedure, the issuer, the offeror and/or the dealer in securities must refund in full the moneys received - without interest - within seven days from the closing date of the marketing procedure under the terms and conditions stipulated in the prospectus.

(3)<sup>186</sup>

### *Sections 34-43<sup>187</sup>*

#### *Section 43/A<sup>188</sup>*

## **Special Provisions Relating to Certain Specific Securities<sup>189</sup>**

#### *Section 44<sup>190</sup>*

(1)<sup>191</sup> In connection with the offering of government securities or securities guaranteed by a Member State of the European Union to the public or their admission to trading on a regulated market, if they are offered or admitted to trading on a regulated market only in Hungary, public-offer prospectus and public offer as illustrated in Annex 2 shall be published.

(2)<sup>192</sup> The public-offer prospectus is to contain the terms and conditions concerning the marketing and trading of government securities. For information purposes, the public-offer prospectus shall be submitted to the Authority in advance. The public-offer prospectus shall be published in its entirety in accordance with the provisions laid down in Subsection (6) and shall be posted at points of sale for inspection by the investors.

(3)<sup>193</sup> The public offering shall contain the terms of conditions for the sale of securities and the listing particulars of the securities. The issuer shall publish the public offer - jointly with the investment service provider when one is involved in the marketing procedure - at the latest within three business days prior to the initial date of subscription by way of the means referred to in Subsection (6). The issue price - if specified in advance - shall be indicated in the public offer or shall

<sup>183</sup> Repealed by Point 6 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>184</sup> Established by Section 25 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>185</sup> Repealed by Point 7 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>186</sup> Repealed by Point 7 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>187</sup> Repealed by Point 8 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>188</sup> Repealed together with the previous title by Paragraph a) of Section 161 of Act LXII of 2005, effective as of 1 July 2005.

<sup>189</sup> Established by Section 36 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>190</sup> Established by Section 37 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>191</sup> Established by Subsection (1) of Section 23 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>192</sup> Established by Subsection (1) of Section 23 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>193</sup> Established by Subsection (1) of Section 23 of Act CXVIII of 2019, effective as of 26 December 2019.

be published in the same manner as the public notice no later than on the business day preceding the initial date of subscription.

(4) Government securities may also be offered to the public within the framework of an issue program. An issue program may be devised to offer various types of government securities using various types of placement methods.

(5) In the event that the issuer intends to alter the rights embodied in the securities in issue or to make any changes in the public-offer prospectus underlying the public offering, a draft of the changes shall be sent to the Authority at least three working days before their proposed date, and it shall be published by way of the means specified in Subsection (3).

(6)<sup>194</sup> Publication shall take place:

- a) on the website of the issuer, and of the dealer, if applicable;
- b) on the website of the regulated market where the securities in question are traded; or
- c) on the Authority's website, if the Authority provides such service in compliance with the obligation of publication prescribed in this Act.

### *Section 45*

(1)<sup>195</sup> In connection with the offering of debt securities to the public or their admission to trading on a regulated market by the international financial institutions referred to in Annex 23, or by any public international bodies to which one or more Member States of the European Union belong, if they are offered or admitted to trading on a regulated market only in Hungary, a public-offer prospectus drawn up in accordance with Annex 7 and approved by the Authority shall be published by way of the means specified in Subsection (6) of Section 44.

(2)<sup>196</sup>

(2a)<sup>197</sup>

(3)<sup>198</sup> The public-offer prospectus shall remain in effect for twelve months from the date of the Authority's approval.

### *Section 46<sup>199</sup>*

In connection with the offering of debt securities issued by a municipal government or by the regional or local authorities of any Member State of the European Union or securities guaranteed by the regional or local authorities of any Member State of the European Union to the public or their admission to trading on a regulated market, if they are offered or admitted to trading on a regulated market only in Hungary, the issuer shall draw up the prospectus in accordance with the contents set out in Annex 4. The prospectus shall be published subject to approval by the Authority, by way of the means specified in Subsection (6) of Section 44.

## **Marketing Procedures and General Regulations<sup>200</sup>**

### *Section 47<sup>201</sup>*

(1)<sup>202</sup> Any offer that is rendered subject to some condition shall be null and void. The takeover bid

<sup>194</sup> Enacted by Subsection (2) of Section 23 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>195</sup> Established by Section 24 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>196</sup> Repealed by Point 9 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>197</sup> Repealed by Point 9 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>198</sup> Enacted by Subsection (2) of Section 13 of Act CLXXXVI of 2005, effective as of 1 January 2006.

<sup>199</sup> Established by Section 25 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>200</sup> Enacted by Section 40 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>201</sup> Established by Section 41 of Act LXII of 2005, effective as of 1 July 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

made by an investor for the acquisition of securities shall expressly stipulate that it was made under the investor's entire understanding of the contents of the related prospectus (base prospectus or public-offer prospectus).

(2) A written purchase offer for dematerialized securities shall be accepted only if made by a person who has a securities account and has provided in the purchase offer the identification data of the securities intermediary operating his securities account as well as the number of the account. A purchase offer for the acquisition of securities that contains any data or information that is false or untrue shall be considered null and void.

(3) Unless instructed by the issuer or the offeror to the contrary, each point of sale shall report to the issuer or the offeror each day throughout the entire duration of the marketing procedure of the contracts concluded.

(4)<sup>203</sup> Written offers for the purchase of securities shall be accepted only under the conditions stipulated in the public-offer prospectus, in the prospectus or in the base prospectus to which it pertains (meaning at the authorized points of sale, under the period approved for marketing, during business hours or by way of electronic means).

(5) Any personal data supplied by an investor to the issuer, the offeror or the dealer in securities cannot be used - in the absence of the express written consent of the investor - for purposes other than in connection with the marketing of the securities.

(6) The consent provided by an investor referred to in Subsection (5) may not comprise a part of a purchase offer made for the acquisition of securities.

(7) Any payment made by an investor in the course of the marketing procedure to the issuer, the offeror or the dealer in securities shall be placed in a deposit account maintained in a credit institution. Any person receiving money on behalf of the issuer or the dealer in securities in the course of a marketing procedure must place such moneys in the deposit account without delay. The sums placed in a deposit account cannot be used until the refund specified under Subsection (2) of Section 33 is settled or until it is resolved that no such refund applies.

(8)<sup>204</sup> The issuer or the offeror shall be entitled to close out the public offer without any sale of shares (provide for the withdrawal of offer) until the shares are credited to the investors' securities accounts. In this case the prospectus shall contain provisions as to when and under what conditions the offer can be withdrawn or suspended.

### *Section 48<sup>205</sup>*

(1) In an allocation procedure the persons who made a written purchase offer for securities during the first three days of the placement procedure shall receive the same treatment, irrespective of the time when the offer was made.

(2) If the offer for the purchase of any particular securities cannot be accepted in full or in part for the reasons specified in the prospectus, the issuer or the offeror and the dealer in securities shall refund any and all payments made in connection with such securities within seven days following the conclusion of the placement procedure.

(3) Prior to allocation the dealer in securities must check to make sure that the securities account number indicated in the purchase offer for the acquisition of securities really exists.

(4)<sup>206</sup> The dealer or the issuer shall notify the Authority concerning the outcome of the marketing procedure within five days of its conclusion, and shall publish it by way of the means specified in Subsection (6) of Section 44. It is not necessary to show the outcome of the marketing procedure in the prospectus.

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<sup>202</sup> Established: by paragraph (22) Section 159 of Act CXCV of 2011. In force: as of 1. 01. 2012.

<sup>203</sup> Established by Section 36 of Act LIII of 2016, effective as of 1 July 2016.

<sup>204</sup> Enacted by Section 35 of Act CCXV of 2015, effective as of 1 January 2016.

<sup>205</sup> Established by Section 42 of Act LXII of 2005, effective as of 1 July 2005. Previous title repealed simultaneously by Paragraph a) of Section 161 of Act LXII of 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>206</sup> Established by Section 37 of Act LIII of 2016. Amended by Paragraph a) of Section 47 of Act CXVIII of 2019.

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### *Section 49<sup>207</sup>*

(1) A subscription procedure must be conducted if prescribed by law, or if the public offering is rendered contingent on certain minimum quantitative criteria.

(2)<sup>208</sup> The approved period (planned duration) of subscription shall be determined by the issuer or the offeror, however, it may not be less than three working days in the case of public offering.

(3) Subject to the provisions laid down in Subsection (2) above, the issuer or the offeror may close out the subscription procedure before the designated closing date, if the entire quantity of issue is subscribed and if the prospectus contains a clause permitting early closure.

### *Section 50<sup>209</sup>*

(1) Where the issuer or the offeror, and/or the dealer in securities has specified a minimum or maximum price, it must be communicated to the authorized dealers before the beginning of the auction by the same means as prescribed for the publication of the prospectus (base prospectus, public-offer prospectus).

(2) Bids made in auctions must be unconditional, and shall be irrevocable after the bidding deadline.

(3) Bids - and their acceptance - shall be considered valid only if made in writing or in an electronic document executed by a qualified electronic signature, or if made through a trading system that is recognized by the Authority.

(4) The results of the auction shall be determined by the issuer, the offeror or the dealer in securities within two working days following the bidding deadline.

### *Section 51<sup>210</sup>*

During the issue period the issuer shall be entitled to change the issue price of securities offered by way of progressive issue.

## Chapter V

### OBLIGATION TO PROVIDE INFORMATION RELATING TO SECURITIES ADMITTED TO TRADING ON A REGULATED MARKET<sup>211</sup>

### *Section 52<sup>212</sup>*

(1)<sup>213</sup> The provisions of this Chapter shall apply - unless provided for by law - to the obligation of disclosure of information relating to securities admitted to trading on a regulated market if the issuer's home Member State provided for in Paragraph *b*) of Point 140 of Subsection (1) of Section 5 is Hungary.

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<sup>207</sup> Established by Section 43 of Act LXII of 2005. Previous subtitle repealed by Paragraph a) of Subsection (4) of Section 79 of Act LII of 2007, effective as of 1 July 2007.

<sup>208</sup> Established by Section 11 of Act LII of 2007. Amended by Paragraph a) of Section 48 of Act LIII of 2016.

<sup>209</sup> Established by Section 44 of Act LXII of 2005, effective as of 1 July 2005. Previous title repealed simultaneously by Paragraph a) of Section 161 of Act LXII of 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>210</sup> Established by Section 45 of Act LXII of 2005, effective as of 1 July 2005. Previous title repealed simultaneously by Paragraph a) of Section 161 of Act LXII of 2005. See also Subsections (3)-(4) of Section 160 of Act LXII of 2005.

<sup>211</sup> Established by Section 26 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>212</sup> Established by Section 7 of Act CXXXVII of 2007, effective as of 1 December 2007. Applies to issuers in connection with their obligation to provide information concerning the financial year initiated as of 2007. See Subsection (4) of Section 99 of Act CXXXVII of 2007. Previous subtitle repealed under Section 7 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>213</sup> Established by Subsection (1) of Section 5 of Act CLXII of 2015. Amended by Paragraph c) of Section 47 of Act CXVIII of 2019.

(1a)<sup>214</sup> If the issuer has indicated Hungary as his chosen home Member State pursuant to Subparagraph *bab*) of Point 140 of Subsection (1) of Section 5, that choice shall remain valid until the issuer has chosen a new home Member State under Subparagraph *bc*) of Point 140 of Subsection (1) of Section 5.

(1b)<sup>215</sup> If the issuer has indicated Hungary as his chosen home Member State pursuant to Subparagraph *bb*) of Point 140 of Subsection (1) of Section 5, its choice shall remain valid for at least three years unless its securities are no longer admitted to trading on any regulated market in the European Union or unless the issuer becomes covered by Subparagraph *ba*) or *bc*) of Point 140 of Subsection (1) of Section 5 during the three-year period.

(1c)<sup>216</sup> According to Sections 56 and 58 the issuer shall announce publicly if its chosen home Member State is Hungary. The issuer shall disclose its choice to the Authority, to the supervisory authorities of all host Member States, and, where applicable, to the supervisory authority of the Member State chosen by the issuer according to the instrument of constitution.

(1d)<sup>217</sup> In the absence of disclosure by the issuer of its home Member State within a period of three months from the date the issuers' securities are first admitted to trading on a regulated market, that its home Member State is Hungary - chosen pursuant to Subparagraph *bab*) of Point 140 of Subsection (1) of Section 5 or Subparagraph *bb*) of Point 140 of Subsection (1) of Section 5 -, the home Member State shall be the Member State where the issuer's securities are admitted to trading on a regulated market. Where the issuer's securities are admitted to trading on regulated markets operating within more than one Member State, those Member States shall be the issuer's home Member States until a subsequent choice of a single home Member State has been made and disclosed by the issuer.

(1e)<sup>218</sup> In the application of this Chapter issuer shall cover the issuer of primary securities in the case of securities admitted to trading on a regulated secondary market, irrespective of whether such primary securities had been admitted to trading on a regulated market.

(2) The provisions of this Chapter shall not apply to investment units of an open-ended investment fund, or to investment units acquired or disposed of in such an investment fund.

(3)<sup>219</sup> The provisions of this Chapter shall not apply to the Government, to public international bodies to which one or more Member States of the European Union belong, to the ECB and the central banks of Member States, to the European Financial Stability Facility and any other mechanism established with the objective of preserving the financial stability of European monetary union.

(4)<sup>220</sup>

(5)<sup>221</sup> As regards the issuers of securities registered only in multilateral trading facilities, which are not admitted to trading on a regulated market or on a stock exchange established in an OECD Member State, the operator of the multilateral trading facility shall lay down the rules for regular and ad hoc disclosure of information.

(6)<sup>222</sup> The issuers referred to in Subsection (5) shall meet the disclosure requirements defined therein by means of the Authority's information storage mechanism in a language accepted by the Authority.

## Section 52/A<sup>223</sup>

<sup>214</sup> Enacted by Subsection (2) of Section 5 of Act CLXII of 2015, effective as of 1 January 2016.

<sup>215</sup> Enacted by Subsection (2) of Section 5 of Act CLXII of 2015, effective as of 1 January 2016.

<sup>216</sup> Enacted by Subsection (2) of Section 5 of Act CLXII of 2015, effective as of 1 January 2016.

<sup>217</sup> Enacted by Subsection (2) of Section 5 of Act CLXII of 2015, effective as of 1 January 2016.

<sup>218</sup> Enacted by Section 27 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>219</sup> Established by Subsection (3) of Section 5 of Act CLXII of 2015, effective as of 26 November 2015.

<sup>220</sup> Repealed by Point 10 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>221</sup> Enacted by Section 39 of Act XCVIII of 2013. Amended by Paragraph d) of Section 47 of Act CXVIII of 2019.

<sup>222</sup> Enacted by Section 39 of Act XCVIII of 2013. Amended by Paragraph e) of Section 47 of Act CXVIII of 2019.

<sup>223</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

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*Section 53*<sup>224</sup>

**Regular Disclosure of Information**<sup>225</sup>

*Section 54*<sup>226</sup>

(1)<sup>227</sup> Issuers of securities admitted to trading on a regulated market must disclose essential details to the public on a regular basis of their financial position and the general course of their business. Issuers shall, at the same time, file that information with the Authority as well and shall ensure that it remains publicly available for at least ten years.

(2)<sup>228</sup> Issuers shall comply with the requirement of regular disclosure of information in the form of:

*a)* half-yearly report; and

*b)* annual report.

(2a)<sup>229</sup> Where an issuer prepares his annual account in accordance with IFRSs as provided in Point 2 of Subsection (10) of Section 3 of Act C of 2000 on Accounting, his yearly and half-yearly accounts shall be prepared also in accordance with IFRSs.

(3)<sup>230</sup> Municipal governments and issuers engaged exclusively in the issue of debt securities admitted to trading on a regulated market are not required to prepare a yearly and half-yearly report where the nominal value of these securities is at least one hundred thousand euro, or its equivalent in any other currency translated by the official exchange rate published by the MNB in effect on the day of placement.

(3a)<sup>231</sup> Issuers engaged exclusively in the issue of debt securities admitted to trading on a regulated market are not required to prepare a yearly and half-yearly report where the nominal value of these securities is at least fifty thousand euro, or its equivalent in any other currency translated by the official exchange rate published by the MNB, in effect on the day of placement, if such securities are traded on that regulated market and they were admitted to trading before 31 December 2010.

(4)<sup>232</sup> The issuer shall make public its annual financial report at the latest four months after the end of each financial year.

(5)<sup>233</sup> The issuer of shares or debt securities shall make public a half-yearly financial report covering the first six months of the financial year as soon as possible after the end of the relevant period, at the latest three months thereafter.

(6) Exemptions from half-yearly reporting shall be provided in the case of:

*a)*<sup>234</sup> credit institutions whose shares are not admitted to trading on a regulated market and which have, in a continuous or repeated manner, only issued debt securities provided that the total nominal amount of all such debt securities remains below one hundred million euro, or its equivalent in any other currency translated by the official exchange rate published by the MNB, in effect on the day of placement, and that they have not published a prospectus provided for in Regulation 2017/1129/EU;

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<sup>224</sup> Repealed by Paragraph a) of Section 21 of Act CIV of 2014, effective as of 1 January 2015.

<sup>225</sup> Established by Section 9 of Act CXXXVII of 2007, effective as of 1 December 2007. Applies to issuers in connection with their obligation to provide information concerning the financial year initiated as of 2007. See Subsection (4) of Section 99 of Act CXXXVII of 2007.

<sup>226</sup> Established by Section 9 of Act CXXXVII of 2007, effective as of 1 December 2007. Applies to issuers in connection with their obligation to provide information concerning the financial year initiated as of 2007. See Subsection (4) of Section 99 of Act CXXXVII of 2007.

<sup>227</sup> Established by Subsection (1) of Section 6 of Act CLXII of 2015. Amended by Paragraph f) of Section 47 of Act CXVIII of 2019.

<sup>228</sup> Established by Section 1 of Act CXLV of 2017, effective as of 21 November 2017.

<sup>229</sup> Enacted by Section 31 of Act CLXXVIII of 2015. Amended by Paragraph b) of Section 48 of Act LIII of 2016.

<sup>230</sup> Established by Subsection (2) of Section 6 of Act CLXII of 2015, effective as of 26 November 2015.

<sup>231</sup> Enacted by Subsection (2) of Section 6 of Act CIV of 2014. Amended by Paragraph g) of Section 47 of Act CXVIII of 2019.

<sup>232</sup> Established by Subsection (3) of Section 6 of Act CIV of 2014, effective as of 1 January 2015.

<sup>233</sup> Established by Subsection (3) of Section 6 of Act CLXII of 2015, effective as of 26 November 2015.

<sup>234</sup> Established by Subsection (2) of Section 54 of Act CXLIII of 2013. Amended by Paragraph h) of Section 47 of Act CXVIII of 2019.

b) issuers already existing at 1 July 2005 which exclusively issue debt securities unconditionally and irrevocably guaranteed by the home Member State.

(7)-(8)<sup>235</sup>

(9)<sup>236</sup> Issuers shall make public on the last day of each calendar month the number of voting rights attached to their shares separately for each series, indicating also the portfolios of own shares, and the amount of their capital without delay, not later than on the next working day.

(10) The detailed regulations concerning the regular disclosure of information shall be decreed by the minister.

(11)<sup>237</sup>

## **Extraordinary Disclosure of Information**<sup>238</sup>

### *Section 55*<sup>239</sup>

(1)<sup>240</sup> Issuers of securities admitted to trading on a regulated market must disclose to the public without delay or within the following business day any information that concerns, directly or indirectly, the value or yield of their securities issue, and which may have any bearing on the reputation of the issuer. Issuers shall, at the same time, file that information with the Authority as well.

(2) Issuers shall make available to the public - and the Authority - without delay, or within two calendar days at the latest, the information they have received according to Section 61.

(3) The detailed regulations concerning the extraordinary disclosure of information shall be decreed by the minister.

## **Common Provisions on Regular and Extraordinary Disclosures**<sup>241</sup>

### *Section 56*<sup>242</sup>

(1) Issuers are required to disclose regulated information in a manner ensuring fast access to such information on a non-discriminatory basis, and may not charge any specific cost for providing the information.

(2) Regulated information shall be disseminated in a manner ensuring that it is capable of being disseminated to as wide a public as possible, and as close to simultaneously as possible in the home Member State, the host Member State, and in the other Member States.

(3) Issuers are required to send regulated information to the officially appointed information storage mechanism. These mechanisms for the central storage of regulated information should comply with minimum quality standards of security, certainty as to the information source, time recording and easy access by end users and shall be aligned with the electronic filing procedure.

<sup>235</sup> Repealed by Paragraph b) of Section 49 of Act LIII of 2016, effective as of 1 July 2016.

<sup>236</sup> Established: by paragraph (3) Section 67 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>237</sup> Repealed by Paragraph b) of Section 49 of Act LIII of 2016, effective as of 1 July 2016.

<sup>238</sup> Established by Section 10 of Act CXXXVII of 2007, effective as of 1 December 2007. Applies to issuers in connection with their obligation to provide information concerning the financial year initiated as of 2007. See Subsection (4) of Section 99 of Act CXXXVII of 2007.

<sup>239</sup> Established by Section 10 of Act CXXXVII of 2007, effective as of 1 December 2007. Applies to issuers in connection with their obligation to provide information concerning the financial year initiated as of 2007. See Subsection (4) of Section 99 of Act CXXXVII of 2007.

<sup>240</sup> Amended by Paragraph f) of Section 47 of Act CXVIII of 2019.

<sup>241</sup> Established by Section 11 of Act CXXXVII of 2007, effective as of 1 December 2007. Applies to issuers in connection with their obligation to provide information concerning the financial year initiated as of 2007. See Subsection (4) of Section 99 of Act CXXXVII of 2007.

<sup>242</sup> Established by Section 11 of Act CXXXVII of 2007, effective as of 1 December 2007. Applies to issuers in connection with their obligation to provide information concerning the financial year initiated as of 2007. See Subsection (4) of Section 99 of Act CXXXVII of 2007.

(4)<sup>243</sup> Issuers shall, simultaneously with the disclosures of regulated information, send that information to the Authority as well by way of electronic means. The Authority shall provide for the publication of information provided on a regular basis and otherwise on the officially appointed information storage mechanism.

(5)<sup>244</sup>

### *Section 57<sup>245</sup>*

(1) The issuer shall be liable for any and all damage caused by his failure to meet the obligation of disclosure of regulated information.

(2) If any false or untrue information that is made available to the public on the issuer is likely to have some degree of impact on the value or yield of his securities in issue, the issuer must forthwith make public the necessary corrections. The issuer's statement of correction must be made available to the public as specified in Section 56 and also in the medium where the false or untrue information was published.

(3) Where the obligation of disclosure, regular and extraordinary, concerns a liquidation or dissolution proceeding it shall be satisfied by the liquidator or the receiver.

### *Sections 58<sup>246</sup>*

(1)<sup>247</sup> Where securities are admitted to trading on a regulated market established in Hungary, regulated information shall be disclosed in a language accepted by the Authority.

(2)<sup>248</sup> Where securities are admitted to trading on a regulated market in Hungary, functioning as the home Member State, and in one or more host Member States, regulated information shall be disclosed:

a) in a language accepted by the Authority; and

b) depending on the choice of the issuer, either in a language accepted by the competent supervisory authorities of those host Member States or in a language customary in the sphere of international finance.

(3)<sup>249</sup> Where securities are admitted to trading on a regulated market in one or more host Member States, but not in Hungary, regulated information shall, depending on the choice of the issuer, be disclosed either in a language accepted by the Authority, or by the competent supervisory authorities of those host Member States or in a language customary in the sphere of international finance.

(4) The information referred to in Section 61 may be disclosed or made public in a language customary in the sphere of international finance as well.

(5)<sup>250</sup> Where securities with a nominal value of at least one hundred thousand euro - in the case of debt securities with a nominal value of at least one hundred thousand euro on the day of issue, or its equivalent in any other currency - are admitted to trading on a regulated market in one or more Member States, the relevant regulated information shall be disclosed to the public either in a language accepted by the Authority and the competent authorities of the host Member States or in a language customary in the sphere of international finance, at the choice of the issuer or of the person who,

<sup>243</sup> Established: by Section 42 of Act CLI of 2012. In force: as of 28. 10. 2012.

<sup>244</sup> Repealed: by paragraph (1) Section 52 of Act CLI of 2012. No longer in force: as of 28. 10. 2012.

<sup>245</sup> Established by Section 12 of Act CXXXVII of 2007, effective as of 1 December 2007. Applies to issuers in connection with their obligation to provide information concerning the financial year initiated as of 2007. See Subsection (4) of Section 99 of Act CXXXVII of 2007.

<sup>246</sup> Established by Section 13 of Act CXXXVII of 2007, effective as of 1 December 2007. Previous chapter title repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007. See also Subsection (4) of Section 99 of Act CXXXVII of 2007.

<sup>247</sup> Amended by Paragraph i) of Section 47 of Act CXVIII of 2019.

<sup>248</sup> Amended by Paragraph j) of Section 47 of Act CXVIII of 2019.

<sup>249</sup> Amended by Paragraph b) of Section 11 of Act CLXII of 2015, Paragraph k) of Section 47 of Act CXVIII of 2019.

<sup>250</sup> Established by Subsection (1) of Section 7 of Act CIV of 2014, effective as of 1 January 2015.



without the issuer's consent, has requested such admission.

(5a)<sup>251</sup> Regulated information relating to securities with a nominal value of at least fifty thousand euro - in the case of debt securities with a nominal value of at least fifty thousand euro on the day of issue, or its equivalent in any other currency - shall be disclosed in the language provided for in Subsection (5), if such securities are traded on a regulated market and they were admitted to trading before 31 December 2010.

(6) If an action concerning the content of regulated information is brought before a court or tribunal in a Member State, responsibility for the payment of costs incurred in the translation of that information for the purposes of the proceedings shall be decided in accordance with the law of that Member State.

### *Section 58/A*<sup>252</sup>

Where securities are admitted to trading on a regulated market without the issuer's consent, the obligations under Subsections (1) and (2) of Section 56 and Subsections (1)-(5) of Section 58 shall be incumbent upon the person who, without the issuer's consent, has requested such admission.

## **Termination of Disclosure Obligations**<sup>253</sup>

### *Section 59*<sup>254</sup>

The obligation of disclosure of information, regular and extraordinary, of an issuer of securities admitted to trading on a regulated market shall terminate:

- a) upon maturity of the securities to which it pertains;
- b)<sup>255</sup> upon the Authority's authorization referred to in Section 60 in connection with the issue of shares admitted to trading on a regulated market;
- c) upon the repurchase of all securities before maturity.

### *Section 60*<sup>256</sup>

(1) Any issuer who provides proof of having been reorganized to operate as a private limited company shall be entitled to request the Authority for exemption from the requirement to disclose information to the public with respect to the securities series to which the requirement relates.

(2) Simultaneously upon submitting the above-specified request, the issuer is to inform the holders of the said securities in the form of an extraordinary disclosure by way of the means specified in Section 56 concerning his request and the reasons therefor.

(3)<sup>257</sup> The Authority shall adopt a decision concerning the request after twenty-two working days and before the thirtieth working day. The Authority may reject the request only if the criteria specified in Subsection (1) above is not satisfied.

(4) As of the effective date of the Authority's authorization, the issuer shall be exempted from the obligation to disclose regular or extraordinary information concerning the securities series to which the requirement relates.

(5) The issuer shall be required to publish the Authority's authorization by way of the means specified under Section 56.

<sup>251</sup> Enacted by Subsection (2) of Section 7 of Act CIV of 2014, effective as of 1 January 2015.

<sup>252</sup> Enacted by Section 3 of Act CX of 2020, effective as of 26 December 2020.

<sup>253</sup> Enacted by Section 14 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>254</sup> Established by Section 14 of Act CXXXVII of 2007. Amended by Paragraph f) of Section 47 of Act CXVIII of 2019.

<sup>255</sup> Amended by Paragraph 1) of Section 47 of Act CXVIII of 2019.

<sup>256</sup> Established by Section 15 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>257</sup> Amended: by Sections 269-270 of Act LVI of 2009. In force: as of 1. 10. 2009.

## Notification and Disclosure of Voting Rights<sup>258</sup>

### Section 61<sup>259</sup>

(1) Holders of shares or voting rights in a public limited company (for the purposes of this Section hereinafter referred to as “shareholder”) shall notify the issuer and the Authority at the time of reaching or exceeding the threshold specified in Subsection (3) relating to voting rights, or shares to which voting rights are attached, held directly or indirectly, including when such holdings of shares or voting rights fall below the said threshold without delay, but not later than within two calendar days, the first of which shall be the day after the date on which the shareholder:

*a)* learns of the acquisition or disposal of shares carrying voting rights or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect; or

*b)* is informed by the issuer’s notice concerning changes in the quantity of shares to which voting rights are attached in accordance with the issuer’s charter document.

(2) In connection with own shares, the notification required under Subsection (1) shall be satisfied by the issuer.

(3) The notification of holdings as required under Subsection (1) applies to the following percentages: five, ten, fifteen, twenty, twenty-five, thirty, thirty-five, forty, forty-five, fifty, seventy-five, eighty, eighty-five, ninety, ninety-one, ninety-two, ninety-three, ninety-four, ninety-five, ninety-six, ninety-seven, ninety-eight and ninety-nine.

(4)<sup>260</sup> 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 according to the issuer’s instrument of constitution. In determining the proportion referred to in Subsection (1), in addition to the shares held by the shareholder, the voting rights described in Subsections (5), (6) and (9) shall also be taken into account.

(5) In determining the proportion referred to in Subsection (1), 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)*<sup>261</sup> is exercised by the shareholder and a third party under an agreement, which permits the parties to the agreement the concerted exercise of the voting rights they hold, a lasting common policy towards the management of the issuer in question;

*b)* is exercised by the shareholder under an agreement providing for the temporary transfer of the voting rights in question;

*c)* is exercised by the shareholder, 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 shareholder under the right of beneficial interest;

*e)* is exercised by the shareholder’s controlled company within the meaning of Paragraphs *a)*-*d)*;

*f)* is exercised by the shareholder, 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 shareholder, under an agreement with the applicant;

*h)* is exercised by the shareholder, if functioning as a proxy, at its discretion in the absence of specific instructions from the principal.

(6) In determining the proportion referred to in Subsection (1), the voting rights of:

*a)* any fund management company, if the fund management company is controlled by the shareholder and if able to exercise the voting rights attached to the securities it manages,

<sup>258</sup> Enacted by Section 16 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>259</sup> Established: by Section 50 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>260</sup> Established by Subsection (1) of Section 7 of Act CLXII of 2015, effective as of 26 November 2015.

<sup>261</sup> Established: by Section 68 of Act CL of 2009. In force: as of 1. 01. 2010.

b) any investment firm or credit institution, if the investment firm or credit institution is controlled by the shareholder and if able to exercise the voting rights attached to the portfolio it manages under direct or indirect instructions from the shareholder or another controlled company of the shareholder, or in any other way.

(6a)<sup>262</sup> The size of voting rights shall be calculated by reference to the total nominal value of shares underlying the financial instrument except where the financial instrument provides exclusively for a cash settlement, in which case the number of voting rights shall be calculated having regard to Commission Regulation 2015/761/EU. The holder shall aggregate and notify all financial instruments relating to the same underlying issuer. Only long positions shall be taken into account for the calculation of voting rights, and shall not be netted.

(7)<sup>263</sup> In determining the proportion referred to in Subsection (1), voting rights held by a company exercising the voting rights of a collective investment trust, investment firm or credit institution that is controlled by the shareholder, shall not be taken into consideration if the company exercising the voting rights of a collective investment trust, 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 shareholder.

(8)<sup>264</sup> In addition to what is contained in Subsection (7):

a) the shareholder is required to send to the Authority the name of the company exercising the voting rights of a collective investment trust, investment firm, credit institution it controls and the name of the competent supervisory authority supervising them;

b) the shareholder shall provide a statement to the Authority to the effect that:

ba) the voting rights attached to the portfolio it manages are exercised by the company exercising the voting rights of a collective investment trust, investment firm or credit institution it controls independently from the shareholder, and

bb) it neither intervenes in the management of the company exercising the voting rights of a collective investment trust, investment firm or credit institution it controls nor exerts any influence on them by way of direct or indirect instructions in their exercise of such voting rights;

c) the shareholder and its controlled companies shall have established written policies and procedures reasonably designed to prevent the distribution of information between them in relation to the exercise of voting rights.

(9)<sup>265</sup> The requirement of notification described in Subsection (1) shall apply to any person who, directly or indirectly, is in possession of any financial instruments, that on maturity, give the holder, under a formal agreement, either the unconditional right to acquire or the discretion as to his right to acquire, shares to which voting rights are attached, with the proviso that the information shall be published broken down according to Subsection (9a). The notification shall distinguish between the financial instruments which confer a right to a physical settlement and the financial instruments which confer a right to a cash settlement.

(9a)<sup>266</sup> For the purposes of Subsection (9) the following shall be considered to be financial instruments:

- a) transferable securities;
- b) options;
- c) futures;
- d) swaps;
- e) forward rate agreements;

<sup>262</sup> Enacted by Subsection (2) of Section 7 of Act CLXII of 2015, effective as of 26 November 2015.

<sup>263</sup> Established: by paragraph (24) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>264</sup> Established: by paragraph (25) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>265</sup> Established by Subsection (3) of Section 7 of Act CLXII of 2015. Amended by Paragraph m) of Section 47 of Act CXVIII of 2019.

<sup>266</sup> Enacted by Subsection (4) of Section 7 of Act CLXII of 2015, effective as of 26 November 2015.

f) financial contracts for differences; or  
g) any other contracts with economic effects similar to the financial instruments provided for in Paragraphs a)-f).

(9b)<sup>267</sup> Voting rights relating to financial instruments that have already been notified in accordance with Subsection (9) shall be notified again when the natural person or the legal entity has acquired the underlying shares and such acquisition results in the total number of voting rights attached to shares issued by the same issuer reaching or exceeding the thresholds laid down by Subsection (3).

(10) The shareholder shall not be required to comply with the obligation of notification under Subsection (1), if the notification requirement is satisfied by its parent company, or if the parent company is controlled by others, by that parent company.

(11)<sup>268</sup> Credit institutions and investment firms shall not be required to take account of voting rights attaching to shares shown in their trading book, in discharging the obligation of disclosure of information under Subsection (1), if:

a) the voting rights cannot be exercised,

b) they are not involved in the decisions relating to the appointment and removal of members for the issuer's decision-making, management bodies, supervisory board and their bodies, and

c) the voting rights held in the trading book do not exceed 5 per cent.

(11a)<sup>269</sup> The shareholder shall not be required to comply with the obligation of notification under Subsection (1), if the voting rights are attached to shares acquired for stabilization purposes in accordance with 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 (EU) No. 596/2014") and its supplementary regulations, provided that issuer ensures that the voting rights attached to those shares:

a) are not exercised, and

b) they are not otherwise used to intervene in the decisions relating to the appointment and removal of members for the issuer's decision-making, management bodies, supervisory board and their bodies.

(12) Market makers shall not be required to comply with the obligation of notification under Subsection (1), if:

a)<sup>270</sup> they ensure that the voting rights attaching to their shares are not exercised,

b) they notify the Authority in advance of the commencement and termination of market making activities,

c) they keep separate accounts on the shares and financial instruments required for market making activities.

(13) Where the market maker has concluded a market-making agreement with the stock exchange and/or the issuer, this agreement shall be presented to the Authority upon request.

(14) In the event of non-compliance with the obligation of notification as prescribed in this Section, the person affected may not exercise his voting rights in the company in question until the notification is submitted.

(15) The Authority shall post on its website the calendar of trading days of regulated markets.

## Chapter VI<sup>271</sup>

### PROVISIONS RELATING TO PUBLIC-INTEREST ISSUERS<sup>272</sup>

<sup>267</sup> Enacted by Subsection (4) of Section 7 of Act CLXII of 2015, effective as of 26 November 2015.

<sup>268</sup> Established by Section 8 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>269</sup> Established by Section 38 of Act LIII of 2016, effective as of 3 July 2016.

<sup>270</sup> Established by Subsection (6) of Section 7 of Act CLXII of 2015, effective as of 26 November 2015.

<sup>271</sup> Established: by Section 279 of Act CLVI of 2011. In force: as of 1. 01. 2012.

<sup>272</sup> Established: by Section 279 of Act CLVI of 2011. In force: as of 1. 01. 2012.

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*Section 62<sup>273</sup>*

(1)<sup>274</sup> Public-interest issuer means any issuer of securities that have been admitted to trading on regulated market.

(2)<sup>275</sup> Public-interest issuers are required to set up and operate an audit committee provided for in Section 3:291 of the Civil Code, taking into account that - in the case of any issuer that operates in the form of a private limited company - any reference made in the provisions of the Civil Code on legal persons to a limited company and general meeting shall be construed as the issuer referred to in Subsection (1) and its supreme body.

(2a)<sup>276</sup> The audit committee members as a whole shall have competence relevant to the sector in which the audited entity is operating.

(2b)<sup>277</sup> The chairman of the audit committee shall be appointed by its members or by the supervisory body of the public-interest issuer.

(3)<sup>278</sup> Subsection (2) shall not apply if the public-interest issuer has a body that meets the conditions laid down in Subsections (1) and (2) of Section 3:291 of the Civil Code and in Subsection (4) hereof, and this body performs the functions set out in Subsection (4) of Section 3:291 of the Civil Code. In such a case the public-interest issuer shall disclose on its own website which body carries out the functions set out in Subsection (1) of Section 3:291 of the Civil Code and how it is composed.

(3a)<sup>279</sup> In the case of public-interest issuers:

a) which meet the criteria set out in Point 69 of Subsection (1) of Section 5; and

b) that is a company listed on a regulated market that had an average market capitalization of less than 100 million euro on the basis of end-year quotes for the previous three calendar years; the functions assigned to the audit committee may be performed by the administrative or supervisory body, provided that where the chairman of such a body is an executive member, he or she shall not act as chairman of the audit committee whilst such body is performing the functions of the audit committee.

(3b)<sup>280</sup> 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 issuer'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 the registered 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) Within the meaning of this Section, managers of investment funds shall be treated as issuers of investment units.

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<sup>273</sup> Established: by Section 279 of Act CLVI of 2011. In force: as of 1. 01. 2012.

<sup>274</sup> Amended by Paragraph b) of Subsection (1) of Section 41 of Act CCXV of 2015.

<sup>275</sup> Established by Subsection (8) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>276</sup> Enacted by Subsection (1) of Section 56 of Act XLIV of 2016, effective as of 4 June 2016.

<sup>277</sup> Enacted by Subsection (1) of Section 56 of Act XLIV of 2016, effective as of 4 June 2016.

<sup>278</sup> Established by Subsection (9) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>279</sup> Enacted by Subsection (2) of Section 56 of Act XLIV of 2016, effective as of 4 June 2016.

<sup>280</sup> Enacted by Subsection (2) of Section 56 of Act XLIV of 2016, effective as of 4 June 2016.

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Chapter VI/A<sup>281</sup>

REGULATIONS FOR TERMINATING THE CONTINUED TRADING OF  
SHARES ADMITTED TO TRADING ON A REGULATED MARKET<sup>282</sup>

*Section 63*<sup>283</sup>

(1) The decision for the delisting of shares admitted to trading on a regulated market lies with the supreme body of the issuer. The supreme body of the issuer shall have a quorum when attended by holders of shares carrying voting rights representing at least 50% + 1. In the decision-making process multiple-vote securities shall carry only one vote each. At least a three-quarters majority is required for the decision of the supreme body of the issuer in adopting a resolution on delisting. In the decision-making process multiple-vote securities shall carry only one vote each.

(2) Unless otherwise provided for by the issuer's articles of association, the decision for the transfer of shares admitted to trading on a regulated market to another trading venue lies with the issuer's management.

(3) On the day following the date when the decision on the delisting or transfer of shares admitted to trading on a regulated market was adopted, the issuer shall send to the Authority, and the regulated market:

- a) the resolution containing the decision;
- b) the particulars of the shares affected, and a statement containing the proposed date for delisting or transfer;
- c) in the case of transfer, the contact details of the regulated market on which the share in question is traded.

(4) The issuer shall notify the registered shareholders concerning the decision for the delisting of shares admitted to trading on a regulated market within five working days following the date when the resolution was adopted in accordance with the relevant provisions on the service of official documents, and shall - furthermore - publish the information contained in Paragraphs a)-c) of Subsection (3) in its own gazette for official notices, if available, and in a daily newspaper of nationwide circulation.

(5) The time span between the date of submission of the notice of delisting to the exchange market and the date when the shares are in fact removed from the regulated market in question may not be less than sixty trading days.

(6) If the issuer satisfies the conditions set out in Subsection (3), the regulated market shall provide for - according to its bylaws - for having the shares admitted to trading on that market removed from the list of traded securities on the effective date of delisting or transfer.

(7) Any shareholder whose shares are directly affected by the delisting - excluding those who supported the general meeting's decision - may request - within a sixty-day forfeit deadline following the date of publication of the decision on delisting - the company to purchase his shares. Such offer to sell may not be withdrawn.

*Section 63/A*<sup>284</sup>

(1) The price quoted for the shares offered cannot be less than:

- a) the volume weighted average price of transactions on the regulated market for the one-hundred-and-eighty-day period preceding the date when the decision for delisting was adopted, taking also into consideration of what is contained in Subsections (2)-(4);

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<sup>281</sup> Enacted: by Section 96 of Act CLIX of 2010. In force: as of 1. 01. 2011.

<sup>282</sup> Enacted: by Section 96 of Act CLIX of 2010. In force: as of 1. 01. 2011.

<sup>283</sup> Enacted: by Section 96 of Act CLIX of 2010. In force: as of 1. 01. 2011.

<sup>284</sup> Enacted: by Section 96 of Act CLIX of 2010. In force: as of 1. 01. 2011.

b) the highest price contracted for the transfer of the company's shares by the issuer within the one-hundred-and-eighty-day period preceding the date when the decision for delisting was adopted;

c) the volume weighted average price of transactions on the regulated market for the three-hundred-and-sixty-day period preceding the date when the decision for delisting was adopted, if available, taking also into consideration of what is contained in Subsections (2)-(4);

d) the sum total of the contracted call price and the commission for a purchase or repurchase option exercised by the issuer within the one-hundred-and-eighty-day period preceding the date when the decision for delisting was adopted;

e) the sum total of the contracted call price and the commission for a purchase or repurchase option contracted by the issuer within the one-hundred-and-eighty-day period preceding the date when the decision for delisting was adopted;

f) from the amount of equity capital per share, the maximum amount.

(2) If, in the case referred to in Paragraph a) of Subsection (1), during the period specified therein, less than thirty-six deals were concluded, the volume weighted average price shall not be applied. When determining the amount of consideration the value calculated according to Paragraphs a) and b) of Subsection (1) shall be applied even if less than one hundred eighty and more than ninety days lapsed between the first day of trading and the day when the decision for delisting was adopted.

(3)<sup>285</sup> If the shares of the issuer are listed on more than one regulated market, from the average prices calculated for each regulated market the highest price shall be taken into consideration, where the official exchange rate in effect on the day of transaction, as published by the MNB shall be used for having the price translated to forints.

(4)<sup>286</sup> In determining the price, any deal that was concluded illegally according to a definitive administrative decision or final court ruling shall not be taken into account.

(5) Equity capital means:

a) the own funds shown in the last audited annual account, or

b) if the issuer does not have an audited annual account, the figures contained in the yearly or half-yearly flash report submitted to the Authority shall be applied, with the exception that if the issuer is required to file consolidated annual accounts in accordance with the Accounting Act, equity capital means the consolidated own funds.

(6) A share transfer agreement between the issuer and the shareholder who has offered to sell shall become effective on the last day of the period within which the offer to sell has to be made.

(7) The issuer shall effect payment within ten working days following the last day of the period within which the offer to sell has to be made. If payment is settled after the above-specified date, the issuer shall be liable to pay a default penalty.

(8) The issuer shall notify the Authority regarding settlement or non-settlement of payment of the consideration within two working days of the payment deadline; the notification shall include an explanation in the case of non-settlement or partial settlement.

(9)<sup>287</sup> The obligation of notification and publication prescribed in this Act shall not affect the obligation of notification and publication specified in the provisions of the Civil Code on legal persons.

## *Section 64<sup>288</sup>*

### **PART THREE**

## **ACQUISITION OF MAJOR HOLDING IN PUBLIC LIMITED COMPANIES**

<sup>285</sup> Established: by Section 55 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>286</sup> Amended by Paragraph a) of Section 212 of Act L of 2017.

<sup>287</sup> Established by Subsection (10) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>288</sup> Repealed by Paragraph a) of Section 161 of Act LXII of 2005. Previous subtitle repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

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## Chapter VII<sup>289</sup>

### GENERAL PROVISIONS

#### *Section 65<sup>290</sup>*

(1) The provisions of this Part shall apply to:

- a) any acquisition of a participating interest by way of securities which have been offered in Hungary to the public but not admitted to trading on a regulated market; and
- b) any acquisition of a participating interest by way of securities which have been admitted to trading on a regulated market in Hungary.

(2) The provisions of this Part shall not apply to any acquisition of a participating interest:

- a) in collective investment trusts operating as business associations according to the relevant national laws; and/or
- b) in the national banks of Member States.

(3)<sup>291</sup> Where publication, publication obligation or submission for publication is prescribed in this Chapter, it shall be carried out by way of the means specified in Subsection (6) of Section 44.

#### *Section 65/A<sup>292</sup>*

(1)<sup>293</sup> In determining the extent of interest, direct and indirect control [Point 84 of Subsection (1) of Section 5], the interest held by persons acting in concert and the interest of close relatives shall be applied on the aggregate.

(2) In determining the extent of interest, where:

- a) voting right is exercised by a third person in his own name but on a shareholder's behalf, it shall be recognized as the voting right of the shareholder in question;
- b) voting rights of a shareholder received on the basis of shares pledged in security for a contract shall be recognized as the voting right of the beneficiary of the security, unless there is an agreement to the contrary.

(3) By way of derogation from Paragraph a) of Subsection (2), where a third party acts in his own name but on a shareholder's behalf and has registered himself in the register of shareholders as a shareholder and not as a nominee in accordance with Subsection (1) of Section 151 and Section 152, it shall be treated as acquisition of a participating interest by such third party.

(4)<sup>294</sup> Members of a group [Point 27 of Subsection (1) of Section 5] shall be treated as persons acting in concert regardless of the objective.

(5)<sup>295</sup> Any member of the group aforementioned shall notify the parent company of its acquisition of participating interest in a public limited company - regardless of its size - without delay, in any case within two days from the date of acquisition. The parent company shall notify without delay, in any case within two days, the group required under Paragraph d) of Subsection (2) of Section 68 to make a public takeover bid.

### **Competent Supervisory Authority and Applicable Law<sup>296</sup>**

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<sup>289</sup> See Subsection (5) of Section 99 of Act CXXXVII of 2007.

<sup>290</sup> Established by Subsection (1) of Section 17 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>291</sup> Enacted by Section 18 of Act CXXXVII of 2007. Amended by Paragraph a) of Section 47 of Act CXVIII of 2019.

<sup>292</sup> Enacted by Section 18 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>293</sup> Established by Subsection (1) of Section 19 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>294</sup> Established by Subsection (2) of Section 19 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>295</sup> Enacted: by Section 43 of Act CLI of 2012. In force: as of 28. 10. 2012.

<sup>296</sup> Enacted by Subsection (1) of Section 19 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of



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### *Section 66<sup>297</sup>*

(1) If the offeree company's securities are admitted to trading on regulated markets in more than one Member State, the authority competent to supervise the bid shall be that of the Member State on the regulated market of which the securities were first admitted to trading.

(2) If the offeree company's securities were first admitted to trading on regulated markets in more than one Member State simultaneously, the offeree company shall determine which of the supervisory authorities of those Member States shall be the authority competent to supervise the bid by notifying those regulated markets and their supervisory authorities on the first day of trading.

(3)<sup>298</sup> The offeree company shall make public without delay the name of the supervisory authority vested under Subsection (2) with competence to supervise the bid by way of the means referred to in Subsection (6) of Section 44.

(4) If the Authority has competence to supervise the bid of the offeree company, and the offeree company has its registered office in another Member State and not in Hungary:

a) the limits in terms of the percentage of voting rights which confers control for mandatory bids, and the method of its calculation of the extent of control;

b) the disclosure of information to the employees; and

c) the operations of an exceptional nature which the management body of the offeree company may engage in upon learning about the bid,

shall be governed by the laws of the Member State in which the offeree company has its registered office.

### *Section 67<sup>299</sup>*

## **Acquisition of a Major Holding by way of Statutory Public Takeover Bid**

### *Section 68<sup>300</sup>*

(1) Any acquisition of a participating interest in the offeree company shall be subject to a takeover bid, that is to be approved by the Authority in advance:

a) for the acquisition of more than twenty-five per cent of the voting rights, if there is no shareholder in the company, other than the buyer, holding more than ten per cent of the voting rights; or

b) for the acquisition of more than thirty-three per cent of the voting rights.

(2)<sup>301</sup> If a participating interest is acquired in excess of the percentages specified in Subsection (1):

a) by any conduct other than an outright bid submitted by the buyer;

b) by way of exercising a purchase option or repurchase option, or a call option on a forward purchase agreement;

c) within the framework of a procedure conducted by a government holding company as defined by law; or

d) upon the collaboration of persons acting in concert;

the bid shall be presented within fifteen days from the date of publication specified in Subsection (2)

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Section 180 of Act CLXXXVI of 2005.

<sup>297</sup> Established by Subsection (2) of Section 19 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>298</sup> Amended by Paragraph a) of Section 47 of Act CXVIII of 2019.

<sup>299</sup> Repealed together with the previous title by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>300</sup> Established by Section 21 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>301</sup> Established by Subsection (1) of Section 20 of Act CXXXVII of 2007, effective as of 1 December 2007. See also Subsection (7) of Section 99 of Act CXXXVII of 2007.

of Section 55.

(3) When a participating interest is acquired by persons acting in concert, all parties to the agreement shall be subject to present the bid jointly, unless the parties agreed to confer powers upon a particular party to submit the bid. An agreement to designate a party to submit the takeover bid shall not relieve the parties from the obligation to make a takeover bid.

(4)<sup>302</sup> All deals for the acquisition of a participating interest by way of a takeover bid shall be handled by an investment firm or credit institution authorized to engage in providing the services specified in Paragraph *d*) of Subsection (2) of Section 5 of the IRA (for the purposes of this Chapter hereinafter referred to collectively as “investment service provider”).

(5)<sup>303</sup> Subsections (1)-(4) shall not apply if the acquisition in the percentage specified in Subsection (1) takes place upon introducing the resolution measures and powers within the framework of the Resolution Act.

### *Section 69*

(1)<sup>304</sup> The offeror and the investment service provider commissioned in accordance with Subsection (4) of Section 68 shall submit the takeover bid to the Authority for approval; they shall simultaneously send the bid and the relevant documents to the management body or the board of directors of the offeree company and submit the takeover bid - as it is filed for approval - for publication. The publication shall expressly indicate that the Authority’s authorization for the takeover bid is pending or, where applicable, that the offeror has filed for competition oversight proceedings.

(2) All takeover bids shall contain:

- a*)<sup>305</sup> the offeror’s name (corporate name) and residence or business address;
- b*)<sup>306</sup> the percentage of participating interest (direct or indirect) held in the company by the offeror or by all persons acting in concert, and also by any close relative of the offeror, and the quantity and the series of shares held by such persons;
- c*) the monetary value of the consideration offered for the shares and the composition of such consideration (ratio of cash and securities and the description of securities if any offered, etc.), and the formula for the calculation and the terms of settlement of the consideration, including a reference to the regulations specified under Subsections (6)-(8) of Section 74;
- d*) the deadline of the validity of the takeover bid;
- e*) the designated place and method for accepting the takeover bid (hereinafter referred to as “declaration of acceptance”), and the conditions under which a proxy or an intermediary may be involved;
- f*)<sup>307</sup> the name and address of the participating investment service provider commissioned according to Subsection (4) of Section 68;
- g*) the venue where the program of operation defined in Subsection (4) and the report of the business operations of the offeror is deposited for inspection;
- h*) if the bid is submitted jointly, the ratio of distribution of the shares specified in the declaration of acceptance among the offerors;
- i*) a statement for reserving the right to withdraw the takeover bid for the event if, pursuant to the declarations of acceptance, the participating interest to be acquired is less than fifty per cent;

<sup>302</sup> Established by Subsection (2) of Section 20 of Act CXXXVII of 2007. Amended by Section 338 of Act LVIII of 2020.

<sup>303</sup> Established by Section 11 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>304</sup> Established by Subsection (1) of Section 22 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>305</sup> Established by Subsection (2) of Section 22 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>306</sup> Established by Subsection (2) of Section 22 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>307</sup> Established by Subsection (2) of Section 22 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

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- j)*<sup>308</sup> a description of the offeror's relation to the offeree company;
- k)*<sup>309</sup> the compensation offered for the rights which might be removed as a result of the breakthrough rule laid down in Section 76/C, with particulars of the way in which that compensation is to be paid and the method employed in determining it;
- l)*<sup>310</sup> the likely repercussions on employment;
- m)*<sup>311</sup> the applicable law and the court vested with competence for any dispute between the shareholders and the offeror, arising out of or in connection with the sales agreement concluded upon acceptance of the takeover bid; and
- n)*<sup>312</sup> all the conditions of import to which the bid is subject.
- (3)<sup>313</sup> No takeover bid shall be phrased or arranged so as to breach the principle of equal treatment relative to the declaration of acceptance in respect of shareholders.
- (4)<sup>314</sup> The offeror shall be required to submit a program of operation that is to contain the compulsory elements specified in Annex 8 concerning the future of the target company, and a business report if the offeror is a company, whether resident or non-resident.
- (5)<sup>315</sup> A written declaration of liability shall be supplied by the offeror and the investment service provider commissioned according to Subsection (4) of Section 68 enclosed with the offeror's business report. The declaration shall stipulate that all data and information contained in the business report is true and correct and that it contains all of the information necessary to make an informed judgment of the offeror and the takeover bid to which it pertains. The offeror and the investment service provider commissioned according to Subsection (4) of Section 68 shall be subject to joint and several liability for any and all damages resulting from their having supplied any misleading information in the business report or concealed material information in connection with the business report.
- (6) The offeror and the investment service provider commissioned according to Subsection (4) of Section 68 shall enclose the following with the application for approval of the takeover bid:<sup>316</sup>
- a)* the program of operation and the business report;
- b)* proof of the offeror having sufficient funds available to cover the consideration payable for the shares to which the takeover bid pertains; and
- c)*<sup>317</sup> if the takeover bid is submitted by persons acting in concert and it is not submitted by the parties jointly, the agreement that stipulates the party empowered to submit the bid;
- d)* if the takeover bid is submitted in the manner defined in Subsection (2) of Section 68, the contract for the purchase or repurchase option, or for the call option on the forward purchase of shares;
- e)*<sup>318</sup> a statement for the exercise of the buy option, if applicable, where the bid is for acquiring up to ninety per cent of the voting rights of the offeree company.
- (7) The takeover bid may stipulate payment:
- a)* in cash;

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<sup>308</sup> Enacted by Subsection (2) of Section 22 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>309</sup> Enacted by Subsection (2) of Section 22 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>310</sup> Established by Subsection (1) of Section 14 of Act LII of 2007, effective as of 1 July 2007.

<sup>311</sup> Enacted by Subsection (2) of Section 14 of Act LII of 2007, effective as of 1 July 2007.

<sup>312</sup> Enacted by Subsection (2) of Section 22 of Act CLXXXVI of 2005. Designation amended by Subsection (2) of Section 14 of Act LII of 2007.

<sup>313</sup> Amended by Subsection (1) of Section 61 of Act CXXV of 2003.

<sup>314</sup> Established: by Section 69 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>315</sup> Established by Subsection (3) of Section 22 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>316</sup> Established by Subsection (4) of Section 22 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>317</sup> Established by Subsection (4) of Section 22 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>318</sup> Established by Subsection (3) of Section 14 of Act LII of 2007, effective as of 1 July 2007.

b)<sup>319</sup> in government securities issued by any Member State of the European Union or the OECD;  
c)<sup>320</sup> by bank guarantee issued by a credit institution that is established in any Member State of the European Union or the OECD.

(8)<sup>321</sup> No provisions are required for shares held by persons acting in concert if they provide a statement declaring that they will not accept the offer, and that they will not alienate their shares during the period to which the bid pertains and during the following two years, nor will they enter into an agreement therefor.

### *Section 70*

(1)<sup>322</sup> The Authority shall resolve the application for approval of a takeover bid within ten working days from the date when submitted, or if the application is incomplete or insufficient, shall request the missing or additional information to be submitted within maximum three working days. The Authority shall adopt a decision in connection with such updated applications within three working days.

(2)<sup>323</sup> The Authority shall not refuse approval if the takeover bid and its appendices are in compliance with the requirements laid down in this Act. If the Authority fails to introduce its decision concerning an application within ten, or three working days if updated, approval shall be considered granted.

(3)<sup>324</sup>  
(4) The offeror shall submit the Authority's decision and the takeover bid for publication forthwith upon receipt of the decision or upon the expiration of the deadline prescribed for approval, in which to indicate the first and last day of the period within which the declaration of acceptance is to be introduced.

(5)<sup>325</sup> The period within which the declaration of acceptance of the takeover bid is to be introduced shall be minimum thirty and maximum sixty-five days, including any extension. The first day of the period within which the declaration of acceptance is to be introduced shall not precede the second day following the publication defined in Subsection (4) and shall not be later than the fifth day following publication. At the offeror's justified request, the Authority may extend the time limit for acceptance as specified in the takeover bid on one occasion, by an additional fifteen days maximum. The requesting party shall publish the extension before the original time limit expires.

(6) If a takeover bid is published at various times by way of various mediums, the deadlines regarding the takeover bid shall apply from the date of last publication.

(7)<sup>326</sup> The offeror and the persons acting in concert - in respect of natural persons, their close relatives holding any participating interest in the offeree company - and their affiliated companies (hereinafter referred to collectively as "affiliated persons") cannot engage in any deal for the transfer, alienation or encumbrance of the shares to which the takeover bid pertains between the day of submission of the takeover bid to the Authority for approval and the last day of the period within which the declaration of acceptance is to be introduced, with the exception of a share transfer agreement concluded within the framework of the bid. The investment service provider commissioned according to Subsection (4) of Section 68 cannot engage in any deal on his own account concerning the shares to which the bid pertains until the last day of the period within which the declaration of acceptance is to be introduced, with the exception of a share transfer agreement

<sup>319</sup> Established by Subsection (4) of Section 14 of Act LII of 2007, effective as of 1 July 2007.

<sup>320</sup> Established by Subsection (4) of Section 14 of Act LII of 2007, effective as of 1 July 2007.

<sup>321</sup> Enacted by Subsection (5) of Section 22 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>322</sup> Amended: by Section 269 of Act LVI of 2009. In force: as of 1. 10. 2009.

<sup>323</sup> Amended: by Section 269 of Act LVI of 2009. In force: as of 1. 10. 2009.

<sup>324</sup> Repealed: by Section 270 of Act LVI of 2009. No longer in force: as of 1. 10. 2009.

<sup>325</sup> Established by Section 23 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>326</sup> Established by Section 15 of Act LII of 2007, effective as of 1 July 2007.

concluded within the framework of the bid.

(8)<sup>327</sup>

### Section 71

(1) The takeover bid shall be presented for all shares of the target company to which voting rights are attached, and to all shareholders having voting rights.

(2)<sup>328</sup> The offeror may modify the bid price quoted in the takeover bid until the last day of the period stipulated for acceptance on condition that the new price expressed in monetary terms is higher than the price quoted in the takeover bid and that the offeror publishes it. The new price also applies to the declarations of acceptance made before the modification was published.

## The Offer Price<sup>329</sup>

### Section 72<sup>330</sup>

(1) The consideration quoted in the takeover bid for the shares in question cannot be less than:

a) in respect of securities admitted to trading on a regulated market:

aa) the volume weighted average stock market price for the one-hundred-and-eighty-day period preceding the date when the bid was submitted to the Authority for approval, also in consideration of what is contained in Subsections (2)-(4),

ab) the highest price contracted for the transfer of the offeree company's shares by the offeror and affiliated persons within the one-hundred-and-eighty-day period preceding the date when the bid was submitted,

ac)<sup>331</sup> if available, the volume weighted average stock market price for the three-hundred-and-sixty-day period preceding the date when the bid was submitted to the Authority for approval, also in consideration of what is contained in Subsections (2)-(4),

ad) the aggregate of the contracted call price and the commission for a purchase or repurchase option exercised by the offeror and affiliated persons within the one-hundred-and-eighty-day period preceding the date when the bid was submitted,

ae)<sup>332</sup> the aggregate of the contracted call price and the commission for a purchase or repurchase option fixed in an agreement by the offeror and affiliated persons concluded within the one-hundred-and-eighty-day period preceding the date when the bid was submitted,

af)<sup>333</sup> the consideration received for exercising the voting rights fixed in an agreement by the offeror and affiliated persons concluded within the one-hundred-and-eighty-day period preceding the date when the bid was submitted, and

ag)<sup>334</sup> the amount of equity capital per share,  
whichever is higher;

b) in respect of securities not listed on a regulated market:

ba) the volume weighted average price for the one-hundred-and-eighty-day period preceding the date when the bid was submitted to the Authority for approval, also in consideration of what is contained in Subsections (2)-(4),

bb) the highest price contracted for the transfer of the offeree company's shares by the offeror and

<sup>327</sup> Repealed by Subsection (6) of Section 6 of Act XXII of 2006, effective as of 20 May 2006.

<sup>328</sup> Established by Section 100 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>329</sup> Enacted by Subsection (1) of Section 24 of Act CLXXXVI of 2005, effective as of 20 May 2006.

<sup>330</sup> Established by Subsection (2) of Section 24 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>331</sup> Established by Subsection (1) of Section 16 of Act LII of 2007, effective as of 1 July 2007.

<sup>332</sup> Established by Subsection (2) of Section 16 of Act LII of 2007, effective as of 1 July 2007.

<sup>333</sup> Established by Subsection (3) of Section 16 of Act LII of 2007, effective as of 1 July 2007.

<sup>334</sup> Enacted by Subsection (4) of Section 16 of Act LII of 2007, effective as of 1 July 2007.

the affiliated persons within the one-hundred-and-eighty-day period preceding the date when the takeover bid was submitted,

*bc*) the aggregate of the contracted call price and the commission for a purchase or repurchase option exercised by the offeror and affiliated persons within the one-hundred-and-eighty-day period preceding the date when the bid was submitted,

*bd*)<sup>335</sup> the aggregate of the contracted call price and the commission for a purchase or repurchase option fixed in an agreement by the offeror and affiliated persons concluded within the one-hundred-and-eighty-day period preceding the date when the bid was submitted,

*be*)<sup>336</sup> the consideration received for exercising the voting rights fixed in an agreement by the offeror and affiliated persons concluded within the one-hundred-and-eighty-day period preceding the date when the bid was submitted, and

*bf*)<sup>337</sup> the amount of equity capital per share,  
whichever is higher.

(2)<sup>338</sup> If, in the case referred to in Subparagraph *aa*) of Paragraph *a*) and in Subparagraph *ba*) of Paragraph *b*) of Subsection (1), during the period specified therein less than thirty-six deals were concluded, the volume weighted average price shall not be applied. For the calculation of consideration the value calculated according to Subparagraphs *aa*) and *ab*) of Paragraph *a*) of Subsection (1) shall be applied if less than one hundred eighty and more than ninety days lapsed between the first day of trading and the day when the takeover bid was submitted to the Authority.

(3)<sup>339</sup> If the securities of the offeree company are listed on more than one regulated market, from the average prices calculated for each regulated market the highest price shall be taken into consideration, with the exception that the official exchange rate published by the MNB, in effect on the day of transaction shall be used for having the price translated to forints.

(4)<sup>340</sup> In determining the price, any deal that was concluded illegally according to a definitive administrative decision or final court ruling shall not be taken into account.

(5)<sup>341</sup> Equity capital means:

*a*)<sup>342</sup> the own funds shown in the last audited annual account approved by the general meeting, or  
*b*) if the offeree company does not have an audited annual account, the figures contained in the yearly or half-yearly flash report submitted to the Authority shall be applied, with the exception that if the offeree company is required to file consolidated annual accounts in accordance with the Accounting Act, equity capital means the consolidated own funds.

### *Section 73*<sup>343</sup>

If before the publication of the takeover bid as specified under Subsection (1) of Section 69, the management body of the offeree company - upon the offeror's request - has provided any information to the offeror or his proxy concerning the operations of the company, the offeror, his proxy, and the investment service provider commissioned according to Subsection (4) of Section 68 shall handle such information as strictly confidential in compliance with the regulations on business secrets, securities secrets and insider dealing.

## **Operations of an Exceptional Nature by the Management Body of the Offeree**

<sup>335</sup> Established by Subsection (5) of Section 16 of Act LII of 2007, effective as of 1 July 2007.

<sup>336</sup> Established by Subsection (6) of Section 16 of Act LII of 2007, effective as of 1 July 2007.

<sup>337</sup> Enacted by Subsection (7) of Section 16 of Act LII of 2007, effective as of 1 July 2007.

<sup>338</sup> Established by Subsection (8) of Section 16 of Act LII of 2007, effective as of 1 July 2007.

<sup>339</sup> Established: by Section 56 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>340</sup> Amended by Paragraph a) of Section 212 of Act L of 2017.

<sup>341</sup> Enacted by Subsection (9) of Section 16 of Act LII of 2007, effective as of 1 July 2007.

<sup>342</sup> Established: by Section 44 of Act CLI of 2012. In force: as of 28. 10. 2012.

<sup>343</sup> Established by Section 25 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

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## Company<sup>344</sup>

### Section 73/A<sup>345</sup>

(1)<sup>346</sup> If so prescribed in the articles of association of the offeree company, the management body, the board of directors and the supervisory board of the offeree company (hereinafter referred to as “management body”), as of the date of receipt of a takeover bid or - if the management body already had information concerning the takeover bid - as of the date of receipt of this information up to the time limit allowed for the acceptance of the bid - with the exception laid down in Subsection (2) - may not adopt any decision aiming to hinder the offeree company in carrying on its activities for the acquisition of a participating interest (such as to increase the share capital, buy up its own shares, etc.).

(2) The restriction prescribed in the articles of association according to Subsection (1) notwithstanding, the management body of the offeree company may:<sup>347</sup>

*a)* undertake actions to encourage the launch of a counter-offer in accordance with Section 75; or  
*b)* adopt a decision for the implementation of a resolution the general meeting has passed before the time referred to in Subsection (1), provided that it forms part of the normal course of the offeree company’s business.

(3)<sup>348</sup> It shall not be construed a violation of the restriction prescribed in the articles of association as specified in Subsection (1), where the management body of the offeree company undertakes action in the cases and in the manner specified in a resolution adopted by its general meeting called in due observation of the relevant provisions of the Civil Code on legal persons after the takeover bid is launched or after receiving information concerning the bid.

(4) The management body of the offeree company shall respond to the takeover bid and communicate such response to the shareholders - at the place where the program of operation and the business report is deposited for inspection - before the first day of the period within which the declaration of acceptance is to be introduced. The statutory components of the response of the management body are specified in Annex 9. If the Authority approved the takeover bid with some modification, the management body may revise its response if deemed necessary.

(5) With the exception of the acquisition of a participating interest under Paragraphs *c)* and *d)* of Subsection (2) of Section 68, the management body of the offeree company shall commission an independent financial expert to assess the bid at the company’s expense. The expert’s assessment shall be published in the same manner as the management body’s response. The management body shall notify the shareholders concerning the publication of the expert assessment by way of posted notice.

(6) The management body of the offeree company shall, upon receipt of the takeover bid, immediately forward it to the representatives of the employees. The opinion of the employees shall be attached to that of the management body of the offeree company, if it is in the management body’s possession at the time of disclosure of its own opinion.

(7) The provisions contained in Subsections (1)-(3) shall not apply where the takeover bid for the acquisition of a participating interest in the offeree company is launched:

*a)* by a company that does not apply similar regulations when it is itself being the target of a takeover bid; or

*b)* by a company that is controlled, directly or indirectly, by the company referred to in Paragraph *a)*.

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<sup>344</sup> Enacted by Subsection (1) of Section 26 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>345</sup> Enacted by Subsection (2) of Section 26 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>346</sup> Established by Subsection (1) of Section 5 of Act CXVI of 2007, effective as of 24 October 2007.

<sup>347</sup> Amended by Paragraph *c)* of Subsection (1) of Section 8 of Act CXVI of 2007.

<sup>348</sup> Established by Subsection (11) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

(8)<sup>349</sup> The management body of the offeree company, in the course of proceedings of an exceptional nature, shall take into account the long-term business and strategic plans of the offeree company.

## **Acceptance of the Takeover Bid<sup>350</sup>**

### *Section 74*

(1) Subsequent to the first day of the period within which the declaration of acceptance is to be introduced, any holder of shares to which the takeover bid pertains may declare his intention to transfer all or a fraction of his shares specified in the declaration of acceptance under the terms and conditions set forth in the takeover bid.

(2) The declaration of acceptance can be made in person or by way of proxy. Any and all liability for making the declaration of acceptance by way of proxy or another medium (i.e. postal service) shall lie with the person making the declaration.

(3) The declaration of acceptance cannot be withdrawn.

(4)<sup>351</sup> The offeror must purchase all shares offered, unless the participating interest to be acquired by the offeror in the offeree company would be less than fifty per cent pursuant to the declarations of acceptance, and the bid contains a cancellation clause for this instance. The principle of equal treatment shall apply among shareholders when exercising their right of acceptance of the takeover bid.

(5) A share transfer agreement between the offeror and a shareholder who has filed a declaration of acceptance shall become effective on the last day of the period within which the declaration of acceptance is to be introduced, unless there is a competition oversight proceeding pending on this day, in which case the agreement shall become effective on the day when the competition board's authorization is granted.

(6) The offeror shall effect payment within five working days following the last day of the period within which the declaration of acceptance is to be introduced, or on the day when the competition board's authorization is granted in conclusion of a competition oversight proceeding.

(7) If the consideration is not cash, in part or entire, the person filing the declaration of acceptance may request in the declaration for the offeror to pay the consideration in cash only.

(8) If payment is settled after the date specified in Subsection (6) above, the offeror shall be liable to pay a default penalty. If payment is not effected within thirty days following the deadline specified in Subsection (6), the person filing the declaration of acceptance may cancel the contract. If the contract is cancelled by the seller the offeror shall so notify the Authority within two working days. Payment of the default penalty or canceling the contract shall have no effect on the Authority's powers to impose the sanctions defined in this Act for any violation of the regulations pertaining to payment of the consideration.

## **Counter-offer**

### *Section 75*

(1) Any person shall be entitled to submit another takeover bid before the fifteenth day preceding the period within which the declaration of acceptance is to be introduced (hereinafter referred to as "counter-offer"). Counter-offers shall be subject to the provisions on takeover bid, with the exception specified in Subsections (2)-(4).

<sup>349</sup> Enacted: by paragraph (4) Section 73 of Act CXV of 2009. In force: as of 1. 01. 2010.

<sup>350</sup> Enacted by Subsection (1) of Section 27 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>351</sup> Established by Subsection (2) of Section 27 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.



(2) A counter-offer may be published, and shall be approved by the Authority, if it is more favorable to the shareholders as compared to the takeover bid or a previous counter-offer. A counter-offer is deemed more favorable if the consideration quoted in monetary terms is at least five per cent higher. If another counter-offer is submitted it shall be deemed more favorable if the consideration quoted in monetary terms is at least another five per cent higher than that quoted by the previous counter-offer.

(3) If a new counter-offer differs from the previous offer (counter-offer) only in terms of the consideration quoted, the Authority shall decide on its approval within three days.

(4) When the counter-offer is approved and published according to Subsection (4) of Section 70, the previous offer (counter-offer) and the relevant declaration of acceptance shall be considered invalid.

## Conclusion of a Takeover Bid

### *Section 76*<sup>352</sup>

The offeror and the investment service provider appointed under Subsection (4) of Section 68 shall notify the Authority concerning the outcome of the takeover bid within two calendar days following the last day of the period within which the declaration of acceptance is to be introduced and shall simultaneously publish it in accordance with the regulations on the publication of takeover bids. The offeror shall notify the Authority regarding settlement or non-settlement of payment of the consideration within two calendar days of the payment deadline; the notification shall include an explanation in the case of non-settlement or partial settlement.

### **Breakthrough**<sup>353</sup>

#### *Section 76/A*<sup>354</sup>

(1) The articles of association of the offeree company may prescribe that, during the time allowed for acceptance of the bid:

*a)* any restrictions on the transfer of securities provided for in the articles of association of the offeree company shall not apply vis-à-vis the offeror; and

*b)* any restrictions on the transfer of securities provided for in contractual agreements between the offeree company and holders of its securities, or in contractual agreements between holders of the offeree company's securities entered into after the adoption of the amendment of the articles of association accordingly, shall not apply vis-à-vis the offeror.

(2) The articles of association of the offeree company may prescribe that, at the general meeting of shareholders which decides on any defensive measures in accordance with Section 73/A:

*a)* restrictions on voting rights provided for in the articles of association of the offeree company shall not have effect, unless the restrictions on voting rights are compensated for by specific pecuniary advantages;

*b)* restrictions on voting rights provided for in contractual agreements between the offeree company and holders of its securities, or in contractual agreements between holders of the offeree company's securities entered into after the amendment of the articles of association accordingly, shall not have effect, unless the restrictions on voting rights are compensated for by specific pecuniary advantages; and

*c)* multiple-vote securities shall carry only one vote each, unless it is provided as equitable

<sup>352</sup> Established by Section 21 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>353</sup> Enacted by Section 28 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>354</sup> Enacted by Section 28 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsections (2) and (7) of Section 180 of Act CLXXXVI of 2005.

compensation for any loss suffered by the holders of some other rights.

(3)<sup>355</sup> The provisions set out in the articles of association of the offeree company and those contained in Subsections (1)-(2) shall not apply - subject to authorization by the general meeting of the offeree company - where the takeover bid for the acquisition of a participating interest in the offeree company is launched:

*a)* by a company that does not apply similar regulations when it is itself being the target of a takeover bid; or

*b)* by a company that is controlled, directly or indirectly, by the company referred to in Paragraph *a)*;

provided that the authorization was granted within eighteen months before the takeover bid was communicated.

(4)<sup>356</sup> The provisions contained in Subsections (1)-(3) shall not apply if the Hungarian State holds any preference shares in the offeree company.

### *Section 76/B<sup>357</sup>*

(1) The articles of association of the offeree company may prescribe that, where, following a bid, the offeror holds seventy-five per cent or more of the capital carrying voting rights, the offeror shall have the right to convene a general meeting of shareholders of the offeree company in order to amend the articles of association or to remove or appoint board members, management body members and supervisory board members.

(2) In the general meeting held in accordance with Subsection (1):

*a)*<sup>358</sup> the restrictions referred to in Subsections (1) and (2) of Section 76/A or any extraordinary rights of shareholders concerning the appointment or removal of board members, management body members and supervisory board members shall not apply; and

*b)* multiple-vote securities shall carry only one vote each, unless it is provided as equitable compensation for any loss suffered by the holders of some other rights.

(3)<sup>359</sup> In compensation for the loss of rights explained in Subsection (1) above, the shareholders shall have the right of sell-out vis-à-vis the offeror, which may be exercised within ninety days from the date of publication - in accordance with Subsection (2) of Section 55 - of the acquisition of voting rights reaching or exceeding seventy-five per cent.

(4) The shareholders exercising their right of sell-out as referred to in Subsection (3) above shall offer their shares at the price quoted in the takeover bid. If any shareholder convening the general meeting has purchased any shares during the past period at a higher price, the shares shall be offered at that price.

(5) The provisions contained in Subsections (1)-(4) shall not apply where the takeover bid for the acquisition of a participating interest in the offeree company is launched:

*a)* by a company, or a company acting in concert, that does not apply similar regulations when it is itself being the target of a takeover bid; or

*b)* by a company that is controlled, directly or indirectly, by the company referred to in Paragraph *a)*.

(6)<sup>360</sup> The provisions contained in Subsections (1)-(4) of this Section shall not apply if the Hungarian State holds any preference shares in the offeree company.

<sup>355</sup> Established by Section 17 of Act LII of 2007, effective as of 1 July 2007.

<sup>356</sup> Enacted by Subsection (3) of Section 5 of Act CXVI of 2007, effective as of 24 October 2007. As regards application see Subsection (4) of Section 2 of Act CXVI of 2007.

<sup>357</sup> Enacted by Section 29 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsections (2) and (7) of Section 180 of Act CLXXXVI of 2005.

<sup>358</sup> Established by Section 18 of Act LII of 2007, effective as of 1 July 2007.

<sup>359</sup> Established by Section 22 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>360</sup> Enacted by Subsection (4) of Section 5 of Act CXVI of 2007, effective as of 24 October 2007. As regards application see Subsection (4) of Section 2 of Act CXVI of 2007.

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### *Section 76/C*<sup>361</sup>

(1) Where a holder of preference shares with prior voting rights did not or could not have had knowledge of the potential restriction - as specified in Section 76/A and in Subsections (1) and (2) of Section 76/B - of the voting rights carried by such securities at the time the shares were acquired, and the shareholder suffered any loss in consequence, the offeror or the person or body carrying out the breakthrough shall be liable to pay compensation to the shareholder affected.

(2) The minimum amount of compensation shall be fixed in the articles of association of the offeree company. The minimum amount of compensation specified in the articles of association may not exceed the value of the offeree company's equity multiplied by the number of voting rights the preference share carries.

(3) In accordance with Subsection (2) above, the compensation shall be paid by the offeror in money, not later than by the eighth business day preceding the date of the general meeting convened according to Section 76/A or Section 76/B.

### **Purchase Option and Right of Sell-out**<sup>362</sup>

#### *Section 76/D*<sup>363</sup>

(1) If the offeror:

*a)* declared, according to Paragraph *e)* of Subsection (6) of Section 69, his intention to exercise his purchase option in the application for approval of the takeover bid (voluntary bid);

*b)*<sup>364</sup> controls ninety per cent or more of the voting rights within three months from the date of closure of the successful bid (voluntary bid) in the offeree company; and

*c)* is able to verify of having sufficient financial means to cover the purchase of the securities to which his option pertains,

he may exercise his purchase option within three months from the date of closure of the takeover bid (voluntary bid) the remaining shares of the offeree company.

(2) The offeror shall notify the Authority within the deadline given in Subsection (1) and shall simultaneously publish notice of its intention to exercise the purchase option. The notification and the notice shall indicate:

*a)* the place and time and the procedure for the delivery of the shares;

*b)* the price; and

*c)* the terms and conditions of payment.

(3) At the time of notification of its intention to exercise the purchase option, the offeror shall deposit the funds to cover the price referred to in Paragraph *b)* of Subsection (2) in an account opened in a credit institution established in a Member State of the European Union to the benefit of the shareholders of the offeree company.

(4)<sup>365</sup> The price payable for the shares obtained by way of exercising the purchase option shall be the price quoted in the takeover bid (voluntary bid) or the amount of equity capital per share, whichever is higher. Equity capital means the own funds shown in the last audited annual report, with the proviso that where the issuer is required to file consolidated annual accounts in accordance with the Accounting Act, the consolidated own funds shall be construed as equity capital. If the company prepares its annual accounts in accordance with IFRSs, the equity capital per share shall be calculated

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<sup>361</sup> Enacted by Section 30 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>362</sup> Enacted by Section 31 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>363</sup> Enacted by Section 31 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>364</sup> Established by Section 19 of Act LII of 2007, effective as of 1 July 2007.

<sup>365</sup> Established by Section 32 of Act CLXXVIII of 2015, effective as of 1 January 2016.

based on the equity provided for in Paragraph *a*) of Subsection (4) of Section 114/B of the Accounting Act.

(5) The offeree company shall retire the shares which were not delivered in due time, and shall issue new shares in their stead, and shall make them available to the offeror as part of the purchase option.

(6)<sup>366</sup> If the offeror's holding in the offeree company exceeds ninety per cent of the voting rights when closing out the takeover bid, the offeror must purchase the remaining shares if so requested in writing by the owners of these shares within ninety days following the day on which the notice was published as specified in Subsection (2) of Section 55. The minimum amount of consideration payable under such purchase obligation shall be defined in accordance with Subsection (4).

### *Section 77*<sup>367</sup>

(1)<sup>368</sup> Where a participating interest is acquired by ways other than what is defined in Sections 68-76/D of this Act, voting rights in the offeree company cannot be exercised and the party acquiring such interest must terminate its interest acquired by way of evasion or circumvention of the regulations governing the acquisition of participating interest within sixty days of the date of acquisition or receipt of the resolution of the Authority.

(2) The party acquiring the voting rights may not exercise any right in the offeree company until the obligation specified in Subsection (1) is satisfied.

### *Section 78*<sup>369</sup>

If in consequence of the takeover bid not all shares bid for are transferred, yet the offeror has acquired a participating interest in the measure specified in Subsection (1) of Section 68, the offeror is not required to submit another bid if proceeding to acquire additional interest. If in consequence of the takeover bid the participating interest acquired is below the measure specified in Subsection (1) of Section 68, the offeror is required to submit another bid if proceeding to acquire additional interest in excess of the measure specified in Subsection (1) of Section 68.

## **Acquisition of a Major Holding by way of Voluntary Takeover Bid**

### *Section 79*

(1)<sup>370</sup> Participating interest may be acquired by way of takeover bid if it is not rendered mandatory (hereinafter referred to as "voluntary takeover bid"). The acquisition of any participating interest by way of voluntary takeover bid shall be subject to the provisions on statutory takeover bid, with the exception that the provision on the prescribed measure of takeover bid laid down in Section 71 and the rule stipulated in Subsections (4) and (5) of Section 73/A shall not apply, and no counter-offer may be submitted. The offeror, any company in which the offeror has a qualifying interest, and the persons acting in concert with the offeror, or a third party acting on behalf of either of the aforementioned parties may not present another voluntary takeover bid within six months following the conclusion of the original voluntary takeover bid.

(2) If the number of shares offered in the declarations of acceptance is greater than the number to which the takeover bid pertains, the shares transferred must be commensurate with the face value of

<sup>366</sup> Established by Section 23 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>367</sup> Established by Section 32 of Act CLXXXVI of 2005, effective as of 20 May 2006. See also Subsection (2) of Section 180 of Act CLXXXVI of 2005.

<sup>368</sup> Amended by Paragraph b) of Subsection (1) of Section 49 of Act LXXXV of 2015.

<sup>369</sup> Established by Section 4 of Act XXII of 2006, effective as of 19 February 2006. See also Subsection (3) of Section 6 of Act XXII of 2006.

<sup>370</sup> Established by Section 20 of Act LII of 2007. Third sentence enacted by Subsection (5) of Section 5 of Act CXVI of 2007. Amended by Paragraph a) of Section 8 of Act CX of 2020.

the shares.

(3) No voluntary takeover bid may be submitted after the publication of a statutory takeover bid as defined in Subsection (1) of Section 69 and before the last day of the period within which the declaration of acceptance is to be introduced.

### *Section 80*

(1) Any derogation from the provisions of this Chapter shall be made only if permitted by law.

(2)<sup>371</sup> The obligation of notification and publication prescribed in this Chapter shall not affect the obligation of notification and publication specified in the provisions of the Civil Code governing business associations.

(3) Acquisition of listed shares may be rendered conditional upon additional requirements stipulated in the bylaws of the stock exchange as approved by the Authority.

## **Cooperation of Supervisory Authorities<sup>372</sup>**

### *Section 80/A<sup>373</sup>*

(1) If the offeree company's securities are admitted to trading on regulated markets in more than one Member State, the Authority shall communicate its decisions concerning any acquisition of participating interest and takeover bid to the supervisory authorities of the Member States affected within two working days from the date the resolutions are adopted.

(2)<sup>374</sup> At the request of the competent supervisory authorities of Member States, the Authority shall forthwith supply the information requested concerning any particular acquisition of a participating interest.

(3)<sup>375</sup> Where the Authority is convinced that any actual or alleged breaches of the rules governing the acquisition of participating interest are being or have been committed in another Member State of the European Union, it shall notify the competent supervisory authority and the European Securities and Markets Authority accordingly.

(4) Concerning the processing, disclosure and forwarding of data by the Authority, the provisions of Sections 392-394 of this Act and the provisions of specific other legislation shall apply.

(5)<sup>376</sup> If, despite the measures taken by the competent supervisory authority of another Member State of the European Union, the offeror persists in breaching the legal provisions on the acquisition of participating interests, the Authority, after informing the competent supervisory authority of the other Member State of the European Union and the European Securities and Markets Authority, shall take all appropriate measures in order to protect investors and shall inform the European Commission and the European Securities and Markets Authority thereof without delay.

## **PART FOUR<sup>377</sup>**

### **Chapter VIII<sup>378</sup>**

<sup>371</sup> Established by Subsection (12) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>372</sup> Enacted by Section 33 of Act CLXXXVI of 2005, effective as of 20 May 2006.

<sup>373</sup> Enacted by Section 33 of Act CLXXXVI of 2005, effective as of 20 May 2006.

<sup>374</sup> Amended: by Section 270 of Act LVI of 2009. In force: as of 1. 10. 2009.

<sup>375</sup> Established: by paragraph (26) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>376</sup> Enacted: by paragraph (27) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>377</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007. See also Subsections (1)-(8) of Section 182 of Act CXXXVIII of 2007.

<sup>378</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007. See also Subsections (1)-(8) of Section 182 of Act CXXXVIII of 2007.

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*Sections 81-90*<sup>379</sup>

Chapter IX<sup>380</sup>

*Sections 91-107/A*<sup>381</sup>

**PART FIVE**

**REGULATIONS GOVERNING THE OPERATIONS OF INVESTMENT  
SERVICE PROVIDERS AND COMMODITIES DEALERS**

Chapter X<sup>382</sup>

*Sections 108-112*<sup>383</sup>

Chapter XI<sup>384</sup>

*Sections 113-114*<sup>385</sup>

Chapter XII<sup>386</sup>

*Sections 115-137*<sup>387</sup>

Chapter XIII

TRADING OF SECURITIES ON ACCOUNT

**Transfer of Title to Dematerialized Securities**

*Section 138*

(1) Whenever title to dematerialized securities (for the purposes of this Chapter hereinafter referred to as “securities”) is transferred it must take place through securities accounts.

(2) Unless evidenced to the contrary, the holder of a security shall be the person on whose account it is registered.

**Central Securities Account**

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<sup>379</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007. See also Subsections (1)-(8) of Section 182 of Act CXXXVIII of 2007.

<sup>380</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007. See also Subsections (1)-(8) of Section 182 of Act CXXXVIII of 2007.

<sup>381</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007. See also Subsections (1)-(8) of Section 182 of Act CXXXVIII of 2007.

<sup>382</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007. See also Subsections (1)-(8) of Section 182 of Act CXXXVIII of 2007.

<sup>383</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>384</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007. See also Subsections (1)-(8) of Section 182 of Act CXXXVIII of 2007.

<sup>385</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>386</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007. See also Subsections (1)-(8) of Section 182 of Act CXXXVIII of 2007.

<sup>387</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

### *Section 139*

(1)<sup>388</sup> The central depository shall operate a separate account for each securities intermediary. The central depository shall keep the central securities account in the name of the issuer for securities that have been submitted for conversion but not yet received.

(2)<sup>389</sup> When a securities intermediary makes a transfer of securities from a securities account it maintains, to the credit of a securities account maintained by another securities intermediary, the transaction shall contain an indication of the central securities account number to which it is credited.

(3)<sup>390</sup> At the time the transaction is carried out through the central securities account, the securities intermediary maintaining the destination securities account shall record the securities transferred with the same date as it is recorded on the central securities account.

## **Securities Account**

### *Section 140*

(1)<sup>391</sup> Securities accounts for holders of securities shall be managed by investment firms, the Magyar Államkincstár (*Hungarian State Treasury*), commodity dealers, credit institutions and investment fund managers, while securities accounts for the securities held by the persons specified in Section 335 shall be managed by the central depository (hereinafter referred to collectively as “securities account manager”).

(2)<sup>392</sup> Under a securities account contract the securities account manager undertakes the commitment to administer the securities owned by the other party (the account holder) under the securities account as contracted, to execute the account holder’s legitimate instructions, and to keep the account holder informed without delay concerning all transactions to and from the account, as well as on the balance of the account.

### *Section 141*

(1) The securities account shall contain:

- a) the number and description of the account;
- b) the data prescribed in specific other legislation for the identification of the account holder;
- c) the codes of securities (ISIN code), their type and quantity; and
- d) reference to any attachment of the securities.

(2) The account holder’s name cannot be replaced by a number or code, a pseudonym or any other reference suitable to conceal the identity of the account holder.

### *Section 142*

(1) The securities intermediary shall record all transactions to and from a securities account in a statement and shall send this confirmation to the account holder as prescribed in the standard service agreement. The securities intermediary shall supply an account statement indicating the transactions in the securities account whenever one is requested by the account holder.

(2) The account statement shall evidence ownership of securities to third parties as effective on the statement date. Account statements are not negotiable and cannot be ceded by endorsement.

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<sup>388</sup> Enacted by Section 122 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>389</sup> Numbering amended by Section 122 of Act LXIV of 2002.

<sup>390</sup> Numbering amended by Section 122 of Act LXIV of 2002.

<sup>391</sup> Established by paragraph (28) Section 159 of Act CXCV of 2011. Amended by Point 1 of Subsection (2) of Section 48 of Act LXXXV of 2015, Paragraph b) of Subsection (1) of Section 41 of Act CCXV of 2015.

<sup>392</sup> Established by Section 12 of Act LXXXV of 2015, effective as of 7 July 2015.

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*Section 142/A<sup>393</sup>*

(1) The securities account manager shall issue to the account holder a user ID and a new password every month, generated by the methodology prescribed by the Authority, for logging on to the account comprising the balances and data provided for in Subsection (3) relating to the client account and to the securities held on the account holder's securities account. The user ID and the password is intended to allow the account holder access to the appropriate link on the MNB website to check the balance on his securities account and client account on the last day of the previous month. Accessing account information using the user ID and the password shall not relieve the securities account manager of its obligation set out in specific other legislation to provide information to clients, furthermore, in the event of dispute, the securities account manager shall not be excused on the grounds that the client had occasion to identify the difference.

(2) The securities account manager shall give the user ID and password created for the securities account and the client account to the client, and shall send it to the Authority as well. The user ID and password may not be created from the account holder's personal data processed by the securities account manager, if a natural person, or if the account holder is other than a natural person, from the account holder's identification data processed by the securities account manager, and it may not be linked to such data.

(3)<sup>394</sup> The securities account manager shall disclose to the Authority the balances on the last day of each month and other particulars of the securities account and client account to which the user ID belongs in an anonymized form, by the fifth working day of the following month, in the data structure prescribed by the Authority. The Authority shall obtain to provide access - on a continuous basis - to the balances and other particulars of the securities account and client account supplied from the tenth working day after the date when received until the tenth working day of the second month following the given month, as provided for in Subsection (1).

(4) The Authority shall be allowed to process the user ID and the password only for the purpose of ensuring access to information and for monitoring eligibility for ensuring access to information, and shall provide the technical means for safeguarding the data and information aforementioned.

(5) The securities account manager shall draw up regulations laying down data security requirements for processing user IDs and passwords, and for delivering them to account holders, and shall send it to the Authority for approval at least sixty days before the date appointed for those regulations to come into force, or before the proposed date of any subsequent amendment thereof. The Authority shall approve the regulations and its entry into force if it contains appropriate procedural and technical facilities to prevent unauthorized persons to access the user ID and the password.

(6) The Authority shall check the securities account balances reported by the securities account manager as under Subsection (3) by cross-referencing the aggregated balance of the securities accounts maintained by the securities account manager with information at the Authority's disposal relating to the securities account manager's portfolio shown in the central securities depository.

(7)<sup>395</sup> The Authority shall obtain to provide customer services relating to access to information provided for in Subsection (1) through the body operating the national call center. In providing such services, the body operating the national call center shall not be allowed to process the particulars of the securities account manager and the account holder, information about the balance and other particulars of the securities accounts and client accounts, or the account holder's user ID and password.

(8)<sup>396</sup> The provisions of this Section shall not apply to the activities of the central securities depository performed under Section A of the Annex to Regulation 909/2014/EU.

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<sup>393</sup> Enacted by Section 13 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>394</sup> Amended by Paragraph c) of Section 48 of Act LIII of 2016.

<sup>395</sup> Established by Section 54 of Act CIV of 2016, effective as of 1 January 2017.

<sup>396</sup> Enacted by Section 36 of Act CCXV of 2015, effective as of 2 January 2016.



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### *Section 143*

(1) A securities account may be controlled by the account holder of record, or by a person duly authorized by the account holder. A power of attorney supplied to the securities intermediary shall be accepted only if made out in the form and if containing the information specified in the standard service agreement.

(2) Control of jointly owned securities recorded on a securities account shall be exercised by the owners jointly, or by a common representative elected by the owners and notified to the securities intermediary.

(3) Control of a securities account whose holder is adjudicated in bankruptcy or liquidation, or is undergoing dissolution can be exercised only by the bankruptcy trustee, the receiver or the liquidator, as the case may be. Following the announcement of the bankruptcy, liquidation or dissolution proceedings in an official journal the securities intermediary must accept instructions solely from such persons. The account holder must notify the name of the bankruptcy trustee, the receiver or the liquidator to the securities intermediary within three days from the date of appointment.

(4) The signature specimen of authorized signatories shall be supplied to the securities intermediary in the manner stipulated in the standard service agreement.

(5) Instructions concerning a securities account must be made on a prescribed form where so specified by legal regulation.

## **Attachment of Securities Accounts**

### *Section 144*

(1) The securities intermediary shall transfer all securities to a subsidiary account, which are under attachment by virtue of law, court order, administrative measure or contract, underlying some right of a third person, or if so instructed by the account holder.

(2) The subsidiary account shall indicate the grounds for attachment, such as collateral security, lien, court deposit, action of replevin, judicial enforcement, and the person named as the beneficiary.

(3) The securities intermediary shall send the account statement issued on a subsidiary account to the account holder and to the person under whose name the attachment is registered, and also to the court, bailiff or other authority to whom it pertains. The same procedure shall apply when the attachment is cancelled.

(4) The attachment of securities placed on a subsidiary account may be cancelled, or another attachment may be implemented if the grounds for attachment are terminated as it is declared and notified by the appropriate person. In this case the securities intermediary shall forthwith reinstall the securities in question into the securities account.

(5) If the account holder is permitted to alienate any securities under attachment, the securities intermediary shall transfer such securities, with an indication of the attachment, to the subsidiary account of the new owner of the securities opened under his securities account.

(6) If the beneficiary of attachment is able to verify as to having obtained title of ownership of the securities in question, the securities intermediary shall forthwith transfer those securities to the securities account specified by the new owner.

(7)<sup>397</sup> If during the period of attachment the issuer converts dematerialized shares into printed share certificates, the issuer shall at the securities intermediary's request deliver the printed share certificates to the securities intermediary.

## **Termination of Securities Account**

### *Section 145*

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<sup>397</sup> Enacted by Subsection (13) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

(1) A securities account contract may be terminated by the account holder of record at any time without notice, however, it shall take effect only if transferred to another securities intermediary, with the exception if the account has been depleted.

(2)<sup>398</sup> The securities intermediary may terminate a contract subject to a thirty-day notice period, if he retires from the activity in question, or in the event of the account holder's failure to comply with any payment obligation relating to the account following repeated notices. The securities intermediary, in its notice of termination, shall advise the account holder to designate a new securities intermediary during the notice period.

(2a)<sup>399</sup> If the account holder fails to comply with any payment obligation relating to the account following repeated notices, in the absence of a new securities intermediary, the securities intermediary shall be entitled to terminate the securities account and to transfer the balance available to its own omnibus account, and shall offer to keep records and accounts in an identifiable manner separate from its own account at the holder's expense and risk. As regards the omnibus segregation account, the securities intermediary shall be subject to safeguarding obligation only until the new securities intermediary is notified. Until the new securities intermediary is notified, as regards the omnibus segregation account the securities intermediary's obligation of identification shall be suspended at the issuer's request or under the Authority's resolution having regard to the disclosure of the holder's particulars, moreover, the securities intermediary may not be compelled to make out an ownership certificate.

(2b)<sup>400</sup> If the securities intermediary decided to retire from the activity and the account holder failed to designate a new securities intermediary following repeated notices, the securities intermediary retiring from the activity shall designate a new securities intermediary at the account holder's expense. The new securities intermediary shall proceed in accordance with Subsection (2a) insofar as a contract is concluded with the account holder.

(3) Termination notices must be communicated in writing.

(4) When a securities account is depleted it shall not automatically constitute termination of the securities account contract.

## System of Accounts

### *Section 146*

The detailed regulations on the operation of securities accounts and securities custody accounts are laid down in specific other legislation.

## Obligations under the FATCA Act<sup>401</sup>

### *Section 146/A<sup>402</sup>*

The Reporting Hungarian Financial Institution provided for in 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") 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

<sup>398</sup> Established by Subsection (14) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>399</sup> Enacted by Subsection (14) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>400</sup> Enacted by Subsection (14) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>401</sup> Enacted by Section 5 of Act XIX of 2014, effective as of 16 July 2014.

<sup>402</sup> Enacted by Section 5 of Act XIX of 2014, effective as of 16 July 2014.

maintains as provided for in the FATCA Act (hereinafter referred to as “Financial Account”).

### *Section 146/B*<sup>403</sup>

(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 Act XXXVII of 2013 on International Administrative Cooperation in Matters of Taxation and Other Compulsory Payments (hereinafter referred to as “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**<sup>404</sup>

### *Section 146/C*<sup>405</sup>

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 (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 to the IACA.

### *Section 146/D*<sup>406</sup>

(1)<sup>407</sup> The Institution shall inform the Account Holder in the form of a notice made public 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 implementation 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 data disclosure within thirty days from the date of disclosure.

## Chapter XIV

### CLIENT ACCOUNT

### *Section 147*<sup>408</sup>

(1)<sup>409</sup> The earnings of the account holder shall be recorded on the client account, and payments

<sup>403</sup> Enacted by Section 5 of Act XIX of 2014, effective as of 16 July 2014.

<sup>404</sup> Enacted by Section 7 of Act CXCII of 2015, effective as of 1 January 2016.

<sup>405</sup> Enacted by Section 7 of Act CXCII of 2015, effective as of 1 January 2016.

<sup>406</sup> Enacted by Section 7 of Act CXCII of 2015, effective as of 1 January 2016.

<sup>407</sup> Amended by Paragraph d) of Section 28 of Act LXIX of 2017.

<sup>408</sup> Established by Section 25 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>409</sup> Established by Section 14 of Act LXXXV of 2015, effective as of 7 July 2015.

charged to the account holder shall be made from the client account. Client accounts shall contain separate columns for receivables and liabilities arising in connection with spot transactions, options and forward transactions.

(2)<sup>410</sup> Unless otherwise provided for in this Act, the securities account manager shall place all funds of clients held on client accounts into safe custody accounts.

(3) The opening and administration of client accounts is governed by specific other legislation.

### *Section 148*

The credit institution that is engaged in investment service activities may transact payments in connection with the investment services it provides to a client through the client's bank account, if expressly requested by the client.

## Chapter XV

### Identification procedure, nominees<sup>411</sup>

#### **Identification Procedure<sup>412</sup>**

#### *Section 149<sup>413</sup>*

(1)<sup>414</sup> In the case of dematerialized securities a procedure to establish the identity of holders of such securities may be conducted at the issuer's request or if so decided by the Authority. The Authority may order the identification procedure where deemed necessary for the performance of its tasks. The identification procedure shall be conducted according to the central depository's rules of procedure, concerning the data in effect at the time indicated in the issuer's request or in the Authority's resolution. The identification procedure shall be carried out without prejudice to the provisions prescribed for public limited companies under specific other legislation relating to the identification of shareholders.

(2) In connection with the identification procedure, the securities account manager shall disclose to the central depository the identification data of holders of securities accounts and the amount of their securities, who have any dematerialized securities of the type specified in the Authority's resolution ordering the identification procedure or in the request made by the issuer initiating the identification procedure at the time indicated therein.

(3)<sup>415</sup> In the identification procedure, if opened at the request of an issuer such as an investment firm, commodity dealer incorporated as a limited company, investment fund manager, stock exchange, the central counterparty or central securities depository, the securities account manager shall - in addition to the information provided for in Subsection (2) on the holders of shares of the same issuer - disclose to the central depository the date of entry of the acquisition in the register of shareholders, and the date of acquisition of the shares in question, save where otherwise provided for by law.

(4) In connection with dematerialized securities, where the identification procedure is conducted at the issuer's request, the information to be disclosed covers the identification data of holders of securities accounts - and the amount of securities they control - who have any dematerialized securities of the type specified in the request made by the issuer for the identification procedure at the time indicated therein, if - in the case of public limited companies - they did not prohibit to be

<sup>410</sup> Established by Section 14 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>411</sup> Established by Subsection (4) of Section 354 of Act IV of 2006, effective as of 1 July 2006.

<sup>412</sup> Established by Subsection (5) of Section 354 of Act IV of 2006, effective as of 1 July 2006.

<sup>413</sup> Established by Section 210 of Act XVI of 2014, effective as of 15 March 2014.

<sup>414</sup> Established by Section 90 of Act LXVII of 2019, effective as of 3 September 2020.

<sup>415</sup> Amended by Point 2 of Subsection (2) of Section 48 of Act LXXXV of 2015.

registered in the register of shareholders or did not request to be removed from register of shareholders.

(5) The issuer and the Authority shall be entitled to disclose the information obtained in connection with debt securities in the process of the identification procedure to the Országos Betétbiztosítási Alap (*National Deposit Insurance Fund*).

### *Section 150<sup>416</sup>*

## **Shareholder's Representative (Nominee)**

### *Section 151*

(1)<sup>417</sup> A securities intermediary, a custodian, and the central securities depository may act as an attorney in fact on behalf of a shareholder (hereinafter referred to as “nominee”) under written authorization signed by the shareholder (for the purposes of this Chapter hereinafter referred to as “authorization”) in order to exercise the shareholder’s rights in limited companies in its own name but on behalf of the shareholder. A non-resident person may also act as a nominee if he is entitled to exercise membership rights in the company in question under the national law of his home state in his own name and on behalf of the shareholder. This shall also apply if membership rights in the company are exercised on the basis of secondary securities on behalf of the owner (ultimate beneficiary) of the secondary security.

(2)<sup>418</sup> A nominee shall have powers to exercise all rights of the principle shareholder for which the authorizing shareholder is entitled. Authorization to act as a nominee can only be granted with respect to shares placed in a securities account that is maintained by the nominee or which are deposited with the nominee.

(3) The above-specified authorization cannot be incorporated into a contract that pertains to the securities account, the safe custody of securities, or any other contract concerning investment services or activities auxiliary to investment services. The authorization shall specifically stipulate the mode of contact between the shareholder and his nominee, the method of requesting and providing instructions, and the method of disclosure.

### *Section 152*

(1) A nominee may represent the principle shareholder of a limited company upon being registered in the relevant register of shareholders in that capacity. It shall also specify the class and quantity of the underlying shares.

(2)<sup>419</sup> When the acquisition of shares in a particular public limited company is subject to approval by the authorities, the nominee must be recorded in the register of shareholders together with the shareholder or with the owner (ultimate beneficiary) of secondary securities issued on the shares of a resident limited company.

### *Section 153*

(1) In his capacity to exercise shareholder’s rights, a nominee shall handle his duties with due care and attention as it is appropriate to best represent the interests of the shareholder. A nominee shall expressly indicate being a representative of the actual owner of the shares. A nominee may be assisted in that capacity only to the extent absolutely necessary.

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<sup>416</sup> Repealed by Point 17 of Section 364 of Act IV of 2006, effective as of 1 July 2006.

<sup>417</sup> Established by Section 126 of Act LXIV of 2002. Amended by Point 3 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>418</sup> Second sentence established by Subsection (6) of Section 354 of Act IV of 2006, effective as of 1 July 2006.

<sup>419</sup> Established by Section 127 of Act LXIV of 2002, effective as of 1 January 2003.

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(2)<sup>420</sup> A nominee must not engage in any unlawful conduct, intended or implied.

(3)<sup>421</sup> When demanded by any shareholder (or the owner of secondary securities), by the limited company or the Authority, the nominee shall be required to reveal the identity of the shareholders he represents and shall produce evidence in support of his capacity as a nominee when demanded by the limited company or the Authority. If the nominee refuses to comply he may not exercise the voting rights relating to the limited company in question.

(4) Any person who is able to substantiate his valid concern shall be entitled to request the Authority to reveal the identity of the shareholders represented by a particular nominee.

(5)<sup>422</sup> Where membership rights are exercised on the basis of secondary securities issued abroad, the non-resident custodian of the secondary security may function as the nominee if in possession of a power of attorney granted for the exercise of shareholder's rights in accordance with the laws under which the secondary security was issued, and in accordance with the agreement between the issuer and the depository of the secondary security.

### *Section 154*

(1)<sup>423</sup> The nominee shall inform the shareholder in the manner and at the time stipulated in the authorization concerning the limited liability company's public notices made in accordance with the provisions of the Civil Code on legal persons and with this Act, the resolutions adopted by the general meeting in detail, and of the measures he has taken in his capacity as a nominee and the ramifications of these actions.

(2) The nominee must convey to the shareholder all information that is available to him in connection with the limited company that may be of concern to the shareholder, and shall inform the shareholder concerning any documents he has obtained. The nominee shall provide the shareholder with copies of such documents when so requested.

(3) The nominee must request the shareholder to provide instructions prior to a general meeting. The nominee shall present his request to the shareholder to provide such instructions so as to provide ample time for the shareholder to draw up the instructions.

(4) The above-specified request for instructions shall demonstrate in detail the agenda of the general meeting and the proposals sent by the limited company to the shareholders.

(5) If there are no instructions from the shareholder, with the exception specified in Subsection (6), or if the shareholder's instructions are not sufficiently explicit, the nominee cannot exercise the shareholder's voting rights.

(6) If there are no instructions from the shareholder, the nominee may exercise his voting rights attaching to his shares only if:

*a)* the nominee has disclosed in the request for instructions specified in Subsections (3) and (4) his suggestions for voting, and the explanation of these suggestions, concerning the various items of the agenda, provided that

*b)* the authorization granted to the nominee expressly confers general powers to the nominee that can be revoked by the shareholder at any given time, to the extent that in the event of the shareholder's failure to respond to the request for instructions, this shall be construed to be understood as his consent concerning the voting strategy suggested by the nominee.

(7) When voting in a general meeting the nominee must weigh any disagreement in the instructions received from different shareholders.

### *Section 155*

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<sup>420</sup> Established by Section 128 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>421</sup> Established by Subsection (1) of Section 44 of Act CLXXXVI of 2005, effective as of 1 January 2006.

<sup>422</sup> Enacted by Subsection (2) of Section 44 of Act CLXXXVI of 2005, effective as of 1 January 2006.

<sup>423</sup> Established by Subsection (15) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

(1)<sup>424</sup> When the authorization received from a shareholder to exercise shareholder's rights terminates, the nominee shall forthwith notify the limited company concerned to that effect, if registered in the register of shareholders as a nominee.

(2) The nominee shall take measures forthwith to have his name removed from the register of shareholders if so instructed by the shareholder in writing.

(3) The activities of non-resident nominees in the domestic territory shall be subject to the provisions of this Chapter; as regards his liability toward non-resident clients, the relevant national legislation shall be observed.

(4)<sup>425</sup> For subjects not regulated in this Act regarding the agreement between a shareholder and a nominee and the exercise of shareholder's rights by the nominee, the provisions of the Civil Code relating to personal service contracts shall apply.

## Chapter XVI

### REGULATIONS ON INVESTMENT SERVICES ACTIVITIES

#### Investment Lending

##### *Section 156*<sup>426</sup>

(1) Any person who provides investment loans shall have adopted and apply internal lending regulations - subject to approval by the executive body - in which to lay down guidelines for the soundness and transparency of exposures, and for the assessment, control and reduction of risks.

(2) All contracts for investment loans must be made out in writing. Oral agreements must be confirmed in writing within two working days.

(3) Investment loans may not be provided:

a) for the purchase of shares which are issued by the lender;

b) for the purchase of shares which are issued by a single member limited liability company owned by the lender;

c) to a company in which the lender holds an interest of ten per cent or more.

(4) Prior to the granting of an investment loan the lender must ascertain the existence, value and enforceability of the necessary collaterals and securities. The documents substantiating such decision must be attached to the contract for the transaction.

##### *Section 157*<sup>427</sup>

##### *Sections 157/A-157/B*<sup>428</sup>

#### Deferred Financial Settlement

##### *Sections 158-160*<sup>429</sup>

## Chapter XVII<sup>430</sup>

<sup>424</sup> Established by Section 67 of Act LXII of 2005, effective as of 1 July 2005.

<sup>425</sup> Established by Subsection (16) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>426</sup> Established by Section 45 of Act CLXXXVI of 2005, effective as of 1 January 2006.

<sup>427</sup> Repealed with preceding subtitle: by subparagraph b) paragraph (1) Section 24 of Act CXXII of 2011. No longer in force: as of 11. 10. 2011.

<sup>428</sup> Repealed: by subparagraph b) paragraph (1) Section 24 of Act CXXII of 2011. No longer in force: as of 11. 10. 2011.

<sup>429</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>430</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

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*Sections 161-167<sup>431</sup>*

Chapter XVIII

SECURITIES LENDING AND/OR BORROWING

*Section 168<sup>432</sup>*

(1)<sup>433</sup> Investment firms, investment fund managers, collective investment trusts, the central securities depository, financial institutions, voluntary mutual insurance funds, institutions for occupational retirement provision, private pension funds and insurance companies shall notify the Authority in advance of their intention to engage in securities lending and/or borrowing operations. The notification shall have attached a KHR membership certificate if securities lending and/or borrowing is performed to persons other than reference data providers.

(2) As a precondition for securities lending, the lender must have unrestricted control of the securities involved in any lending transaction. Any security that is non-transferable or is subject to any restrictions in terms of marketing, or that is subject to any right of preemption, purchase or repurchase, and that is pledged in security for a collateral or lien cannot be involved in lending or borrowing transactions. Registered certificates of printed securities may be lent only with blank endorsement.

(3) Upon the lending of securities the title of ownership shall be conveyed to the borrower.

(4) Securities lending agreements must be concluded for specific terms.

*Section 169<sup>434</sup>*

If the borrower is unable to return the securities at the date of expiration agreed upon in the lending agreement, the minimum amount of monetary compensation payable to the lender shall be based upon the price in effect on the date of lending or on the date of expiration, whichever is higher.

*Section 170*

(1)<sup>435</sup> Securities lending and/or borrowing may be transacted only in possession of a securities lending and/or borrowing framework contract with the owners of such securities, or a securities lending contract. Securities lending and/or borrowing framework contracts and securities lending contracts cannot be incorporated into any other contract made between the owner of securities and the borrower of the securities.

(2)<sup>436</sup> Securities lending and/or borrowing framework contracts and securities lending contracts must contain:

- a) the description, ISIN code and the series of the securities lent or proposed to be lent;
- b) the quantity of the securities lent or proposed to be lent;
- c) with respect to framework contracts, the period to which the securities lending contract pertains;
- d) the duration of lending;
- e) the amount of lending charges;
- f) a clause stipulating that the lender shall not be entitled to exercise the right carrying to the

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<sup>431</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>432</sup> Established by Section 53 of Act CLXXXVI of 2005, effective as of 1 January 2006. See also Subsection (5) of Section 180 of Act CLXXXVI of 2005.

<sup>433</sup> Established by Section 211 of Act XVI of 2014. Amended by Point 4 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>434</sup> Established by Section 54 of Act CLXXXVI of 2005, effective as of 1 January 2006.

<sup>435</sup> Established by Section 55 of Act CLXXXVI of 2005, effective as of 1 January 2006.

<sup>436</sup> Established by Section 55 of Act CLXXXVI of 2005, effective as of 1 January 2006.



securities in question under the life of the contract; and

g) in connection with shares, an agreement of the parties for the exercise of voting rights.

(3)<sup>437</sup> When securities are lent under a framework contract, the investment firm or credit institution participating in the transaction shall notify the owner of the securities that his securities have been transferred under lending arrangements, indicating the quantity and the duration. Any investment firm or credit institution that fails to abide by the restrictions stipulated by the owner of the securities in question (the lender in fact), shall be subject to unlimited liability for damages caused by such negligence.

### *Section 171*<sup>438</sup>

The provisions of the Civil Code on financial loans shall apply to all matters not regulated in this Act that regard to the lending of securities.

## Chapter XIX

### *Section 172*<sup>439</sup>

### *Section 172/A*<sup>440</sup>

### *Section 173*<sup>441</sup>

### *Section 174*<sup>442</sup>

### *Sections 175-177*<sup>443</sup>

### *Section 177/A*<sup>444</sup>

### *Section 178*<sup>445</sup>

## **Disclosures**<sup>446</sup>

### *Section 178/A*<sup>447</sup>

### *Section 179*<sup>448</sup>

<sup>437</sup> Established by Section 192 of Act CXXXVIII of 2007, effective as of 1 December 2007.

<sup>438</sup> Established by Section 56 of Act CLXXXVI of 2005, effective as of 1 January 2006.

<sup>439</sup> Repealed together with the previous title by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007. Preceding subtitle was repealed: by subparagraph b) paragraph (1) Section 167 of Act CLIX of 2010. No longer in force: as of 1. 01. 2011.

<sup>440</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>441</sup> Repealed together with the previous title by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>442</sup> Repealed: by subparagraph b) paragraph (1) Section 167 of Act CLIX of 2010. No longer in force: as of 1. 01. 2011.

<sup>443</sup> Repealed together with the previous title by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>444</sup> Repealed: by subparagraph b) paragraph (1) Section 167 of Act CLIX of 2010. No longer in force: as of 1. 01. 2011.

<sup>445</sup> Repealed together with the previous title by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>446</sup> Enacted by Section 31 of Act LII of 2007, effective as of 1 July 2007.

<sup>447</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>448</sup> Repealed together with the previous title by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

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*Sections 180-181*<sup>449</sup>

Chapter XIX/A<sup>450</sup>

SUPERVISION ON A CONSOLIDATED BASIS<sup>451</sup>

**Supervision of Investment Firms on a Consolidated Basis**<sup>452</sup>

*Sections 181/A-181/K*<sup>453</sup>

Chapter XIX/B<sup>454</sup>

*Sections 181/L-181/X*<sup>455</sup>

Chapter XX

*Section 182*<sup>456</sup>

*Sections 183-187*<sup>457</sup>

*Sections 188-197*<sup>458</sup>

*Section 198*<sup>459</sup>

**PART SIX**

***INSIDER DEALING, MARKET MANIPULATION AND OF UNLAWFUL  
DISCLOSURE OF INSIDE INFORMATION***<sup>460</sup>

Chapter XXI<sup>461</sup>

**PROHIBITION OF INSIDER DEALING, MARKET MANIPULATION AND OF  
UNLAWFUL DISCLOSURE OF INSIDE INFORMATION**<sup>462</sup>

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<sup>449</sup> Repealed together with the previous title by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>450</sup> Enacted by Section 16 of Act XL of 2003, effective as of 1 July 2003.

<sup>451</sup> Enacted by Section 16 of Act XL of 2003, effective as of 1 July 2003.

<sup>452</sup> Enacted by Section 17 of Act XL of 2003, effective as of 1 July 2003.

<sup>453</sup> Repealed by Section 45 of Act CCXXXVI of 2013, effective as of 1 January 2014.

<sup>454</sup> Repealed: by subparagraph b) Section 27 of Act LXXXIII of 2013. No longer in force: as of 22. 06. 2013.

<sup>455</sup> Repealed: by subparagraph b) Section 27 of Act LXXXIII of 2013. No longer in force: as of 22. 06. 2013.

<sup>456</sup> Repealed, together with the previous title, by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>457</sup> Repealed, together with the previous title, by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>458</sup> Repealed, together with the previous title, by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>459</sup> Repealed, together with the previous title, by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>460</sup> Established by Section 28 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>461</sup> Established by Section 39 of Act LIII of 2016, effective as of 3 July 2016.

<sup>462</sup> Established by Section 29 of Act CXVIII of 2019, effective as of 26 December 2019.

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*Section 199*<sup>463</sup>

(1) The provisions of this Part shall apply to the financial instruments, transactions and benchmarks provided for in the scope of the application of Regulation (EU) No. 596/2014, falling within the scope of that Regulation.

(2)<sup>464</sup> For matters not covered by Regulation 596/2014/EU relating to insider dealing, market manipulation and unlawful disclosure of inside information the provisions of this Act shall apply.

(3)<sup>465</sup> In the case of financial instruments falling within the scope of Regulation 596/2014/EU:

a) the provisions of Chapter V of this Act; and

b) the provisions of Decree No. 24/2008 (VIII. 15.) PM;

relevant to special reporting obligation shall also apply mutatis mutandis.

Chapter XXI/A<sup>466</sup>

Chapter XXII<sup>467</sup>

**PROCEDURES FOR THE RECEIPT OF REPORTS OF INFRINGEMENTS AND  
THEIR FOLLOW-UP**<sup>468</sup>

*Section 200*<sup>469</sup>

As regards the receipt of reports of infringements and their follow-up the provisions of Act CLXV of 2013 on Complaints and Notifications of Public Concern shall apply with the derogations set out in this Chapter.

**General Rules Relating to the Receipt of Reports of Infringements and Their  
Follow-up**<sup>470</sup>

*Section 201*<sup>471</sup>

(1) The Authority shall appoint staff members dedicated to handling reports of infringements (hereinafter referred to as “dedicated staff members”). Dedicated staff members shall be trained for the purposes of handling reports of infringements.

(2) Dedicated staff members shall exercise the following functions:

a) providing information on the procedures for reporting infringements;

b) receiving and following-up reports of infringements;

c) maintaining contact with the reporting person where the latter has identified itself.

*Section 202*<sup>472</sup>

(1) The Aut<sup>473</sup>hority shall publish on its website in a separate, easily identifiable and accessible

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<sup>463</sup> Established by Section 39 of Act LIII of 2016, effective as of 3 July 2016.

<sup>464</sup> Established by Subsection (1) of Section 30 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>465</sup> Enacted by Subsection (2) of Section 30 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>466</sup> Repealed by Paragraph c) of Section 49 of Act LIII of 2016, effective as of 3 July 2016.

<sup>467</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>468</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>469</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>470</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>471</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>472</sup> Enacted by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>473</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

section:

*a)* the communication channels for receiving and following-up the reporting of infringements and for contacting the dedicated staff members, including the phone numbers and dedicated electronic and postal addresses, which are secure and ensure confidentiality in handling such reports;  
*b)* the procedures applicable to reports of infringements;  
*c)* the confidentiality regime applicable to reports of infringements;  
*d)* the procedures for the protection of persons working under a contract of employment;  
*e)* a statement explaining that persons making information available in accordance with Regulation (EU) No. 596/2014 are not considered to be infringing any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, and are not to be involved in liability of any kind related to such disclosure.

(2) In addition to the phone numbers, it shall also be indicated if conversations are recorded when using those phone lines.

### *Section 203<sup>474</sup>*

(1) The des<sup>475</sup>cription of the procedures applicable to reports of infringements referred to in Paragraph *b)* of Subsection (1) of Section 202 shall contain the following information:

*a)* that reports of infringements can also be submitted anonymously;  
*b)* an indication that the Authority may require the reporting person to clarify the information reported or to provide additional information;  
*c)* the type, content and timeframe of the feed-back about the outcome of the report of infringement;  
*d)* the confidentiality regime applicable to reports of infringements, including a detailed description of the circumstances under which the confidential data of a reporting person may be disclosed in accordance with Articles 27, 28 and 29 of Regulation (EU) No. 596/2014.

(2) The detailed description referred to in Paragraph *d)* of Subsection (1) shall clearly ensure awareness of the reporting person concerning the exceptional cases in which confidentiality of data may not be ensured, including in particular where the disclosure of data is a necessary and proportionate obligation required under Union or Hungarian law - in each case subject to appropriate safeguards under such laws - in the context of investigations or subsequent judicial proceedings or to safeguard the freedoms of others including the right of defense of the reported person.

## **Communication Channels for Receiving Reports<sup>476</sup>**

### *Section 204<sup>477</sup>*

(1) The Authority shall establish independent and autonomous communication channels, which are both secure and ensure confidentiality, for receiving and following-up the reporting of infringements (hereinafter referred to as “dedicated communication channels”).

(2) Dedicated communication channels shall be considered independent and autonomous, provided that they meet all of the following criteria:

*a)* they are separated from general communication channels of the Authority, including those through which the Authority communicates internally and with third parties in its ordinary course of business;  
*b)* they are set up and operated in a manner that ensures the completeness, integrity and confidentiality of the information and prevents non-authorized access;  
*c)* they enable the storage of durable information in accordance with Section 205 to allow for

<sup>474</sup> Enacted by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>475</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>476</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>477</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

further investigations.

(3) The dedicated communication channels shall allow for reporting of actual or potential infringements in the following ways:

- a) written report of infringements by way of post or electronic means;
- b) oral report of infringements through telephone lines, whether recorded or unrecorded;
- c) personally, by way of physical meeting with dedicated staff members.

(4) The Authority shall provide the information referred to in Section 202 to the reporting person before receiving the report of infringement, or at the moment of receiving it at the latest.

(5) The Authority shall ensure that a report of infringement received by means other than dedicated communication channels is promptly forwarded without modification to the dedicated staff members by using dedicated communication channels.

## **Record-keeping of Reports Received<sup>478</sup>**

### *Section 205<sup>479</sup>*

(1) The Authority shall keep records of every report of infringement received.

(2) The Authority shall promptly acknowledge the receipt of written reports of infringements to the postal or electronic address indicated by the reporting person, unless the reporting person explicitly requested otherwise or the Authority reasonably believes that acknowledging receipt of a written report would jeopardize the protection of the reporting person's identity.

(3) Where a recorded telephone line is used for reporting of infringements, the Authority shall have the right to document the oral reporting in the form of:

- a) an audio recording of the conversation in a durable and retrievable form; or
- b) a complete and accurate transcript of the conversation prepared by the dedicated staff members.

(4) In cases where the reporting person has disclosed its identity, the Authority shall offer the possibility to the reporting person to check, rectify and agree with the transcript of the call by signing it.

(5) Where an unrecorded telephone line is used for reporting of infringements, the Authority shall have the right to document the oral reporting in the form of minutes of the conversation. In cases where the reporting person has disclosed its identity, the Authority shall offer the possibility to the reporting person to check, rectify and agree with the minutes of the call by signing them.

(6) Where a reporting person requests a physical meeting with the dedicated staff members, the Authority shall ensure that complete and accurate records of the meeting are kept in either of the following forms:

- a) an audio recording of the conversation in a durable and retrievable form; or
- b) accurate minutes of the meeting prepared by the dedicated staff members.

(7) In cases where the reporting person has disclosed its identity, the Authority shall offer the possibility to the reporting person to check, rectify and agree with the minutes of the meeting by signing them.

## **Protection of Persons Working Under a Contract of Employment<sup>480</sup>**

### *Section 206<sup>481</sup>*

(1) The Authority shall put in place procedures ensuring effective exchange of information and cooperation between the authorities involved in the protection of persons working under a contract of

<sup>478</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>479</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>480</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>481</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

employment who report infringements of Regulation (EU) No. 596/2014 or are accused of such infringements, against discrimination or other types of unfair treatment.

(2) The procedures set out in Subsection (1) shall ensure at least the following:

*a)* reporting persons have access to information on the remedies and procedures available to protect them against unfair treatment, including on the procedures for claiming pecuniary compensation;

*b)* reporting persons have access to effective assistance from the Authority in their protection against unfair treatment, including by certifying the condition of whistle-blower of the reporting person in employment disputes.

## **Protection Procedures for Personal Data<sup>482</sup>**

### *Section 206/A<sup>483</sup>*

(1) The Authority shall ensure that the records referred to in Section 205 are stored in a confidential and secure system.

(2) Access to the data stored in the system shall be granted to staff members of the Authority for whom access to that data is necessary to perform their professional duties.

(3) The Authority shall have in place adequate procedures for the safe transmission of personal data of the reporting person and reported person.

(4) The procedures referred to in Subsection (3) shall ensure that the transmission of data does not reveal, directly or indirectly, the identity of the reporting person or reported person or any other references to circumstances that would allow the identity of the reporting person or reported person to be deduced, unless such transmission is in accordance with the regulations referred to in Paragraph *d)* of Subsection (1) of Section 203.

## **Procedures for the Protection of the Reported Persons<sup>484</sup>**

### *Section 206/B<sup>485</sup>*

(1) Where the identity of reported persons is not known to the public, the Authority shall ensure that their identity is protected at least in the same manner as for persons that are under investigation based on the report of infringement.

(2) The procedures set out in Section 206/A shall also apply for the protection of the identity of the reported persons.

## **Review of the Procedures<sup>486</sup>**

### *Section 206/C<sup>487</sup>*

(1) The Authority shall review its procedures for receiving reports of infringements and their follow-up at least once every two years.

(2) In reviewing such procedures the Authority shall take account of its experience and that of other competent authorities of the Member States and adapt their procedures accordingly and in line with market and technological developments.

## **PART SEVEN**

<sup>482</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>483</sup> Enacted by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>484</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>485</sup> Enacted by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>486</sup> Established by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

<sup>487</sup> Enacted by Section 40 of Act LIII of 2016, effective as of 3 July 2016.

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## ***PROTECTION OF INVESTORS***

### Chapter XXIII

#### REGULATIONS ON THE PROTECTION OF INVESTORS

##### *Section 207<sup>488</sup>*

##### *Section 208<sup>489</sup>*

#### **Protection of Clients' Funds**

##### *Section 209<sup>490</sup>*

### Chapter XXIV

#### INVESTOR PROTECTION FUND

##### *Section 210*

(1)<sup>491</sup> An Investor Protection Fund has been established to attend to the duties prescribed in this Act (hereinafter referred to as “Fund”) whose members comprise companies (not including private entrepreneurs) licensed to engage in the activities defined under Paragraphs *a)-d)* of Subsection (1) of Section 5 of the IRA and Paragraphs *a)* and *b)* of Subsection (2) of Section 5 of the IRA (hereinafter referred to as “insured activities”). These companies shall be hereinafter referred to as “bodies engaged in insured activities”.

(2)<sup>492</sup> Organizations engaged in insured activities must enroll as members of the Fund prior to receiving authorization for the activities specified in Subsection (1) of this Section.

(3)<sup>493</sup> The commodity dealers engaged in the activities defined in Paragraphs *a)-c)* of Subsection (1) of Section 5 of the IRA may also join the Fund. Any commodity dealer who did not join the Fund shall clearly indicate in its standard service agreement and in the client account contract that the client’s funds placed in a client account are not covered by the Fund’s protection.

(4)<sup>494</sup> Foreign branches of organizations engaged in insured activities that have their registered office in the territory of Hungary shall be covered by the deposit insurance services provided by the Fund, unless the laws of the country in which the branch is established do not permit it. The branches of organizations engaged in insured activities that have their registered office in the territory of Hungary in any Member State of the European Union may voluntarily join the deposit insurance scheme of the host country in order to obtain supplementary cover. Upon notifying the Authority concerning their intent to set up a branch, organizations engaged in insured activities 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 of such or when the application is lodged.

##### *Section 211*

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<sup>488</sup> Repealed by Paragraph *a)* of Section 161 of Act LXII of 2005, effective as of 1 July 2005.

<sup>489</sup> Repealed: by subparagraph *c)* paragraph (3) Section 175 of Act CIII of 2008. No longer in force: as of 01. 01. 2009.

<sup>490</sup> Repealed: by subparagraph *b)* paragraph (1) Section 167 of Act CLIX of 2010. No longer in force: as of 1. 01. 2011.

<sup>491</sup> Established: by Section 72 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>492</sup> Established by Subsection (2) of Section 141 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>493</sup> Established by Subsection (2) of Section 197 of Act CXXXVIII of 2007, effective as of 1 December 2007.

<sup>494</sup> Established by Section 91 of Act LXII of 2005, effective as of 1 July 2005. Amended: by subparagraph *d)* Section 176 of Act CXIII of 2011. In force: as of 1. 01. 2012.

(1)<sup>495</sup> The branches of organizations engaged in insured activities established in another Member State of the European Union shall not be required to join the Fund if they are registered under an investor-compensation scheme prescribed in Directive 97/9/EC of the European Parliament and of the Council.

(2)<sup>496</sup> Subject to authorization by the Authority, the branch of a third-country organization engaged in insured activities shall not be required to join the Fund if it has its own investor protection system, which is recognized by the Authority as being equivalent to the investor-compensation scheme prescribed in Directive 97/9/EC of the European Parliament and of the Council.

(3) The Authority shall decide whether an investor protection scheme referred to in Subsection (2) above is equivalent, based on the following criteria:

- a) the scope of claims of investors it covers;
- b) the scope of clients to whom protection is offered;
- c) the amount of coverage provided for the claims of clients;
- d) the length of time required for the settlement of claims as specified in the investor protection scheme;
- e) the procedure for handling clients' claims;
- f)<sup>497</sup> the opinion of the Investment Protection Fund.

(4)<sup>498</sup> If a branch is not required to join the Fund pursuant to Subsections (1) and (2) above, it may voluntarily join the Fund in order to obtain the supplementary cover referred to in Subsection (7) of this Section if it is able to meet the Fund's requirements for membership.

(5)<sup>499</sup> The Fund may enter into cooperation agreements with foreign investor protection schemes and with foreign supervisory authorities, and may exchange information from the records on investors covered by the investor protection schemes and on the insured accounts, and for the settlement of compensation claims. The various investment protection schemes shall inform each other of the amount of compensation they are liable to pay to any given investor.

(6)<sup>500</sup> Any branch of an organization engaged in insured activities established in another Member State of the European Union that is not covered by an investor-compensation scheme in accordance with Directive 97/9/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) of this Section. If, in the opinion of the Authority, the branch of a third-country organization engaged in insured activities does not have its own investor protection system, which is recognized by the Authority as being equivalent to the investor-compensation scheme prescribed in Directive 97/9/EC of the European Parliament and of the Council, it shall join the Fund in order to obtain full insurance coverage.

(7)<sup>501</sup> If the maximum amount guaranteed by the investor protection scheme provided by the Fund, the scope of investments covered or the extent of coverage exceeds the maximum amount guaranteed, the scope of investments covered and the extent of coverage afforded by an investor protection scheme that covers the branch of an organization engaged in insured activities, the Fund shall, at the request of the branch, provide supplementary cover if the branch meets the Fund's requirements concerning membership. Supplementary compensation may be claimed if the competent supervisory

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<sup>495</sup> Established by Subsection (1) of Section 142 of Act LXIV of 2002 as in force on 1 January 2003. Effective, according to Subsection (3) of Section 407 of Act CXX of 2001, as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

<sup>496</sup> Established by Subsection (1) of Section 38 of Act XLVIII of 2004, effective as of 10 June 2004.

<sup>497</sup> Enacted by Subsection (3) of Section 142 of Act LXIV of 2002 as in force on 1 January 2003. Effective, according to Subsection (3) of Section 407 of Act CXX of 2001, as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

<sup>498</sup> Established by Subsection (2) of Section 38 of Act XLVIII of 2004, effective as of 10 June 2004.

<sup>499</sup> Established by Subsection (5) of Section 142 of Act LXIV of 2002 as in force on 1 January 2003. Effective, according to Subsection (3) of Section 407 of Act CXX of 2001, as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

<sup>500</sup> Established by Subsection (3) of Section 38 of Act XLVIII of 2004, effective as of 10 June 2004.

<sup>501</sup> Established by Subsection (3) of Section 38 of Act XLVIII of 2004. Amended by Subsection (2) of Section 153 of Act LXII of 2005.



authority of the country in which the head office of the branch is located notifies the Fund about the occurrence of events warranting compensation. Other aspects of supplementary compensation claims shall be governed by the provisions of Sections 216-220.

(8)<sup>502</sup> Settlement for a claim shall be provided once; apart from supplementary compensation, no additional compensation may be demanded from the Fund on top of the compensation received by a branch from the investor protection scheme of its home country.

## **The Fund's Legal Background**

### *Section 212*

(1) The Fund is vested with legal personality.

(2) The Fund has its seat in Budapest.

(3) The Fund shall be exempt from corporate and local taxes and duties on its own funds, revenues and income.

(4) The Fund's liquid assets may not be extended, nor used for payments to any member of the Fund on any grounds. The Fund's liquid assets may be used only for the purposes laid down in this Act.

(5) The Fund's equity capital cannot be diversified.

(6)<sup>503</sup> The Fund shall be represented against third parties in the court and before the authorities by the chairman of the management body or by the managing director.

## **Duties of the Fund**

### *Section 213*

(1) The Fund shall be responsible to compensate investors for losses in the amount defined in Subsection (2) of Section 217.

(1a)<sup>504</sup> In the application of this Chapter, the client referred to in Point 66 of Subsection (2) of Section 4 of the IRA shall also be construed investor.

(2)<sup>505</sup> Compensation shall be paid only if the underlying claim is based on a commitment secured by a contract concluded by and between an investor and a member of the Fund following 1 July 1997 pertaining to an insured activity, and it concerns the settlement of assets (securities, moneys) that were entrusted to the Fund member and are recorded in the investor's name (insured claim). The insurance provided by the Fund shall cover only the agreements concluded during the period of membership.

(3)<sup>506</sup> The scope of coverage specified in Subsection (2) above also applies to claims lodged against a foreign branch of a Fund member that is registered in Hungary, unless it is not allowed under the laws of the country in which the branch is located.

(4)<sup>507</sup>

### *Section 214*

(1)<sup>508</sup> For administration purposes the Fund may request its members to supply information to the

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<sup>502</sup> Enacted by Subsection (8) of Section 142 of Act LXIV of 2002 as in force on 1 January 2003. Effective, according to Subsection (3) of Section 407 of Act CXX of 2001, as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

<sup>503</sup> Established by Section 31 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>504</sup> Enacted by Section 7 of Act CXXXVI of 2018, effective as of 29 December 2018.

<sup>505</sup> Second sentence enacted by Subsection (1) of Section 143 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>506</sup> Established by Subsection (2) of Section 143 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>507</sup> Repealed by Paragraph a) of Section 161 of Act LXII of 2005, effective as of 1 July 2005.

extent required for carrying out its activities, and may inspect members' compliance with the obligations arising from their membership on location. To this end, the Authority shall furnish information to the Fund from their respective records. The Fund shall forthwith notify the Authority of any unlawful conduct it detects in its official capacity.

(2) When authorized by the investors entitled to receive compensation, the Fund shall represent such investors in composition negotiations and during any liquidation proceeding.

(3)<sup>509</sup> Members of the Fund shall be required to provide investors with readily intelligible information in Hungarian concerning the extent of protection offered by the Fund and the conditions of settlement.

(4)<sup>510</sup> It is prohibited to use any information relating to investor protection or to the Fund for the purpose of soliciting more investments holdings, in particular for advertisements.

### Section 215

(1) Coverage provided by the Fund is not available to

a) the state;

b) budgetary agencies;

c)<sup>511</sup>

d) local authorities;

e) institutional investors;

f)<sup>512</sup> compulsory or voluntary deposit insurance, institution and investor protection funds, Pension Guarantee Funds;

g) extra-budgetary funds;

h)<sup>513</sup> investment companies, members of the stock exchange and commodity dealers;

i) financial institutions falling within the scope of the CIFE;

j) the MNB;

k)<sup>514</sup> the executive employees of Fund members and their close relatives;

l)<sup>515</sup> any company or natural person having a direct or indirect holding of five per cent or more in the capital of a Fund member carrying voting rights, and any company they control, as well as the close relatives of natural persons;

m)<sup>516</sup> auditors of Fund members;

and the foreign equivalents of such investments.<sup>517</sup>

(2)<sup>518</sup> For the purposes of Paragraphs k)-m) of Subsection (1), no compensation shall be paid if it applies to a Fund member in connection with which the settlement procedure is in progress in any extent for the period between the date on which the contract underlying the claim was executed and the date on which the claim for compensation is lodged.

(3)<sup>519</sup> Coverage provided by the Fund shall not apply to claims in connection with any transaction that was financed by funds of criminal origin, as declared by final peremptory court decision.

(4)<sup>520</sup> Coverage provided by the Fund shall not apply to claims in connection with any transaction

<sup>508</sup> Established: by Section 57 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>509</sup> Established by Section 144 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>510</sup> Established: by paragraph (4) Section 42 of Act XLVII of 2008. In force: as of 01. 09. 2008.

<sup>511</sup> Repealed by Paragraph b) of Section 16 of Act CXXXVI of 2018, effective as of 29 December 2018.

<sup>512</sup> Established by Subsection (1) of Section 145 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>513</sup> Established by Subsection (1) of Section 145 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>514</sup> Amended by Paragraph d) of Subsection (1) of Section 49 of Act LXXXV of 2015, Paragraph c) of Section 16 of Act CXXXVI of 2018.

<sup>515</sup> Established: by Section 73 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>516</sup> Enacted by Section 8 of Act CXXXVI of 2018, effective as of 29 December 2018.

<sup>517</sup> Closing passage established by Subsection (1) of Section 145 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>518</sup> Established by Subsection (2) of Section 145 of Act LXIV of 2002. Amended by Section 15 of Act CXXXVI of 2018.

<sup>519</sup> Amended by Section 173 of Act CXCVII of 2017.

<sup>520</sup> Established by Section 39 of Act XLVIII of 2004, effective as of 10 June 2004.

that is denominated in a currency other than euro or the legal tender of a Member State of the European Union or the OECD.

## Settlements Paid by the Fund

### *Section 216<sup>521</sup>*

(1) The Fund's liability of indemnification shall occur:

*a)* if the Authority initiates the opening of liquidation proceedings against a Fund member in accordance with Paragraph *a)* of Subsection (1) of Section 133 of the IRA,

*b)* upon a court order for the liquidation of a Fund member.

(2) If either of the events described in Subsection (1) occur, the Fund member concerned shall notify the Fund thereof without delay. The Fund member shall compile all data and information required for processing and evaluating potential claims, and supply said data and information to the Fund in the prescribed form and manner without delay. The Fund shall be entitled to demand direct access to any data held by a Fund member affected that it deems necessary for the assessment of potential claims for compensation.

(3) The Fund is required to post a notice on the Authority's website, and also on its own website within fifteen days from the time when the event described in Subsection (1) was published, notifying the investors concerned on the conditions to seek compensation. The Fund shall specify the date from which claims are accepted, the form in which claims are to be lodged, and the name of the paying agent. The first day specified for filing the claims must fall within a thirty-day period from the date when the event described in Subsection (1) was published.

(4)<sup>522</sup> By way of derogation from Subsection (3), if the name of the paying agent is not available to the Fund within fifteen days, the Fund shall make it public within three days when it becomes available in the form of additional communication.

### *Section 217*

(1) Compensation to eligible investors shall be paid upon application. The Fund may specify formal requirements for the applications. Investors may submit an application within one year from the first day specified for filing the claims. If an investor was unable to lodge his claim for some excusable reason, he may submit the application within thirty days when such reason is eliminated.

(2)<sup>523</sup> The Fund shall compensate investors entitled to compensation for claims up to a maximum amount of one hundred thousand euro per person and per Fund member on the aggregate. The amount of compensation paid by the Fund is one hundred per cent up to one million forints, and for amounts over the one-million forint limit, one million forints and ninety per cent of the amount over one million forints.

(3)<sup>524</sup> Where any securities account maintained by Fund member shows more of a specific bonds than the amount shown in the records of the central securities depository of the same bonds, the Fund shall pay compensation for those bonds shown in the securities accounts, which, however, are not shown in the records of the central securities depository. In that case, the amount of compensation shall be determined by multiplying the book value of the bonds shown in the client's securities account by the fraction reflecting the portion those surplus bonds represent in all bonds shown in the securities accounts of clients.

(4)<sup>525</sup> For the purposes of determining the extent of indemnification, all of the insured claims of an investor and the claims not released by the Fund member are to be consolidated.

<sup>521</sup> Established by Section 17 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>522</sup> Enacted by Section 9 of Act CXXVI of 2018, effective as of 29 December 2018.

<sup>523</sup> Established by Subsection (1) of Section 18 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>524</sup> Established by Subsection (2) of Section 18 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>525</sup> Established by Subsection (1) of Section 146 of Act LXIV of 2002, effective as of 1 January 2003.

(5) If an insured claim pertains to a security entitlement, the amount of compensation shall be determined based on the average price achieved during the one-hundred-and-eighty-day period immediately before the liquidation proceedings on the stock exchange or over-the-counter trading. If the securities in question had not been traded in the reference period, the Fund's directors shall determine a price based on which to calculate the amount of compensation. The price shall be established to permit a situation as if the investor had sold the securities at the time of commencement of the liquidation proceedings.

(6)<sup>526</sup> In respect of the amount limit referred to in Subsection (2) and of claims, the amount of compensation to be paid in a foreign currency and the amount limit specific in Subsection (2) shall be calculated, regardless of the date of payment, at the official MNB rate of exchange in effect on the starting date of the liquidation proceedings.

(7) Where a Fund member has any claim from a client in connection with investment services that is overdue or is scheduled to expire before payment of indemnification, it shall be deducted from the investor's claim when determining the amount of compensation.

(8) The Fund provides compensation only in money.

(9)<sup>527</sup> The indemnification limit specified in Subsection (2) above shall apply separately to all of the persons contained in the records of the Fund member who are eligible for compensation in connection with securities owned by several persons. The amount of compensation shall be divided equally among the investors, unless there is a contract clause to the contrary. The amount of compensation paid on jointly owned securities shall be added to the compensation payable for the claimant's other claims.

### *Section 218<sup>528</sup>*

Compensation for claims by clients of branches of third-country investment firms, credit institutions and investment fund management companies may be paid only up to the amount insured by the Fund.

### *Section 219*

(1) Upon the claimant supplying the contract underlying the insured claim along with all information required to verify his eligibility, and if the records maintained by the respective Fund member are also available, the Fund shall be required to process the investor's application for compensation within ninety days from the date when the application was submitted.

(2) If the contract supplied by the investor underlying his claim for compensation and the records maintained by the relevant Fund member are in harmony, the Fund shall verify compensation to the extent substantiated by such documents and shall proceed to pay the compensation at the earliest possible time within a ninety-day period. In justified cases the settlement date may be extended - subject to prior approval by the Authority - once, by maximum ninety days. The date of payment of settlement shall be the first day when the investor actually had access to the funds provided in compensation.

(3)<sup>529</sup> Under the conditions set out in this Act, the Fund shall be liable to pay compensation if an investor's eligibility cannot be verified under Subsection (2), however, accompanied by a final court ruling in which the investor has been awarded the claim in question. In this case the investor may file his application within ninety days from the operative date of the court's decision, with the final court ruling in question attached.

(4)<sup>530</sup>

<sup>526</sup> Established by Section 55 of Act CIII of 2008. Amended by Point 11 of Section 48 of Act CXVIII of 2019.

<sup>527</sup> Established by Subsection (3) of Section 146 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>528</sup> Established by Section 198 of Act CXXXVIII of 2007, effective as of 1 December 2007.

<sup>529</sup> Established by Section 41 of Act LIII of 2016, effective as of 1 July 2016.

<sup>530</sup> Repealed by Paragraph c) of Subsection (1) of Section 49 of Act LXXXV of 2015, effective as of 7 July 2015.

## Reimbursement of Settlements

### Section 220

(1) Any Fund member, or the successor of a Fund member on whose account the Fund has paid any compensation shall be liable to reimburse the Fund in the amount of settlement paid out along with all related costs and expenses. This obligation shall also apply in respect of the members whose membership in the Fund has terminated in the meantime.

(2) Up to the extent of settlement paid by the Fund a client's claim shall devolve upon the Fund.

(3) The Fund shall seek satisfaction of its claim described in Subsections (1) and (2) above in the liquidation proceedings. As to the sequence of satisfaction in the liquidation proceedings, the Fund shall assume the position of the investor whose claim it has appropriated.

## Joining the Fund

### Section 221

(1)<sup>531</sup> Prior to applying for authorization to engage in an insured activity, the applicant company shall submit to the Authority a statement filed to the Fund's executive board proclaiming its intent to join the Fund and shall submit payment of affiliation fees (intent of affiliation).

(2) The statement of affiliation shall be filed in the form prescribed and published by the Fund. The Fund shall not render membership conditional.

(3)<sup>532</sup> Membership shall commence on the operative date of the authorization issued by the Authority to engage in an insured activity. In connection with voluntary affiliation (commodity dealers, branches), membership shall commence upon the day when the statement of affiliation is submitted and the affiliation fees are paid. The Fund shall publish a notice concerning the effective date of affiliation on the Authority's official website, and on its own website as well.

## Membership Fees

### Section 222

(1)<sup>533</sup> Before admission new Fund members must pay the prescribed affiliation fee. The affiliation fee shall be one-half per cent of the joining company's subscribed capital, however, it may not be less than five hundred thousand forints and may not be more than three million forints.

(2)<sup>534</sup> Members of the Fund shall be liable to pay annual membership dues to the Fund for each calendar year. The Fund's executive board shall determine the date on which the membership dues are payable.

(3)<sup>535</sup> Annual membership dues shall be calculated on the basis of the average value of all funds deposited by investors with the Fund member during the previous calendar year, in the form of liquid assets or securities, to which the Fund's protection applies. Membership dues with respect to liquid assets and securities deposited by an investor shall be paid by the Fund member that is liable to release the deposits on the basis of a contract concluded with the investor for performing insured activities.

(4)<sup>536</sup> The Fund's executive board shall determine the amount of annual dues relative to the above-specified base, taking into account the total value of the investors' liquid assets and securities

<sup>531</sup> Established: by Section 74 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>532</sup> Established by Section 30 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>533</sup> Established: by Section 75 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>534</sup> Established by Subsection (1) of Section 147 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>535</sup> Second sentence enacted by Subsection (2) of Section 147 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>536</sup> Established: by paragraph (40) Section 159 of Act CXIII of 2011. In force: as of 1. 01. 2012.

portfolio below the indemnification limit. The Fund's executive board may alter the amount of the annual dues calculated relative to the base amount based on the level of risk the member's activities represent to the Fund, however, the change implemented on such grounds may not exceed fifty per cent of the membership dues calculated on the base amount. When providing supplementary cover, the investments for which supplementary cover is provided shall be taken into consideration when determining the annual fee, along with the cover afforded by the investor protection scheme of the country in which the branch's home office is located.

(5)<sup>537</sup> The annual fees payable by a Fund member may not exceed three thousandths of the base amount; they may not, however, be less than five hundred thousand forints (minimum fee). The Fund's executive board may set the amount of the minimum fee above five hundred thousand forints; however, the minimum fee must not exceed two million forints under any circumstances. A Fund member whose investors did not file any claims for compensation during the subject year and during the preceding calendar year cannot be charged more than the legal minimum.

(6)<sup>538</sup>  
(7)<sup>539</sup> The Fund's executive board may order payment of extraordinary dues if the Fund's assets are insufficient to cover current or potential claims for compensation. Extraordinary payment of dues may be ordered also if the Fund is unable to meet its loan repayment liabilities when due, whether it concerns principal or interest payments, or if unable to effect redemption of bonds of its own issue in due time. Extraordinary payments are to be remitted in the manner and in the time prescribed by the Fund's executive board. Extraordinary payments shall be calculated on the same basis as annual dues, however, the extraordinary payments demanded in the course of a calendar year must not exceed the amount of annual dues last established.

(8) If the Authority has suspended all insured activities of a Fund member, and if the length of suspension covers the entire period remaining from the authorization granted by the Authority, the Fund member in question shall not be charged any fees for the period of suspension. If the Fund member's license is not revoked, the fees applicable for the period of suspension shall be due and payable after the suspension is lifted.

(9) Affiliation fees, annual dues and extraordinary payments paid by Fund members to the Fund shall be recorded under other operating charges.

(10)<sup>540</sup> Where a Fund member falls in default in terms of payment of membership fees required under the regulations that the Fund's executive board has adopted within the framework of this Act, the Fund may request the Authority to take action.

## Organizational Structure of the Fund

### *Section 223<sup>541</sup>*

(1)<sup>542</sup> The Fund is governed by a nine-member executive board.

(2)<sup>543</sup> The executive board shall be comprised of:

a) two persons delegated by the minister in charge of the money, capital and insurance markets;

b) one member delegated each by the stock exchange and the central depository;

c)<sup>544</sup> two persons appointed by the Governor of the MNB, one for carrying out the tasks specified in Subsection (7) of Section 4 of the MNB Act and the other for carrying out the tasks specified in Subsection (9) of Section 4 of the MNB Act in the capacity of deputy chair or designated manager;

<sup>537</sup> Established: by paragraph (40) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>538</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>539</sup> Established by Section 19 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>540</sup> Enacted by Section 68 of Act CLXXXVI of 2005, effective as of 1 January 2006.

<sup>541</sup> Established: by Section 58 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>542</sup> Amended by Paragraph d) of Subsection (1) of Section 41 of Act CCXV of 2015.

<sup>543</sup> Established by Subsection (1) of Section 20 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>544</sup> Amended by Paragraph d) of Section 48 of Act LIII of 2016.

- d)* two persons delegated by the relevant trade organizations on behalf of Fund members;  
*e)*<sup>545</sup> the managing director of the Fund.
- (2a)<sup>546</sup> Executive board members - with the approval of the executive board - may appoint a permanent proxy who shall attend the meetings of the board in the absence of the member with full rights of making decisions.
- (3) The term of delegation shall be three years.
- (4) If filling a vacant spot falls within the right of several organizations and they fail to reach an agreement concerning the appointment of the new member of the executive board, it shall be filled by way of drawing a name from a pool of candidates for which each eligible organization shall be entitled to delegate one person.
- (5) When the term of a member of the executive board is terminated, the appropriate organization shall delegate a new member within thirty days.
- (6)<sup>547</sup> Membership in the executive board shall terminate:
- a)* upon expiry of the term referred to in Subsection (3);  
*b)*<sup>548</sup> upon being recalled, or in the case of the managing director upon dismissal from the office of managing director;  
*c)* upon death; or  
*d)*<sup>549</sup> upon resignation, with the exception of the managing director.
- (7)<sup>550</sup> The board of directors shall elect a chairman from among its members on a yearly basis. The managing director may not be elected for the office of chairman.
- (8) The executive board shall convene at least quarterly. An executive session shall be called in the event of any imminent situation entailing settlements payable by the Fund, or if ordered by the Authority. Meetings of the executive board are called by the chairperson.
- (9)<sup>551</sup> A meeting of the executive board shall have a quorum if at least seven members are present. The executive body shall adopt its resolutions by simple majority. In the event of a tie, the chairperson shall have the casting vote.
- (10)-(12)<sup>552</sup>

## **Duties of the Executive Board**

### *Section 224*

- (1) The executive board shall have powers:
- a)* to adopt the Fund's rules and regulations;  
*b)*<sup>553</sup> to appoint and discharge the Fund's managing director, and to determine his duties and remuneration;  
*c)*<sup>554</sup> to decide on measures relating to the implementation of the Fund's functions, and to direct and oversee the execution of the responsibilities delegated under this Act under the supervision of the managing director;  
*d)* to prescribe the contents of reports to be filed by the Fund's members so as to satisfy their obligations arising from membership, and the frequency in which they are to be filed;  
*e)* to establish the Fund's annual budget, and shall approve the Fund's annual report;

<sup>545</sup> Established by Subsection (1) of Section 32 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>546</sup> Enacted by Subsection (2) of Section 20 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>547</sup> Established by Subsection (1) of Section 42 of Act LIII of 2016, effective as of 1 July 2016.

<sup>548</sup> Established by Subsection (2) of Section 32 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>549</sup> Amended by Subsection (3) of Section 32 of Act CXVIII of 2019.

<sup>550</sup> Established by Subsection (4) of Section 32 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>551</sup> Amended by Paragraph e) of Subsection (1) of Section 41 of Act CCXV of 2015.

<sup>552</sup> Repealed by Point 12 of Section 48 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>553</sup> Established by Subsection (1) of Section 33 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>554</sup> Established by Subsection (2) of Section 33 of Act CXVIII of 2019, effective as of 1 January 2020.

- f)* to control and monitor the Fund's financial management and other activities;
  - g)* to convey quarterly reports to Fund members and to the Authority concerning the current status and appropriation of the Fund's finances;
  - h)* to draw up a yearly report on its operations by 31 May of the following year, and shall send it to its members and to the Authority;
  - i)* to carry out other duties prescribed in this Act.
- (2)<sup>555</sup> The Fund's operations are directed by the managing director. Employer's rights over the managing director shall be exercised by the chairperson of the executive board in all matters other than what is described in Paragraph *b)* of Subsection (1).

### *Section 225*

- (1)<sup>556</sup> The Fund's executive board shall adopt regulations in which to lay down the rules:
- a)* pertaining to fees charged to members, in particular to the method and formulas for determining the base amount and the amount of fees payable, the procedure for determining the level of risk inherent in the members' activities and for revising the membership fees calculated on the base amount, including the procedures for payment methods and orders and payment dates;
  - b)* pertaining to the Fund's administration;
  - c)* governing payments made by the Fund; and
  - d)* to define the executive board's order of business.
- (2)<sup>557</sup> The Fund's bylaws shall not contain any provisions to impose any obligation upon its members, with the exception specified in Paragraph *a)* of Subsection (1). They may not contain any provisions to violate the principle of equal treatment among Fund members, and must not jeopardize the prudent and efficient management of the Fund.
- (3)<sup>558</sup> The Fund shall publish its bylaws, rules and regulations, and the board's resolutions that are classified public on the Authority's official website, and on its own website as well. The Fund may forego the publication of the regulations referred to in Paragraph *d)* of Subsection (1).
- (4)<sup>559</sup> The Fund's executive board shall request the opinion of the MNB relating to the rules for determining the level of risk inherent in the members' activities and for adjusting the amount of fees payable based on such risk level.

## **Revenues of the Fund**

### *Section 226*<sup>560</sup>

- (1) The Fund's resources are comprised of:
- a)* affiliation fees;
  - b)* annual dues;
  - c)* extraordinary payments;
  - d)* yields from the Fund's assets;
  - e)* moneys borrowed by the Fund;
  - f)* bonds issued by the Fund;
  - g)* other income.
- (2) The Fund may borrow:
- a)* from the MNB with a view to fulfilling its function provided for in Subsection (1) of Section 213, and/or

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<sup>555</sup> Established by Subsection (3) of Section 33 of Act CXVIII of 2019, effective as of 1 January 2020.

<sup>556</sup> Established: by paragraph (41) Section 159 of Act CXCIII of 2011. In force: as of 1. 01. 2012.

<sup>557</sup> Second sentence established by Subsection (3) of Section 61 of Act CXXV of 2003, effective as of 27 January 2004.

<sup>558</sup> Established by Section 31 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>559</sup> Established: by Section 59 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>560</sup> Established by Section 22 of Act LXXXV of 2015, effective as of 7 July 2015.



b) from credit institutions with a view to fulfilling its function provided for in Subsection (1) of Section 213 and for the purpose of repayment of the loan under Paragraph a).

(3) In the interest of fulfilling its function provided for in Subsection (1) of Section 213 and for the purpose of repayment of the loan under Subsection (2) the Fund may issue bonds.

(4) The State shall provide surety facilities for the loans taken out and bonds issued by the Fund - in the amount approved by the minister in charge of public finances - with a view to fulfilling its obligations provided for in Subsection (2). Apart from the State surety facilities, the creditor shall not be required to demand additional security for the liabilities of the Fund. The Fund shall not be charged a fee for the State guarantee.

## **Accounts and Financial Management of the Fund**

### *Section 227*

(1)<sup>561</sup>

(2)<sup>562</sup> 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 payment service provider 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.

(3)<sup>563</sup>

(4) The Fund may obtain loans.

(5) The Fund shall pay settlements from its accumulated assets, and from the balance remaining from the Fund's annual revenues following deduction of the yearly operating expenses approved by the executive board.

## **Termination of Membership in the Fund**

### *Section 228*

(1)<sup>564</sup> Membership in the Fund is terminated when the Authority's authorization for all insured activity in which the member is engaged is withdrawn. Regarding voluntary affiliation (commodity dealers, branches) membership in the Fund may be cancelled at any time, in which case it shall terminate on the day when the member in question submits a statement for the termination of membership to the Fund, in the format prescribed by the Fund. When membership of any Fund member is terminated, the Fund shall publish the effective date of termination on the Authority's official website, and on its own website as well.

(2)<sup>565</sup>

(3)<sup>566</sup> Termination of membership shall have no effect on the obligation of the payment of fees applicable to the company in question. The fees paid under the period of membership shall not be refunded, whether in part or in full, on the grounds of termination.

## **PART EIGHT<sup>567</sup>**

### ***SPECIFIC PROVISIONS RELATING TO SECURITIZATION<sup>568</sup>***

<sup>561</sup> Repealed: by subparagraph d) paragraph (4) Section 65 of Act LXXXV of 2009. No longer in force: as of 1. 11. 2009.

<sup>562</sup> Established: by paragraph (2) Section 117 of Act LXXXV of 2009. In force: as of 1. 11. 2009.

<sup>563</sup> Repealed: by subparagraph e) paragraph (2) Section 38 of Act LXVI of 2011. No longer in force: as of 1. 07. 2011.

<sup>564</sup> Established by Section 32 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>565</sup> Repealed: by subparagraph c) paragraph (3) Section 175 of Act CIII of 2008. No longer in force: as of 01. 01. 2009.

<sup>566</sup> Established: by Section 76 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>567</sup> Established by Section 10 of Act CXXVI of 2018, effective as of 1 January 2019.

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## CHAPTER XXV<sup>569</sup>

### PROVISIONS APPLICABLE TO SSPE(S)<sup>570</sup>

#### *Section 229<sup>571</sup>*

SSPEs may perform securitization activity only as an exclusive activity. SSPEs may operate only in the form of limited companies, private limited-liability companies or incorporated as branches of economic operators having legal personality that are established in another Member State of the European Union. An SSPE may not engage in any activity and may not undertake any obligation resulting in exposures additional to its obligations stemming from securitization activities. An SSPE may not encumber receivables corresponding to issuance. An SSPE may not be a member of a group of companies governed under Book Three of the Civil Code.

(2) An SSPE may start its securitization activity upon notification of the Authority.

(3) An SSPE may not have an interest in any other company, and may not acquire securities issued by another SSPE.

(4) An SSPE must at all times maintain its independence and freedom from the originator of securitization.

(5) The amount of the loans borrowed by an SSPE may not exceed ten per cent of its assets.

(6) The following may not hold an executive office in an SSPE:

a) an employee of the originator of securitization, or if a former employee for five years following the termination of such employment;

b) any person who provides services to the originator of securitization or its executive officers for consideration under personal service contract;

c) the founder of any member or shareholder of an SSPE, or the owner of such founder controlling at least thirty per cent of the votes, whether directly or indirectly, or is a close relative or domestic partner of such person;

d) the auditor of the SSPE, or an employee or partner of the audit firm, for three years following the termination of such relationship.

#### *Section 230<sup>572</sup>*

(1) The phrase “értékpapírosításban közreműködő” (“*involved in securitization*”) shall be included in the name and shall be featured on the official documents of the SSPE.

(2) SSPEs shall make public on their website information on the performance of underlying pool assets each year.

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## CHAPTER XXVI<sup>573</sup>

### GENERAL RULES APPLICABLE TO SECURITIZATION OPERATIONS<sup>574</sup>

#### *Section 231<sup>575</sup>*

(1) The relevant provisions of Regulation 2017/2402/EU of the European Parliament and of the

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<sup>568</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>569</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>570</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>571</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>572</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>573</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>574</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>575</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

Council shall apply to all securitizations under point 1 of Article 2 of Regulation 2017/2402/EU of the European Parliament and of the Council.

(2) The provisions of this Chapter shall apply to all securitizations provided for in point 1 of Article 2 of Regulation 2017/2402/EU of the European Parliament and of the Council, other than STS securitizations and synthetic securitizations.

(3) Regulation 2017/2402/EU of the European Parliament and of the Council shall apply to securitizations provided for in Subsection (2) together with the provisions of this Act.

(4) In the application of this Chapter, institutional investor shall have the meaning provided for in point 12 of Article 2 of Regulation 2017/2402/EU of the European Parliament and of the Council.

### *Section 232<sup>576</sup>*

(1) The following may not be transferred within the framework of securitization:

- a) receivables arising from invalid or inoperative contracts;
- b) receivables arising from contracts whose validity or operability is challenged in the court of law;
- c) receivables whose transfer is prohibited by law;
- d) receivables originating from deals other than legal transactions; furthermore
- e) all other receivables whose assignment has been prohibited by the parties in writing before the date of entry into force of the Civil Code.

(2) The assignment of claims is permitted within the framework of securitization only if the claim in question has not been pledged - apart from securitization - at the time of transfer as collateral in part or in whole for another claim.

(3) Within the framework of securitization assets shall be transferred to the SSPE at the time fixed in the contract of assignment.

### *Section 232/A<sup>577</sup>*

(1) Within the framework of securitization non-consumer receivables from a portfolio of contracts comprised of at least twenty contracts for providing the financial services specified in Paragraphs b)-c) and l) of Subsection (1) of Section 3 of the CIFE or at least ten billion forints worth of principal or lease payments outstanding may also be transferred to SSPEs other than financial enterprises. In the transfer of such receivables the provisions of the Civil Code relevant to assignment shall apply with the additions set out in this Section.

(2) The application for the authorization of transfer shall be accompanied by the following:

- a) a legal statement by the transferor and the SSPE for the transfer;
- b) description of the receivables to be transferred, and their guarantees;
- c) the date of transfer and the amount transferred;
- d) data for the identification of the obligors of the receivables;
- e) proof that the SSPE has a contract with a payment institution authorized to engage in credit and loan operations for the management of the receivables to be transferred.

(3) The financial institution transferring the receivables shall notify in writing all clients concerned of its intention to transfer its receivables portfolio at least thirty days before the date authorized by the Authority for the transfer. In the above-specified notice the transferor financial institution shall inform the clients on changes in the contract terms and conditions invoked upon the transfer and anticipated to take effect after the authorized date of transfer. When the contract terms and conditions are amended unilaterally in connection with the transfer, it may not serve to justify any regression for the client in relation to the interest, fees and charges.

(4) The notice referred to in Subsection (3) shall draw the clients' attention to their right to withdraw from the contract in writing, at no cost, within fifteen days from the date of receipt of

<sup>576</sup> Established by Section 10 of Act CXXVI of 2018, effective as of 1 January 2019.

<sup>577</sup> Enacted by Section 34 of Act CXVIII of 2019, effective as of 26 December 2019.

notice; in the absence thereof it shall be construed as having consented to the transfer and to the ensuing amendment of the contract terms and conditions. In the event of withdrawal from the contract, the client's contractual liabilities shall become due and payable in full at the latest by the last day of the contractual notice period.

(5) Upon the transfer of receivables, the guarantees of the receivables shall accrue upon the SSPE as of the date authorized by the Authority for the transfer, including the collection and offsetting authorizations granted to the transferor in connection with the receivables, relevant to payment accounts.

(6) The costs and expenses incurred in the process of transferring the receivables may not be charged to the obligor of the receivable.

(7) The permission of the Authority for the transfer of receivables shall not be a substitute for the authorization of the Gazdasági Versenyhivatal (*Hungarian Competition Authority*).

## **Insolvency Proceedings Against SSPEs, Special Regulations for the Dissolution of SSPEs Without Succession<sup>578</sup>**

### *Section 233<sup>579</sup>*

The liquidation of an SSPE shall be governed by the provisions of the Bankruptcy Act subject to the exceptions set out in this Act.

### *Section 234<sup>580</sup>*

The assets acquired by an SSPE may not be included by the debtor or its creditors to form part of the estate for liquidation and/or bankruptcy proceedings even in the event of the debtor's insolvency.

### *Section 235<sup>581</sup>*

(1) In the case of default of a tranche established by a SSPE, in liquidation proceedings the investor of such tranche may not demand satisfaction of its claim against the claim embodied in another tranche of that SSPE, and may not initiate the opening of an enforcement procedure against that claim contained in another tranche established by that SSPE.

(2) Groups of receivables securitized separately shall be included in the estate for liquidation independently.

(3) Where a group of receivables is included in the liquidation it may not result in the inclusion of other groups of receivables in the same SSPE to form part of the estate for liquidation. The creditors of a group of receivables included to form part of the estate for liquidation may seek satisfaction only in respect of said included group of receivables.

(4) Groups of receivables that were securitized separately and were included in the estate for liquidation independently shall be ranked - when the SSPE is terminated - under the group that follows Paragraph *e*) and precedes Paragraph *f*) of Subsection (1) of Section 57 of the Bankruptcy Act, with the proviso that these claims shall be satisfied in proportion of claims.

### *Section 236<sup>582</sup>*

(1) The liquidator 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

<sup>578</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>579</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>580</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>581</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>582</sup> Established by Section 10 of Act CXXXVI of 2018, effective as of 1 January 2019.

clients.

(2) The liquidator is vested with competence to decide to have the accounts of the investment fund manager transferred on the whole, for consideration, in the course of the liquidation procedure.

### *Section 237<sup>583</sup>*

(1) The dissolution of an SSPE shall be governed by the provisions of the CRA subject to the exceptions set out in this Act.

(2) Before the complete satisfaction of claims arising in connection with securities issued by an SSPE, dissolution of that SSPE may not be initiated.

(3) Groups of receivables securitized separately shall be included in the estate for dissolution of the SSPE independently. The creditors of a specific group of receivables may seek satisfaction only in respect of said group of receivables.

(4) Section 105 of the CRA shall not apply to the dissolution of SSPEs.

### *Section 238<sup>584</sup>*

(1) The involuntary de-registration of an SSPE shall be governed by the provisions of the CRA subject to the exceptions set out in this Act.

(2) In the cases under Paragraphs *a*) and *b*) of Subsection (1) of Section 116 of the CRA involuntary de-registration of an SSPE is not allowed.

## ***PART EIGHT/A<sup>585</sup>***

### ***Chapter XXXI/A<sup>586</sup>***

#### ***Sections 296/A-296/F<sup>587</sup>***

### ***Chapter XXXI/B<sup>588</sup>***

#### ***Sections 296/G-296/Q<sup>589</sup>***

## ***PART NINE***

## ***EXCHANGE MARKETS***

### ***Chapter XXXII***

## ***EXCHANGE MARKET OPERATIONS***

### ***Section 297***

(1) Exchange market operations shall mean for-profit activities involving the buying and selling of exchange-traded instruments in an organized fashion under standardized rules.

(2) Only an exchange shall be permitted to engage in exchange market operations.

<sup>583</sup> Established by Section 10 of Act CXXVI of 2018, effective as of 1 January 2019.

<sup>584</sup> Established by Section 10 of Act CXXVI of 2018, effective as of 1 January 2019.

<sup>585</sup> Repealed by Paragraph b) of Subsection (1) of Section 298 of Act XVI of 2014, effective as of 15 March 2014.

<sup>586</sup> Repealed by Paragraph b) of Subsection (1) of Section 298 of Act XVI of 2014, effective as of 15 March 2014.

<sup>587</sup> Repealed by Paragraph b) of Subsection (1) of Section 298 of Act XVI of 2014, effective as of 15 March 2014.

<sup>588</sup> Repealed by Paragraph b) of Subsection (1) of Section 298 of Act XVI of 2014, effective as of 15 March 2014.

<sup>589</sup> Repealed by Paragraph b) of Subsection (1) of Section 298 of Act XVI of 2014, effective as of 15 March 2014.

(3)<sup>590</sup> In respect of stock exchanges the provisions of the Civil Code on legal persons, and in respect of stock exchanges operating as branches the provisions of the FCA shall apply, subject to the exceptions laid down in this Act.

### *Section 298<sup>591</sup>*

- (1)<sup>592</sup> A stock exchange may only engage in:
- a) exchange market operations;
  - b) activities related to exchange market operations;
  - c) operating the trading systems provided for in Paragraphs *h*) and *i*) of Subsection (1) of Section 5 of the IRA;
  - d) the data reporting services described in Section 6/A of the IRA;
  - e) operating platforms for facilitating the ability of business associations for borrowing on the capital markets;
  - f) providing information technology services;
  - g) services related to operating a market.
- (2)<sup>593</sup> Activities related to exchange market operations are, in particular:
- a) training services;
  - b) information technology services;
  - c) publication and distribution of periodicals;
  - d) data and information supply;
  - e) consultancy relating to the admission of securities for trading on the stock exchange.

## Chapter XXXIII

### AUTHORIZATION OF EXCHANGE MARKETS

#### *Section 299*

- (1) An exchange may be established in possession of the Authority's authorization.
- (2) An exchange may be established in the form of a limited company holding dematerialized shares only, or set up as a branch of a foreign exchange.
- (3)<sup>594</sup> Exchanges for the trading of commodities, foreign currencies and forward interest-rate agreements must have at least one hundred and fifty million forints in registered paid-up capital (subscribed capital) or, when trading in other exchange-traded instruments, at least five hundred million forints.
- (4)<sup>595</sup> A founder member participating in the foundation of an exchange may acquire a qualifying interest in that exchange only if having no prior criminal record with respect to the criminal offenses specified in Subsection (3) of Section 357, and if having no outstanding debts owed to the competent tax authority, customs authority or to the social security system.

#### *Section 300*

- (1)<sup>596</sup> An application for authorization of the foundation of an exchange shall be accompanied -

<sup>590</sup> Established by Subsection (19) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>591</sup> Established by Section 23 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>592</sup> Established by Section 9 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>593</sup> Established by Subsection (2) of Section 44 of Act LIII of 2016, effective as of 1 July 2016.

<sup>594</sup> Established by Section 175 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>595</sup> Enacted: by paragraph (46) Section 159 of Act CXCI of 2011. In force: as of 1. 01. 2012. Amended by Paragraph e) of Section 48 of Act LIII of 2016.

<sup>596</sup> Amended by Paragraph b) of Section 212 of Act L of 2017.

having regard to Subsection (5) - by the following:

- a)<sup>597</sup> the articles of association of the stock exchange;
- b) name of the owners participating in its foundation, and their respective shares of ownership;
- c) a document in proof of payment of the subscribed capital by the founders;
- d)<sup>598</sup> drafts of the exchange's organizational and management structure, decision-making and control mechanisms, and its organizational and operational procedures, if they are not contained in the articles of association in sufficient detail;
- e) drafts of contracts to secure settlements;
- f) if the applicant is non-resident, a statement concerning the applicant's agent for service of process, who must be an attorney or a law firm registered in Hungary;
- g) a statement on having a main office in Hungary from which to direct operations.

(2)<sup>599</sup> If any of the founding members intends to acquire a qualifying interest in the exchange under foundation, the following shall also be enclosed - having regard to Subsection (5) - with the application for authorization, in addition to the requirements specified under Subsection (1):<sup>600</sup>

- a)<sup>601</sup> the company's instrument of constitution;
- b) a certificate of incorporation issued within three months to date, and for foreign companies the original certificate of incorporation and an official Hungarian translation, or proof that the company has been registered in the companies (economic) register;
- c)<sup>602</sup> identification data of any person holding a qualifying interest;
- d)<sup>603</sup>
- e) in respect of the persons participating in the foundation, documents issued within thirty days to date to verify of having no outstanding debts owed to the tax authority, the customs authority, or the social security system;
- f) a declaration, substantiated with the proper documents, stating that money required for the subscribed capital is from the founders' legitimate income;
- g) the audited annual accounts of the business association for the previous three calendar years;
- h) a statement declaring any and all contingent liabilities and commitments, by definition of the Accounting Act;
- i) a detailed explanation of a founder's ownership structure and other circumstances on account of which he is considered affiliated to certain entities, and the consolidated annual account of the principal company for the previous year, if the principal company is required to prepare consolidated accounts;
- j) a statement fixed in a private document of full probative force from all persons indicated in the application in which to grant consent, verifying the authenticity of the documents attached to the application for authorization as having been checked by the Authority by means of the appropriate agencies it has contacted.

(2a)<sup>604</sup> Natural persons holding a qualifying interest shall - at the time of submission of the application for authorization of the foundation of an exchange - produce to the Authority proof - having regard to Subsection (3a) of Section 357 - of having no prior criminal record with respect to the criminal offenses specified in Subsection (3) of Section 357.

(3)<sup>605</sup> If any of the founding members is a foreign-registered financial institution, an insurance institution or an investment firm, and it intends to acquire a qualifying interest in the exchange under foundation, a certificate or statement from the competent supervisory authority of the country where

<sup>597</sup> Established by Subsection (20) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>598</sup> Established by Subsection (21) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>599</sup> Amended by Paragraph b) of Section 212 of Act L of 2017.

<sup>600</sup> Established: by paragraph (1) Section 56 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>601</sup> Amended by Paragraph a) of Subsection (30) of Section 151 of Act CCLII of 2013.

<sup>602</sup> Established: by paragraph (47) Section 159 of Act CXCI of 2011. In force: as of 1. 01. 2012.

<sup>603</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCI of 2011. No longer in force: as of 1. 01. 2012.

<sup>604</sup> Established by Subsection (2) of Section 211 of Act L of 2017, effective as of 1 January 2018.

<sup>605</sup> Established: by paragraph (2) Section 56 of Act CIII of 2008. In force: as of 01. 01. 2009.

such a member is established, stating that the company operates in compliance with the regulations on prudent management, shall also be attached, in addition to the requirements specified under Subsections (1) and (2).

(4) Activities in connection with the establishment of an exchange may be performed under an authorization of foundation.

(5)<sup>606</sup> 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 *g*) of Subsection (1) shall be obtained by the Authority.

(6)<sup>607</sup>

### *Section 301*

(1) In addition to the requirements specified under Paragraphs *a*)-*f*) of Subsection (1) of Section 300, the following shall also be attached with the application for authorization of the foundation of an exchange set up as a branch:

*a*)<sup>608</sup> the instrument of constitution of the foreign exchange;

*b*)<sup>609</sup> a certificate from the supervisory authority of the country where the foreign exchange is established, verifying that it operates as a regulated market in that country;

*c*) documents issued within thirty days to date to verify that the foreign exchange has no outstanding debts owed to the tax authority, the customs authority, or to the social security system, neither in the country where established nor in Hungary;

*d*)<sup>610</sup> a certificate from the competent supervisory authority stating that the applicant's head office from which its operations are directed is in the country where it is established;

*e*) the audited annual accounts of the foreign exchange for the previous three fiscal years;

*f*) a detailed explanation of the founder exchange's ownership structure and other circumstances on account of which the founder exchange is considered affiliated to certain entities, and the consolidated annual account of the principal company for the previous year, if the principal company is required to prepare consolidated accounts;

*g*) a statement fixed in a private document of full probative force from all persons indicated in the application in which to grant consent, verifying the authenticity of the documents attached to the application for authorization as having been checked by the Authority by means of the appropriate agencies it has contacted;

*h*) the scope of decision-making powers of the executive officer or officers of the exchange set up as a branch, and the bodies of the applicant, the approval of which is required in order for certain decisions to be valid;

*i*) a certificate from the competent supervisory authority stating that, in relation to executive officers of nationality other than Hungarian, there are no disqualifying factors for holding such office.

(2) The Authority shall authorize the foundation of the exchange set up as a branch if the requirements laid down in Subsection (1) of this Section and in Subsection (1) of Section 300 are satisfied, and if:

*a*) there is a 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 registered;

*b*)<sup>611</sup> the country in which the applicant is established has legal regulations on money laundering and terrorist financing that conform to the requirements prescribed under Hungarian law;

*c*) the foreign applicant has adopted the internal regulations prescribed by this Act;

<sup>606</sup> Established by Subsection (3) of Section 211 of Act L of 2017, effective as of 1 January 2018.

<sup>607</sup> Repealed by Paragraph a) of Section 213 of Act L of 2017, effective as of 1 January 2018.

<sup>608</sup> Amended by Paragraph a) of Subsection (30) of Section 151 of Act CCLII of 2013.

<sup>609</sup> Amended by Subsection (7) of Section 153 of Act LXII of 2005.

<sup>610</sup> Amended by Subsection (2) of Section 153 of Act LXII of 2005.

<sup>611</sup> Amended by Subsection (1) of Section 86 of Act LIII of 2017.



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

*e)* the applicant has submitted the permit for the foundation of a branch issued by the supervisory authority competent for the place where it is registered, and/or its declaration of approval or acknowledgment;

*f)* the legal system of the country where the applicant is established guarantees the prudent and sound management of the applicant.

(3) With regard to branches, subscribed capital shall be understood to mean endowment capital.

### *Section 302*

(1) The Authority's authorization is not required for the foundation of a branch by an exchange that is established in another Member State of the European Union.

(2)<sup>612</sup> If the exchange to be established is a subsidiary of an exchange, credit institution or investment firm that has a registered office in another Member State of the European Union, the provisions of Section 29 of the IRA shall apply.

(3)<sup>613</sup> For the foundation of a branch by an exchange, that has a registered office in Hungary in another Member State of the European Union, the provisions of Section 123 of the IRA shall apply.

(4)<sup>614</sup>

## **Requirements for the Authorization of Exchange Market Operations**

### *Section 303*

(1) An exchange market may commence operations in possession of the Authority's authorization. The Authority's authorization shall cover specific exchange-traded instruments individually or a group of exchange-traded instruments.

(2) Authorization to engage in exchange market operations shall be granted only to an applicant who is able to satisfy the following requirements:

*a)*<sup>615</sup> must be able to ensure access to the trading system in a non-discriminatory way;

*b)* must have the necessary personnel, equipment, technical and security facilities;

*c)*<sup>616</sup> must have sufficient facilities for the settlement of stock exchange transactions, verified by agreement concluded with the central counterparty or central securities depository;

*d)* must have a scheme of operations drawn up for a minimum period of three years in which to outline the background for sound and prudential management;

*e)* must have a set of internal regulations, which satisfy the requirements laid down in this Act and approved by the Authority;

*f)*<sup>617</sup> must have professional indemnity insurance 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.

(3) With respect to Paragraphs *b)* and *c)* of Subsection (2), the Authority shall inspect the level of conformity of the proposed trading and settlement systems with the prescribed requirements.

(4) An exchange may commence operations upon receipt of the Authority's authorization.

### *Section 304*

<sup>612</sup> Established by Subsection (1) of Section 34 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>613</sup> Established by Subsection (2) of Section 34 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>614</sup> Repealed by Paragraph f) of Subsection (1) of Section 58 of Act CXXXV of 2007, effective as of 1 December 2007.

<sup>615</sup> Established: by paragraph (1) Section 57 of Act CIII of 2008. In force: as of 25. 12. 2008. Authorized bodies shall comply with the provisions of this Subsection by 31 March 2009. Shall apply to pending cases as well.

<sup>616</sup> Established by Section 24 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>617</sup> Established: by paragraph (2) Section 57 of Act CIII of 2008. In force: as of 25. 12. 2008. Authorized bodies shall comply with the provisions of this Subsection by 31 March 2009. Shall apply to pending cases as well.

Applications for authorization to engage in exchange market operations shall contain the following enclosures:

a)<sup>618</sup> description of sound security mechanisms 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 stock exchange submits a transaction report to the Authority on behalf of an investment firm and a credit institution authorized to provide the investment services (in the application of this Part hereinafter referred to collectively as “investment service provider”);

b)<sup>619</sup> detailed description of the proposed exchange market operations, in particular a list of the instruments planned to be traded, types of transactions, trading mechanisms, data processing and records, and data protection solutions;

c) within the scope of Paragraphs b) and c) of Subsection (2) of Section 303, a detailed description of the equipment and technical means available or planned to be purchased, and if the proposed trading system is computerized, the results of test runs to substantiate:

1. that the applicant’s trading system has sufficient facilities to ensure equal treatment to all exchange dealers in connection with the same services provided as part of trading operations,

2. that the applicant’s trading system enhances a fair and reliable background for trading and ensures that transparency of transactions and prices is achieved, permitting the continuous monitoring of market trends and the implementation of measures by the exchange and the Authority, as specified in Sections 325-329,

3. that the applicant has sufficient means to record and archive offers and transactions, and to make exchange information available to the public,

4. that the applicant’s data management system satisfies the requirements of reliable data protection,

5.<sup>620</sup>

d) internal regulations;

e) scheme of operations for the first three years of operations;

f) liability insurance policy;

g) a statement on the proposed date for commencing operations;

h)<sup>621</sup> a list of the executive officers, and - having regard to Subsection (3a) of Section 357 - all documents, instruments and certificates to evidence their compliance with the requirements set out in Section 311 and Section 356.

### *Section 305<sup>622</sup>*

The Authority shall recognize a stock exchange that has been authorized to engage in the trading of any type of financial instrument as a regulated market. The provisions of Part Nine shall apply *mutatis mutandis* to a stock exchange registered as a regulated market.

### *Section 306*

The Authority shall withdraw the authorization it has issued to authorize exchange market operations if:

a) it was obtained by misleading the Authority or through any other illegal conduct;

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

c)<sup>623</sup> the exchange fails to commence within six months the activities to which the authorization

<sup>618</sup> Established by Section 10 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>619</sup> Amended by Paragraph e) of Subsection (1) of Section 49 of Act LXXXV of 2015.

<sup>620</sup> Repealed by Paragraph a) of Subsection (2) of Section 49 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>621</sup> Amended by Paragraph d) of Section 212 of Act L of 2017.

<sup>622</sup> Established by Section 11 of Act LXIX of 2017, effective as of 3 January 2018.

pertains, or has not engaged in such activities for more than six months;

*d)* the exchange retires from the activity to which the authorization pertains;

*e)* the exchange repeatedly or seriously violates the provisions laid down in this Act and in specific other legislation regarding the activity to which the authorization pertains;

*f)* under the prevailing circumstances the exchange's activities constitute substantial hazard or injury in respect of the interests of investors and exchange dealers, or it impedes the smooth operation of the money and capital markets;

*g)* the authorization of the founder, if a branch, has been revoked by the supervisory authority responsible for the place where the founder is established.

## Chapter XXXIV

### REGULATIONS PERTAINING TO EXCHANGE OWNERS AND TO ACQUISITION OF HOLDING IN AN EXCHANGE

#### *Section 307*

(1)<sup>624</sup> The maximum number of votes to be held by a single person may be prescribed in the articles of association of an exchange incorporated as a private limited company.

(2)<sup>625</sup> Any shareholder of an exchange referred to in Subsection (3) must satisfy the following requirements:

*a)*<sup>626</sup> in the case of natural persons, they shall produce proof - having regard to Subsection (3a) of Section 357 - of having no prior criminal record with respect to the criminal offenses specified in Subsection (3) of Section 357;

*b)*<sup>627</sup> in the case of entities other than natural persons, they shall produce proof - having regard to Subsection (3a) of Section 357 - that the executive officers they employ are not subject to the disqualifying factors listed in Subsection (1) of Section 357, and that they have no prior criminal record with respect to the criminal offenses specified in Subsection (3) of Section 357;

*c)* shall have sufficient qualifications and credentials to direct the exchange in an unbiased and non-discriminating manner and in accordance with overall market conditions, and to ensure the sound and prudential management of the exchange in terms of professional and financial aspects; and

*d)* shall not be subject to the disqualifying factors listed under Section 357.

(3)<sup>628</sup> Any acquisition of shares in an exchange upon which the direct or indirect holding of a single shareholder reaches thirty-three, fifty, sixty-six, seventy-five or one hundred per cent shall be subject to the Authority's prior authorization. The permission of the Authority for the acquisition shall not constitute the authorization of the Hungarian Competition Authority in any way or form.

(4) Any shareholder of an exchange - with a holding specified in Subsection (3) - shall be entitled to exercise the rights and the benefits attached to his share or voting right subject to the Authority's authorization, to the extent stipulated in the authorization.

(5) An application for the authorization defined in Subsection (3) shall be accompanied - having regard to Subsection (8) - by the following:<sup>629</sup>

*a)* the applicant's name, or corporate name if a legal person;

*b)* the extent or percentage of share to be acquired;

*c)* the memorandum of association, charter document, articles of association, and a certificate of incorporation issued within thirty days to date if the applicant is a legal person;

<sup>623</sup> Established by Section 36 of Act CXXXVII of 2007. Amended by Paragraph e) of Section 28 of Act LXIX of 2017.

<sup>624</sup> Established by Subsection (22) of Section 151 of Act CCLII of 2013, effective as of 15 March 2014.

<sup>625</sup> Established: by paragraph (49) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>626</sup> Established by Subsection (4) of Section 211 of Act L of 2017, effective as of 1 January 2018.

<sup>627</sup> Established by Subsection (4) of Section 211 of Act L of 2017, effective as of 1 January 2018.

<sup>628</sup> Established by Subsection (2) of Section 178 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>629</sup> Amended by Paragraph e) of Section 212 of Act L of 2017.

*d*)<sup>630</sup>

*e*) a declaration, substantiated with the proper documents, stating that money required for the acquisition of shares is from legitimate sources;

*f*) a list of any other companies in which the applicant has a direct or indirect holding;

*g*)<sup>631</sup>

(5a)<sup>632</sup> The applicant, if a natural person or an executive officer of the applicant, shall - at the time of submission of the application referred to in Subsection (3) - produce to the Authority proof - having regard to Subsection (3a) of Section 357 - of having no prior criminal record with respect to the criminal offenses specified in Subsection (3) of Section 357.

(6) The Authority's authorization for the acquisition of shares shall remain valid for thirty days and it may be extended once, for another thirty days in justified cases.

(7) When the voting right of an owner of an exchange is terminated by law, the votes of such person shall not be included for the purposes of quorum.

(8)<sup>633</sup> 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*) and *f*) of Subsection (5) shall be obtained by the Authority.

### *Section 308*

(1) Any shareholder of an exchange - with a holding specified in Subsection (3) of Section 307 - shall be required to notify the Authority and the exchange within two days if:

*a*)<sup>634</sup> he has disposed of his qualifying interest in its entirety, or

*b*)<sup>635</sup> he has disposed of his share to an extent whereby his share or voting right has dropped below the thirty-three, fifty, sixty-six, seventy-five or one hundred per cent threshold.

(2) The notification, if it pertains to Paragraph *b*) of Subsection (1) above, shall indicate the share or voting right that remains in the holding of the person in question.

(3) The person referred to in Subsection (1) shall notify the Authority concerning the appointment of a new executive officer at the same time when reporting to the court of registration.

### *Section 309*

(1) Any acquisition and disposal of shares under Subsection (3) of Section 307 shall be notified to the exchange concerned within seven days.

(2)<sup>636</sup> The exchange shall notify the Authority within five working days if it gains knowledge of any acquisition or disposal of shares relative to the limits specified under Subsection (3) of Section 307, and shall simultaneously publish it on the Authority's official website, and on its own website as well.

### *Section 310*

(1) The Authority shall decline authorization for the acquisition of shares in an exchange, or for the exercise of the rights and the benefits attached to any share or voting right that is subject to the limits specified in Subsection (3) of Section 307, if the applicant's (including any owner or executive officer of the applicant):

*a*) conduct or influence in the exchange endangers the independent, sound and prudent management

<sup>630</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>631</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>632</sup> Established by Subsection (5) of Section 211 of Act L of 2017, effective as of 1 January 2018.

<sup>633</sup> Enacted by Subsection (6) of Section 211 of Act L of 2017, effective as of 1 January 2018.

<sup>634</sup> Established: by Section 58 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>635</sup> Established by Section 179 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>636</sup> Established by Section 38 of Act CXXXVII of 2007, effective as of 1 December 2007.

of the exchange, or

b) business activities or relations, or direct or indirect holding or holdings in other companies are of such a nature as to obstruct proper supervision.

(2) The conduct of the applicant, or of any owner or executive officer of the applicant, or their influence in the exchange shall be considered to endanger the independent, sound and prudent management of the exchange, if:

a) its financial and economic situation is deemed insufficient in view of the magnitude of the share to which the offer pertains, or

b) the legitimacy of the funds used for the acquisition of shares is not proven, or that of the authenticity of the particulars of the person indicated as the owner of such funds, and

c) the disqualifying factors listed under Subsection (1) of Section 357 apply, if it concerns a natural person.

(3)<sup>637</sup> If the applicant is a legal person and there are no grounds upon which to decline authorization, however, criminal proceedings are pending against any owner holding a qualifying interest or any executive officer of the applicant, or the applicant if a natural person, with respect to the criminal offenses specified in Subsection (3) of Section 357, the Authority shall suspend the authorization procedure until the conclusion of such criminal proceedings by the court's final peremptory decision or definitive non-peremptory ruling, or until the resolution of the public prosecutor's office or the investigating authority is adopted on conditional prosecutorial suspension or for the purpose of referring the case to mediation, and/or for the termination of the proceedings, that is not subject to further remedy. The Authority shall continue the procedure thereafter.

(4) In order to verify the criterion specified under Subsections (1) and (2), the Authority shall be entitled to demand any data and information by virtue of authorization granted by law from the persons referred to in Subsections (1) and (2).

(5) In the event of an owner failing either of the requirements for authorization, the Authority may suspend the voting right of the person in question until the unlawful situation is terminated or until new evidence is furnished concerning such requirements.

## CHAPTER XXXIV/A<sup>638</sup>

### PROVISIONS RELATING TO THE MANAGEMENT BODY OF A MARKET OPERATOR<sup>639</sup>

#### *Section 310/A<sup>640</sup>*

(1) All members of the management body of any market operator shall at all times be of sufficiently good repute, possess sufficient knowledge, skills and an adequately broad range of experience to perform their duties, and to be able to understand the main risks inherent in the business of the operator.

(2) Market operators shall devote adequate human and financial resources to the training of members of the management body.

(3) Members of the management body shall commit sufficient time to perform their functions in the market operator. Members of the management body shall act with integrity and independence of mind to effectively assess and challenge the decisions of the managing director or directors where necessary and to effectively oversee and monitor decision-making.

(4) Members of the management body shall be ensured adequate access to information and documents which are needed to oversee and monitor management decision-making.

<sup>637</sup> Established by Section 172 of Act CXCVII of 2017, effective as of 1 July 2018.

<sup>638</sup> Enacted by Section 12 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>639</sup> Enacted by Section 12 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>640</sup> Enacted by Section 12 of Act LXIX of 2017, effective as of 3 January 2018.

(5) The management body of a market operator shall define and oversee the implementation of the governance arrangements that ensure effective and prudent management of the organization, including the segregation of duties in the organization and the prevention of conflict of interest in a manner that promotes the integrity of the market.

(6) The management body shall monitor and periodically assess the effectiveness of the market operator's governance arrangements and shall take appropriate steps to address any deficiencies.

(7) If the market operator's balance sheet total for the previous year exceed two hundred billion forints, the following combinations of directorships may be held at the market operator at the same time:

- a) one executive directorship with two non-executive directorships in a management body; or
- b) four non-executive directorships in a management body.

(8) For the purposes of Subsection (7), the following shall count as a single directorship:

- a) executive or non-executive directorships held within the same group or management body;
- b)<sup>641</sup> executive or non-executive directorships held jointly in a management body within the same company where the market operator referred to in Subsection (7) owns a qualifying interest.

(9) The restriction provided for in Subsection (7) shall not apply to directorships in organizations which do not pursue commercial objectives.

(10) The Authority may authorize members of the management body of the market operator provided for in Subsection (7) to hold one additional non-executive directorship, above and beyond the said limits.

(11) Nominations made by the nomination committee for candidates to fill management body vacancies shall be approved by the management body.

### *Section 310/B<sup>642</sup>*

(1) Market operators whose balance sheet total for the previous year exceed two hundred billion forints are required to establish a nomination committee composed of members of the management body who do not perform any executive function in the market operator concerned.

(2) 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) assess the balance of knowledge, skills and experience of the management body collectively at least annually, and report to the management body accordingly;
- e) 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 the managing director of the market operator and make recommendations to the management body based on its findings; and
- h) take account, periodically, to ensure that the management body's decision making is not unduly influenced.

(3) In recommending candidates for the management body the market operator shall take account to ensure that the person recommended has the highest qualification possible, and to this end it shall develop internal policies.

(4) Market operators whose balance sheet total for the previous year exceed two hundred billion

<sup>641</sup> Amended by Paragraph b) of Section 8 of Act CX of 2020.

<sup>642</sup> Enacted by Section 12 of Act LXIX of 2017, effective as of 3 January 2018.

forints shall make public the ratio of genders provided for in Paragraph *f*) of Subsection (2), and the strategy used to determine such ratio and the means used for the implementation of that strategy.

(5) Market operators shall make available to the nomination committee the resources that it considers to be appropriate for carrying out the tasks provided for in Subsection (2), access to data and information, including external advice where deemed necessary.

## Chapter XXXV

### CONFLICT OF INTEREST

#### *Section 311*

(1)<sup>643</sup> No person employed by an exchange nor the close relatives of such a person who live under the same roof may hold an executive or administrative position with an owner of the exchange or an exchange dealer.

(2)<sup>644</sup> No person employed by an exchange nor the close relatives of such a person who live under the same roof may hold an executive or administrative position with an issuing house that are listed on that exchange, other than the securities or government securities issued by the stock exchange itself.

(3)<sup>645</sup> No person employed by an exchange nor the close relatives of such a person may have any direct holding in a commodity dealer.

## Chapter XXXVI

### EXCHANGE OPERATIONS

#### **Trading**

#### *Section 312*

(1)<sup>646</sup> Trading in a stock exchange may be pursued by investment service providers and other persons who:

*a*) are of sufficient good repute;

*b*) have a sufficient level of trading ability and experience;

*c*) have adequate organizational arrangements; and

*d*) have sufficient resources for the activity they are to perform, taking into account the different financial arrangements that the stock exchange may have established in order to guarantee the adequate settlement of transactions;

on the understanding that the stock exchange shall have a policy in place laying down conditions under which such persons may be granted trading rights on a non-discriminatory basis.

(2) The exchange shall pass a decision concerning a contract offer within thirty days and shall execute the contract with the applicant accordingly.

(3) The exchange shall be required to enter into a contract with an applicant who satisfies the requirements laid down in Subsection (1).

(4) No limits shall be imposed concerning the number of exchange dealers.

(5)<sup>647</sup> With respect to their clients, traders, other than investment service providers, shall abide by

<sup>643</sup> Established: by paragraph (1) Section 60 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>644</sup> Established: by paragraph (2) Section 60 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>645</sup> Established by Section 40 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>646</sup> Established by Subsection (1) of Section 13 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>647</sup> Enacted by Subsection (2) of Section 13 of Act LXIX of 2017, effective as of 3 January 2018.

the provisions of the IRA on client protection, on client order handling and on best execution, except if the client operates as a trader on the same stock exchange.

(6)<sup>648</sup> The stock exchange shall make available to the Authority the list of traders regularly, at least once a month.

### *Section 313<sup>649</sup>*

Market operators operating a regulated market are not allowed to execute client orders against proprietary capital, or to engage in matched principal trading.

### *Section 314<sup>650</sup>*

The terms and conditions for trading rights and the means of exercising such rights shall be laid down in the internal regulations of the stock exchange, including the direct or remote participation of investment firms.

### *Section 315*

(1) The exchange shall be entitled to request dealers to supply information on their activities on the exchange or that may have any influence on such activities, and to keep records of such information.

(2) The exchange shall be entitled to monitor the activities of exchange dealers on the exchange and to inspect any data and records pertaining to such activities.

(3) The exchange shall be required to notify the Authority in advance concerning the inspection referred to in Subsection (2) above of the reason for and the estimated duration of the inspection.

(4) The exchange shall inform the exchange dealer when commencing the inspection referred to in Subsection (2) above of the reason for and the estimated duration of the inspection.

(5) Based on the findings of an inspection referred to in Subsection (2) above, the exchange shall be entitled to take the measures stipulated in its internal regulations.

(6) The exchange shall notify the Authority of any unlawful conduct it detects in its official capacity.

(7)<sup>651</sup> The exchange shall inform the Authority about any Member State in which it plans to offer services designed to help traders established or having remote participation in that Member State to access the stock exchange.

## **Termination of Dealing Rights**

### *Section 316*

(1) Dealing rights on the exchange shall be terminated:

- a) upon the dissolution or death of the exchange dealer;
- b) upon the expiry of the exchange trading agreement;
- c) when the exchange trading agreement is cancelled; or
- d) when the license of the exchange dealer to engage in trading on the exchange is revoked by the competent authority.

(2) The exchange shall be entitled to cancel its contract with an exchange dealer upon the exchange dealer's failure to abide by his obligations laid down in the exchange's internal regulations for which he has already been sanctioned. The exchange dealer whose contract has been cancelled shall have the right to contest it in court within thirty days from the date when the decision therefor was

<sup>648</sup> Enacted by Subsection (2) of Section 13 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>649</sup> Established by Section 14 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>650</sup> Established by Section 15 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>651</sup> Enacted by Section 2 of Act CXLV of 2017, effective as of 3 January 2018.



delivered. Failure to observe this deadline shall constitute forfeiture of right. Having an action filed shall have no suspensory effect on the cancellation.

## **Systems Resilience, Circuit Breakers and Electronic Trading<sup>652</sup>**

### *Section 316/A<sup>653</sup>*

(1) The stock exchange shall have in place effective procedures and systems to ensure its trading systems are resilient, have sufficient capacity to deal with peak order and message volumes, and are able to ensure orderly trading under conditions of severe market stress. Trading systems shall be fully tested to ensure that such conditions are met. Trading systems shall have effective business continuity arrangements to ensure continuity of its services in the event of any failure.

(2) The stock exchange shall have in place:

*a)* written agreements with all investment firms pursuing a market making strategy on the stock exchange; and

*b)* schemes to ensure that a sufficient number of investment service providers participate in the agreements referred to in Paragraph *a)* which require them to post firm quotes at competitive prices with the result of providing liquidity to the market on a regular and predictable basis, where such a requirement is appropriate to the nature and scale of the trading on that stock exchange.

(3) The written agreement referred to in Paragraph *a)* of Subsection (2) shall at least specify:

*a)* the obligations of the investment service provider in relation to the provision of liquidity and where applicable any other obligation arising from participation in the scheme referred to in Paragraph *b)* of Subsection (2); and

*b)* any incentives in terms of rebates or otherwise offered by the stock exchange to an investment service provider so as to provide liquidity to the market on a regular and predictable basis and, where applicable, any other rights accruing to the investment service provider as a result of participation in the scheme referred to in Paragraph *b)* of Subsection (2).

(4) The stock exchange shall monitor and enforce compliance by investment service providers with the requirements of the written agreements referred to in Paragraph *a)* of Subsection (2). The stock exchange shall inform the Authority about the content of the binding written agreement and shall, upon request, provide all further information to the Authority necessary to enable the Authority to satisfy itself of compliance with Subsection (3) and this Subsection.

(5) The stock exchange shall have in place effective procedures and systems to reject orders that exceed pre-determined volume and price thresholds or are clearly erroneous.

(6) The stock exchange shall have in place effective systems to temporarily halt or constrain trading if there is a significant price movement in an exchange-traded instrument on that market or a related trading venue, or in the case of systematic internalizer during a short period and, in exceptional cases and by way of the means provided for in the stock exchange's internal regulations to be able to cancel, vary or correct any transaction. The stock exchange is required to ensure that the parameters for halting trading are appropriately calibrated in a way which takes into account the liquidity of different asset classes and sub-classes, the nature of the market model and types of users and is sufficient to avoid significant disruptions to the orderliness of trading.

(7) The stock exchange shall report the parameters for halting trading and any material changes to those parameters to the Authority in a consistent and comparable manner, and the Authority shall in turn report them to the European Securities and Markets Authority.

(8) Where the stock exchange is a regulated market which is material in terms of liquidity in a given financial instrument, and it halts trading, that stock exchange shall have necessary systems and procedures in place to ensure that it will notify the Authority and the competent supervisory authorities of European Union Member States in order for them:

<sup>652</sup> Enacted by Section 16 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>653</sup> Enacted by Section 16 of Act LXIX of 2017, effective as of 3 January 2018.

a) to coordinate a market-wide response; and

b) to determine whether it is appropriate to halt trading on other venues on which the financial instrument is traded until trading resumes on the original market.

(9) The procedures and systems used by the stock exchange, including the requiring of traders to carry out appropriate testing of algorithms and providing environments to facilitate such testing, shall be able to:

a) effectively ensure that algorithmic trading systems cannot create or contribute to disorderly trading conditions on the market; and

b) effectively manage any disorderly trading conditions which do arise from such algorithmic trading systems.

(10) The algorithmic trading system referred to in Subsection (9) shall including systems with facilities:

a) to limit the ratio of unexecuted orders to transactions that may be entered into the system by a trader,

b) to be able to slow down the flow of orders if there is a risk of its system capacity being reached, and

c) to set up and enforce the minimum tick size that may be executed on the market.

(11) The stock exchange shall permit the provision of direct electronic access to investment service providers. The stock exchange shall have in place effective procedures and systems to ensure, in accordance with the internal regulations of the stock exchange:

a) that appropriate criteria are set and applied regarding the suitability of persons to whom such access may be provided, and

b) that the investment service provider retains responsibility for orders and transactions executed using that service in relation to the requirements of this Act and other related legislation.

(12) In its internal regulations referred to in Subsection (11), the stock exchange shall establish appropriate standards regarding risk controls and thresholds on trading through direct electronic access on the basis of which it shall be able to distinguish and if necessary to stop orders or trading by a person using direct electronic access separately from other orders or trading by the investment service provider.

(13) The stock exchange shall have adequate arrangements in place to suspend or terminate the provision of direct electronic access by a trader to a client in the case of non-compliance with the provisions of Subsections (11) and (12).

(14) The stock exchange shall ensure that its rules on co-location services are transparent, fair and non-discriminatory.

(15) The stock exchange shall ensure - in a manner laid down in its internal regulations - that its fee structures including execution fees, ancillary fees and any rebates are transparent, fair and non-discriminatory. The fee structures shall not create incentives to place, modify or cancel orders in a way which contributes to disorderly trading conditions or market abuse. The stock exchange shall impose market making obligations in individual shares or a suitable basket of shares in exchange for any rebates that are granted.

(16) The stock exchange shall be allowed to adjust its fees for cancelled orders according to the length of time for which the order was maintained and to calibrate the fees to each financial instrument to which they apply. The stock exchange shall be allowed to impose a higher fee for placing an order that is subsequently cancelled than an order which is executed and to impose a higher fee on traders placing a high ratio of cancelled orders to executed orders and on those operating a high-frequency algorithmic trading technique in order to reflect the additional burden on system capacity.

(17) The stock exchange shall be able to identify, by means of flagging from members or participants, orders generated by algorithmic trading, the different algorithms used for the creation of orders and the relevant persons initiating those orders. That information shall be made available to the Authority upon request.

(18) The stock exchange shall, upon request by the Authority, make available to the Authority data relating to the order book or give access to the order book so that it is able to monitor trading.

### **Tick Sizes<sup>654</sup>**

#### *Section 316/B<sup>655</sup>*

(1) The stock exchange shall adopt tick size regimes in shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments.

(2) The tick size regimes referred to in Subsection (1) shall be calibrated to reflect the liquidity profile of the financial instrument in different markets and the difference between sales and purchase offers (average bid-ask spread), taking into account the desirability of enabling reasonably stable prices without unduly constraining further narrowing of spreads, with the proviso that it shall be adopted having regard to the characteristics of each financial instrument appropriately.

(3)<sup>656</sup> Application of the tick size regime shall not prevent stock exchanges matching orders large in scale at mid-point within the current bid and offer prices.

### **Synchronization of Business Clocks<sup>657</sup>**

#### *Section 316/C<sup>658</sup>*

The stock exchange and traders shall synchronize the business clocks they use to record the date and time of any reportable event.

### **Internal Regulations of the Exchange**

#### *Section 317*

(1)<sup>659</sup> Within the framework prescribed by law, a stock exchange shall define the general rules regarding its operations in internal regulations, as well as the rights and obligations of traders and issuers. The arrangements, processes and mechanisms used by the stock exchange shall have facilities to ensure compliance with the relevant regulations on stock exchanges and the policies of the stock exchange, including the requirements of consistency, transparency and controllability, and provision of the necessary resources.

(2) Approval of an amendment of the exchange's internal regulations falls within the exclusive jurisdiction of its management body. Concerning the approval or amendment of the internal regulations specified in Paragraphs *c*) and *e*) of Subsection (4) the management body must consult with the exchange dealers in advance, or if the regulation referred to in Paragraph *d*) pertains to securities which are included in its official listing, it must consult with the issuers of such securities or their trade organization.

(3)<sup>660</sup> The stock exchange's internal regulations are to be drawn up:

*a*) to contain effective processes and control mechanisms to manage and mitigate the risks the stock exchange is or might be exposed to in the course of operations;

*b*) to provide sufficient background for the transparency and for the supervision of exchange market operations and trading in general, including the records of such activities, as consistent with

<sup>654</sup> Enacted by Section 16 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>655</sup> Enacted by Section 16 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>656</sup> Enacted by Section 4 of Act CX of 2020, effective as of 26 December 2020.

<sup>657</sup> Enacted by Section 16 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>658</sup> Enacted by Section 16 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>659</sup> Established by Subsection (1) of Section 17 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>660</sup> Established by Subsection (2) of Section 17 of Act LXIX of 2017, effective as of 3 January 2018.

prevailing market conditions, hence to facilitate equal opportunity and equal treatment to traders and to enhance the objective market protection of investors;

*c)* to have effective arrangements to facilitate the efficient and timely finalization of the transactions executed under its systems; and

*d)* to monitor orders sent including cancellations and the transactions undertaken by traders under their systems in order to identify infringements of those rules, disorderly trading conditions or conduct that may indicate behavior that is prohibited under Regulation 596/2014/EU or system disruptions in relation to an exchange-traded instrument.

(4) The exchange's internal regulations shall contain:

*a)* the requirements for receiving entitlement for dealing, the grounds for suspension and termination, and the related rules of procedure;

*b)* the disciplinary actions concerning the persons to whom the internal regulations apply, as well as any legal recourse available;

*c)* the rules for trading;

*d)*<sup>661</sup> the rules for the admission of exchange-traded products, their transfer between trading venues and their delisting, and the related rules of procedure;

*e)* the rules for the suspension of trading, and the related rules of procedure;

*f)* the manner of publication of prices and other information relating to the exchange;

*g)* the information to be disclosed by exchange dealers and issuers of listed securities, the method of disclosure and the related control procedures;

*h)*<sup>662</sup> rules for the sound management of the technical operations of the stock exchange's trading system, including the establishment of effective contingency arrangements to cope with unforeseen events so as to reduce the risks of systems disruption;

*i)*<sup>663</sup> the arrangements made to manage any potential conflicts of interest between the interest of the exchange, its owners or its operator and the sound functioning of the exchange, and the rules of conflict of interest in respect of the executive officers and employees of the exchange;

*j)* the fees charged for services provided by the exchange.

(4a)<sup>664</sup> The rules on stock exchange trading rights shall specify any obligations taking into account the following:

*a)* the instrument of constitution and operational arrangements of the stock exchange;

*b)* rules relating to transactions on the stock exchange;

*c)* professional standards imposed on the staff of the investment service providers that are operating on the stock exchange;

*d)* the conditions established, for traders other than investment service providers, under Paragraphs *a)*-*d)* of Subsection (1) of Section 312;

*e)* the rules and procedures for the clearing and settlement of transactions concluded on the stock exchange.

(5)<sup>665</sup> The rules referred to in Paragraph *c)* of Subsection (4) shall contain facilities to offer exchange dealers the right to choose the system for the settlement of transactions undertaken on that market, subject to:

*a)* such links and arrangements between the designated settlement system and any other infrastructure or facility as are necessary to ensure the efficient and economic settlement of the transaction in question;

*b)* approval by the Authority that technical conditions for settlement of transactions concluded on the exchange market through a settlement system chosen by the exchange dealers - other than that designated by the exchange market - are such as to allow the smooth and orderly functioning of

<sup>661</sup> Established: by Section 61 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>662</sup> Established by Subsection (3) of Section 17 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>663</sup> Established: by paragraph (1) Section 100 of Act CLIX of 2010. In force: as of 1. 01. 2011.

<sup>664</sup> Enacted by Subsection (4) of Section 17 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>665</sup> Established: by paragraph (2) Section 100 of Act CLIX of 2010. In force: as of 1. 01. 2011.

financial markets.

(6)<sup>666</sup> The assessment of the Authority under Paragraph *b*) of Subsection (5) shall be without prejudice to the competencies of the national central bank as the overseer of the settlement system in question in order to avoid undue duplication of control.

(7)<sup>667</sup> Where securities are admitted to trading on a regulated market without the issuer's consent, the obligation of disclosure under Paragraph *g*) of Subsection (4) shall not be incumbent upon the issuer. In this case, the exchange shall inform the issuer of the fact that his securities are traded on the given exchange market.

(8)<sup>668</sup> The rules referred to in Paragraph *d*) of Subsection (4) shall ensure that:

*a*) any financial instruments admitted to trading in the exchange market are capable of being traded in a fair, orderly and efficient manner;

*b*) any transferable securities admitted to trading in the exchange market are freely negotiable;

*c*) in the case of derivatives, the design of the derivative contract allows for its orderly pricing as well as for the existence of effective settlement conditions.

(9)<sup>669</sup> The exchange's internal regulations may not contain any provisions in contradiction of the principle of equal treatment among the exchange dealers and issuers.

(10)<sup>670</sup> The exchange shall publish its internal regulations and any amendments thereto following approval by the Authority on the Authority's official website, and on its own website as well. The exchange may forego the publication of the regulation referred to in Paragraph *i*) of Subsection (4).

(11)<sup>671</sup> The exchange's internal regulations shall be subject to litigation by the exchange dealers, issuers and investors in court, if it contains any provisions that violates the provisions of this Act or any other legal regulation.

(12)<sup>672</sup>

(13)<sup>673</sup> In its internal regulations the stock exchange may set the admission and listing of exchange-traded instruments conditional upon the issuer's good business reputation. In that case the stock exchange shall define the means to verify good business reputation, with the proviso that in the case of organizations falling within the scope of the acts provided for in Paragraphs *c*), *i*), *l*) and *m*) of Subsection (1) of Section 39 of the MNB Act examination and verification is not required, for it is administered in the Authority's proceedings.

(14)<sup>674</sup> For the purposes of this Section, good business reputation means the ability of the issuer's senior executives to provide reliable and diligent guidance and control of the issuer, as well as transparency in business relations.

(15)<sup>675</sup> Upon the admission of exchange-traded products, the stock exchange shall give to the issuer the result of its examination of good business reputation so that the issuer can submit it to the Authority for the authorization procedure.

(16)<sup>676</sup> If the stock exchange finds over the course of listing of the exchange-traded instruments that the issuer no longer complies with the requirements set out in Subsection (14), it shall call upon the issuer to take the measures necessary to restore the conditions provided for in Subsection (14) within forty-five days, and for having the infringement remedied. Within ten days of receipt of notice, the issuer shall provide proof of having initiated the measures to restore the conditions provided for in

<sup>666</sup> Enacted: by paragraph (2) Section 85 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>667</sup> Established: by paragraph (3) Section 100 of Act CLIX of 2010. In force: as of 1. 01. 2011.

<sup>668</sup> Enacted: by paragraph (2) Section 85 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>669</sup> Established by Subsection (4) of Section 61 of Act CXXV of 2003, effective as of 27 January 2004. Numbering amended: by paragraph (2) Section 85 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>670</sup> Established by Subsection (1) of Section 43 of Act CXXXVII of 2007, effective as of 1 December 2007. Numbering amended: by paragraph (2) Section 85 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>671</sup> Numbering amended: by paragraph (2) Section 85 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>672</sup> Repealed by Paragraph *a*) of Subsection (2) of Section 29 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>673</sup> Enacted by Section 45 of Act LIII of 2016, effective as of 1 July 2016.

<sup>674</sup> Enacted by Section 45 of Act LIII of 2016, effective as of 1 July 2016.

<sup>675</sup> Enacted by Section 45 of Act LIII of 2016, effective as of 1 July 2016.

<sup>676</sup> Enacted by Section 45 of Act LIII of 2016, effective as of 1 July 2016.

Subsection (14). In the event of failure to comply with the time limit prescribed for having the conditions provided for in Subsection (14) restored or to provide proof thereof, the stock exchange may establish the absence of good business reputation.

### *Section 317/A<sup>677</sup>*

(1) A market operator operating a regulated market which trades commodity derivatives shall apply position management control mechanisms.

(2) Those position management control mechanism shall include at least, the powers to:

- a) monitor the open interest positions of traders and clients;
- b) access information, including all relevant documentation, from traders and clients about the size and purpose of a position or exposure entered into, information about beneficial owners, any concert arrangements, and information concerning any related assets or liabilities in the underlying market;
- c) require a trader and/or client to terminate or reduce a position, on a temporary or permanent basis as the specific case may require and to unilaterally take appropriate action to ensure the termination or reduction if the trader and/or client does not comply; and
- d) where appropriate, require a trader 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.

(3) The position management control mechanisms shall be transparent and non-discriminatory, specifying how they apply to traders 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 market operator operating the regulated market shall inform the Authority of the details of position management control mechanisms used.

### *Section 317/B<sup>678</sup>*

(1) A market operator operating a regulated market 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 regulated market, 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) A market operator operating a regulated market 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 and the clients thereof, on that regulated market, as well as those of their clients.

(4) Persons holding positions in a commodity derivative or emission allowance or derivative thereof shall be classified by the market operator operating that regulated market 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 defined in Act CXVII

<sup>677</sup> Enacted by Section 18 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>678</sup> Enacted by Section 18 of Act LXIX of 2017, effective as of 3 January 2018.

of 2007 on Occupational Retirement Pension and Institutions for Occupational Retirement Provision;  
d) non-financial counterparties defined in Point 8 of Article 2 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;

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:

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 regulated markets are required to report to the market operator the details of their own positions held through contracts traded on that regulated market 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 318*

(1)<sup>679</sup> The exchange's internal regulations, apart from the one referred to in Paragraph j) of Subsection (4) of Section 317, shall be subject to the Authority's approval.

(2)<sup>680</sup> The Authority shall not approve any regulation that violates the provisions of this Act or any other legal regulation, or that fails to conform with other regulations of the exchange or with the regulations of the central counterparty or central securities depository.

(3)<sup>681</sup> The exchange's internal regulations, and any amendments therein, may be applied following their publication as specified in Subsection (10) of Section 317.

(4)<sup>682</sup> The stock exchange shall immediately inform the Authority - having regard to Articles 81 and 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 an exchange-traded instrument.

(5)<sup>683</sup> The Authority shall forthwith communicate to the European Securities and Markets Authority and to the competent supervisory authorities of the other European Union Member States the information referred to in Subsection (4). 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.

(6)<sup>684</sup> The stock exchange shall supply the relevant information without undue delay to the authority competent for the investigation and prosecution of market abuse and shall provide full assistance for the related proceedings.

## Chapter XXXVI/A<sup>685</sup>

### OUTSOURCING<sup>686</sup>

#### *Section 318/A<sup>687</sup>*

<sup>679</sup> Established by Section 183 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>680</sup> Amended by Point 6 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>681</sup> Established: by Section 86 of Act CL of 2009. In force: as of 1. 01. 2010.

<sup>682</sup> Enacted by Section 19 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>683</sup> Enacted by Section 19 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>684</sup> Enacted by Section 19 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>685</sup> Enacted by Section 27 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>686</sup> Enacted by Section 27 of Act LXXXV of 2015, effective as of 7 July 2015.

(1) Having regard to Subsections (2)-(5) of this Section and Sections 318/B and 318/C, the stock exchange shall be authorized to outsource exchange market operations, activities related to exchange market operations, the operation of multilateral trading facility provided for in Paragraph *h*) of Subsection (1) of Section 5 of the IRA, and any other activities or services which are not covered by this Act.

(1a)<sup>688</sup> By way of derogation from the provisions of this Chapter on outsourcing, as regards outsourcing in relation to the systems allowing or enabling algorithmic trading Commission Delegated Regulation (EU) 2017/589 of 19 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the organizational requirements of investment firms engaged in algorithmic trading shall apply.

(2) Outsourcing arrangements 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 stock exchange towards its clients must not be altered, and the stock exchange's commitments prescribed in this Act toward its clients must not be undermined; and

*c*) none of the other conditions subject to which the firm's authorization was granted in accordance with this Act must be removed or modified.

(3) In connection with the outsourcing to a service provider of exchange market operations, activities related to exchange market operations, the operation of multilateral trading facility provided for in Paragraph *h*) of Subsection (1) of Section 5 of the IRA, or any critical functions, before the conclusion of the outsourcing arrangement the stock exchange shall ascertain that the following conditions are satisfied:

*a*) the service provider must have the ability and capacity, and any authorization required by law to perform the outsourced functions, services or activities reliably and professionally, and satisfy the prescribed notification requirements;

*b*) the service provider must introduce adequate organizational arrangements and operating procedures necessary to perform the outsourced functions effectively and manage the risks associated with the outsourcing, and must supervise those functions and manage those risks;

*c*) the service provider must introduce adequate organizational arrangements and operating procedures necessary to ensure the lawful protection of confidential information, obtained and used in connection with performing the outsourced functions, relating to the stock exchange and its clients, and to prospective clients and other parties;

*d*) the service provider must introduce adequate organizational arrangements and operating procedures and must have the ability and capacity, in terms of personnel and equipment, necessary to supply data and information to the stock exchange that may be required by the Authority, in compliance with formal and time requirements; and

*e*) the service provider must maintain a contingency plan laying down procedures for disaster recovery and periodic testing of backup facilities.

(4) The stock exchange may enter into an agreement for the outsourcing of critical functions only with a service provider that is able to satisfy the conditions set out in Subsection (3).

(5) In connection with the outsourcing of the activities or services provided for in Subsection (1) to a person or organization located in a third country, the stock exchange must ensure that the prospective service provider is able to comply with the requirements set out in Subsection (3) and that the following conditions are satisfied:

*a*) is able to comply with the relevant laws of the State where the service provider is established, and if supervised by the competent supervisory authority; and

*b*) there is an appropriate cooperation agreement for supervision of the activity in question between the Authority and the competent supervisory authority with respect to the delegated functions.

(6) In the application of Subsections (3) and (4), a function shall be regarded as critical if a defect or

<sup>687</sup> Enacted by Section 27 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>688</sup> Enacted by Section 20 of Act LXIX of 2017, effective as of 3 January 2018.



failure in its performance would materially impair the continuing compliance of the stock exchange with the obligations of its authorization under this Act, or its financial performance, or the soundness or the continuity of its activities.

(1) Outsourcing<sup>689</sup> arrangements shall be made out in writing.

(2) The outsourcing arrangement shall specify:

- a) the temporal scope of the agreement;
- b) the rights and obligations of the parties;
- c) the outsourced functions.

(3) 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 in accordance with Subsection (3) of Section 318/A;

b) the rules for taking measures to address any deficiencies revealed by the assessment specified in Section 318/C;

c) the procedure and the means for the disclosure of data and information that may be required by the Authority;

d) the obligation of the outsourcing service provider, whether a person or organization, to cooperate with the Authority; and

e) the procedure for notifying the stock exchange of any changes in the conditions set out in Subsection (3) of Section 318/A for performance of the outsourced functions.

(4) Upon entering into an outsourcing agreement, the stock exchange shall send a copy to the Authority within three days following the time of signature.

### *Section 318/C<sup>690</sup>*

(1) The stock exchange, 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 provisions set out in Subsection (3) of Section 318/A.

(2) Where the stock exchange finds any breach of the outsourcing arrangement, in consequence of which the requirements set out in Subsection (3) of Section 318/A are no longer satisfied, the stock exchange shall:

a) advise the outsourcing service provider to carry out the functions as contracted; or

b) terminate the outsourcing arrangement in the event of the service provider's failure to comply.

(3) The stock exchange must be able to terminate the outsourcing arrangement according to Paragraph b) of Subsection (2) without detriment to the continuity and quality of its exchange market operations and activities related to exchange market operations.

(4) Where the stock exchange and the outsourcing service provider (person or body) are members of the same group, the stock exchange may, for the purposes of complying with this Chapter, take into account the extent to which it controls the service provider or has the ability to influence its actions.

## **Protection of IT Systems**

### *Section 318/D<sup>691</sup>*

Exchange market operators shall apply Section 12 of the IRA.

## **Chapter XXXVII**

<sup>689</sup> Enacted by Section 27 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>690</sup> Enacted by Section 27 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>691</sup> Enacted by Section 27 of Act LXXXV of 2015, effective as of 7 July 2015.

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## EXCHANGE TRANSACTIONS

### *Section 319*

(1) An exchange transaction shall mean a contract concluded by a dealer on an exchange market for the instruments and in the manner prescribed in the internal regulations of that market.

(2) An exchange transaction may be a spot, forward or options transaction, or any combination of the above.

(3)<sup>692</sup> A stock exchange transaction shall be deemed valid if all related data and information are recorded according to the instructions contained in the stock exchange's internal regulations, and if confirmed by the central securities depository or by the central counterparty following registration.

### *Section 320*

If an exchange transaction entails a commitment for the physical delivery of its object without having defined the term and conditions and the date of settlement, such a commitment shall be performed in the manner and in the time specified in the exchange's internal regulations (spot transaction).

### *Section 321*

(1)<sup>693</sup> By agreement of the parties, their commitment arising out of a stock exchange transaction may be satisfied at a future date specified in the exchange's internal regulations (forward transaction).

(2)<sup>694</sup> The settlement of a forward transaction may be performed in the form of delivery of the object to which it pertains, by delivery of a warehouse warrant or by cash payment. Physical delivery of the object of the transaction may be subject to full or partial restriction under the relevant regulations on performance.

### *Section 322*

(1) When the right to purchase specific exchange-traded instruments is granted to a person, such a person shall have the option to exercise this right and purchase the instrument in question (call option). When the right to sell specific exchange-traded instruments is granted to a person, such a person shall have the option to exercise this right and sell the instrument in question (put option).

(2) An option agreement shall specify the exchange-traded instrument to which it pertains, the exercise price, the option premium and the option period (exercise date).

(3) An option may not extend beyond five years from the transaction date. The option may be stipulated to be implemented on a specific date within five years from the transaction date. Any option that is stipulated for a duration of over five years, or for a date beyond five years, or if the term of the option is not fixed shall be null and void. The exchange's internal regulations may prescribe the duration and the date of an option as consistent with the specific transaction to which it pertains.

(4)<sup>695</sup>

(5) An obligor of an option transaction cannot be relieved from his contractual commitments by court order.

### *Section 323*

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<sup>692</sup> Established by Section 28 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>693</sup> Established: by Section 43 of Act XCVIII of 2013. In force: as of 29. 06. 2013.

<sup>694</sup> Established by Section 29 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>695</sup> Repealed: by paragraph (2) Section 85 of Act XCVIII of 2013. No longer in force: as of 29. 06. 2013.

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An exchange transaction may be concluded regardless of whether or not the object of the transaction is not owned by the seller. An option or preemption right stipulated in an exchange transaction is transferable, and it may be inherited.

## Chapter XXXVIII

### SETTLEMENT OF EXCHANGE TRANSACTIONS

#### *Section 324<sup>696</sup>*

(1)<sup>697</sup> The stock exchange shall enter into an agreement - having regard to Regulation 648/2012/EU - with the central securities depository and/or the central counterparty for the settlement of stock exchange transactions.

(2) In the case of stock exchange transactions for securities, the stock exchange shall enter into an agreement with the central securities depository for the settlement of such transactions.

#### **Suspension of Trading of Exchange-traded Instruments or Removal from Trading of Exchange-traded Instruments<sup>698</sup>**

#### *Section 325<sup>699</sup>*

(1) The stock exchange may suspend or remove from trading an exchange-traded instrument that does not meet the internal regulations of the stock exchange, except if such suspension or removal is likely to cause significant damages to the investor's interest or to the orderly functioning of the market.

(2) Where an exchange-traded instrument is suspended or removed from trading, under the relevant circumstances the stock exchange shall also suspend or remove from trading derivatives provided for in Paragraphs *d)-k)* of Section 6 of the IRA connected to, or underlying the exchange-traded instrument in question (hereinafter referred to as "related derivatives"). The stock exchange shall make public its decision on suspension or removal, and shall inform the Authority thereof.

(3) Where the same exchange-traded instruments or related derivatives are traded in another stock exchange established in Hungary as well, that stock exchange shall also suspend or remove from trading said exchange-traded instruments or related derivatives in accordance with the Authority's instructions.

(4) Where the suspension or removal from trading of an exchange-traded instrument or related derivatives is ordered by the competent supervisory authorities of other EU Member States in any trading venue or with respect to systematic internalizers, the stock exchange established in Hungary shall also suspend or remove from trading said exchange-traded instruments or related derivatives in accordance with the Authority's 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.

#### *Sections 326-329<sup>700</sup>*

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<sup>696</sup> Established by Section 30 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>697</sup> Established by Section 21 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>698</sup> Amended by Paragraph b) of Section 28 of Act LXIX of 2017.

<sup>699</sup> Established by Section 22 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>700</sup> Repealed by Paragraph b) of Subsection (2) of Section 29 of Act LXIX of 2017, effective as of 3 January 2018.

## Chapter XXXIX

### EXCHANGE FINANCES, INVESTMENT RESTRICTIONS

#### *Section 330*

(1)<sup>701</sup> The stock exchange may not place its free liquid assets into any instrument that is listed and traded on the exchange, exclusive of government securities and shares issued by the stock exchange itself or by a central counterparty, a foreign clearing house or central securities depository performing clearing and settlement services for the stock exchange, or issued by a financial holding company that has an interest in the foreign clearing house, central counterparty or the central securities depository.

(2) The exchange may not place its free liquid assets into securities issued by any of its shareholders with a holding specified in Subsection (2) of Section 307, exclusive of government securities.

(3) An exchange may purchase real estate properties solely to the extent required for its operations.

(4) For the purposes of Subsection (3) above, the real estate property or part of a real estate property which is indispensable for the exchange's business activities, uninterrupted and smooth operations or is required for providing the employees with services to improve working conditions shall be construed as required for the exchange's operations.

(5) An exchange may establish a business association or acquire holding in a business association solely if it serves the purposes of exchange market operations or activities auxiliary to exchange market operations.

(5a)<sup>702</sup> By way of derogation from Subsection (5), with the Authority's consent and under its supervision, the stock exchange may set up and operate a business association for consultancy in promoting securitizations; such business association shall have in place detailed organizational arrangements and operating procedures and shall pay close attention to the preservation of the interests of investors affected by the securitization.

(6) An exchange may not acquire any holding in a company and may not be a member in a company whereby to invoke unlimited liability for the debts of the company in question, regardless of its percentage of holding.

(7)<sup>703</sup> The equity capital of the stock exchange shall not be allowed to drop below its subscribed capital from the second year following the date of authorization of its foundation.

## Chapter XL

### PUBLICITY OF EXCHANGE MARKET OPERATIONS

#### *Section 331*

(1) The exchange shall facilitate sufficient publicity of exchange information in order to keep exchange dealers and investors properly informed. Publicity may be accomplished by the exchange itself or by another organization under contract.

(2)<sup>704</sup> The exchange shall be entitled to charge a fee for any supply of exchange information if disclosed within the time specified in its internal regulations, or within maximum twenty minutes, however, the fee requested shall not prevent access to such information (requirement of giving access on a reasonable commercial basis). Past the timeframe specified in the internal regulations the exchange information shall be made available to the public free of charge.

<sup>701</sup> Established by Section 31 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>702</sup> Enacted by Section 1 of Act XXVII of 2019, effective as of 13 April 2019.

<sup>703</sup> Enacted by Section 23 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>704</sup> Established: by paragraph (1) Section 102 of Act CLIX of 2010. In force: as of 1. 01. 2011.

(3)-(5)<sup>705</sup>

### *Section 332*

(1) The exchange shall notify the Authority and publish it at the same time on the Authority's official website, and on its own website as well:<sup>706</sup>

- a) when commencing operations;
- b) when ordering a day off from trading;
- c) the names (corporate names) of its shareholders, and their percentages of holding;
- d)<sup>707</sup> any changes in the personnel specified under Sections 307-308 and Section 356;
- e) when calling its general meeting, including an indication of the agenda, and the resolutions adopted by the general meeting;
- f) the audited annual account when approved, and the auditor's report;
- g) any changes in its particulars recorded in the register of companies;
- h) if implicated in a judicial supervisory action;
- i) in the event of outsourcing any administrative activity to an independent business association.

(2)<sup>708</sup> The exchange shall satisfy the reporting requirement within five days from the day on which the decision is made or the event occurs.

## Chapter XLI

### TERMINATION OF EXCHANGE MARKET OPERATIONS<sup>709</sup>

#### *Section 333*

(1)<sup>710</sup> The court shall appoint the nonprofit business association established by the Authority for the liquidation of organizations covered by the Act on the National Bank of Hungary as the liquidator or receiver of an exchange market. In respect of exchange markets, liquidation proceedings may not be suspended.

(2) The appointed liquidator or receiver must provide for the continuation of exchange market operations for a period of at least six months from the date of appointment.

(3)<sup>711</sup> Open positions from transactions concluded on a stock exchange that is terminating operations may be transferred to another stock exchange operating in compliance with this Act under the conditions laid down in the internal regulations of the stock exchange or the central counterparty.

(4)<sup>712</sup> Exchange dealers shall notify their clients in writing of the closure of the exchange at least forty-five days before the last business day on the exchange market terminating its operations. The costs and expenses arising in connection with the transfer of open positions from transactions concluded on the closing exchange market cannot be charged to the clients.

## ***PART TEN***<sup>713</sup>

### ***ACTIVITIES OF CENTRAL SECURITIES DEPOSITORY AND CENTRAL***

<sup>705</sup> Repealed by Paragraph c) of Subsection (2) of Section 29 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>706</sup> Established by Section 48 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>707</sup> Established by Section 125 of Act LXII of 2005, effective as of 1 July 2005.

<sup>708</sup> Established by Subsection (2) of Section 48 of Act XLVIII of 2004, effective as of 10 June 2004.

<sup>709</sup> Title established by Section 49 of Act XLVIII of 2004, effective as of 10 June 2004.

<sup>710</sup> Established: by paragraph (7) Section 128 of Act CLVIII of 2010. In force: as of 1. 01. 2011. Amended: by subparagraph a) Section 65 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>711</sup> Established by Section 46 of Act XCVIII of 2013. Amended by Point 7 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>712</sup> Enacted by Section 49 of Act XLVIII of 2004, effective as of 10 June 2004.

<sup>713</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

## **COUNTERPARTIES**

### Central Securities Depository Services<sup>714</sup>

#### *Section 334<sup>715</sup>*

(1)<sup>716</sup> The central securities depository shall be entitled to perform the activities defined in Regulation 909/2014/EU under the conditions therein provided for, and may provide services to other legal persons, in addition to what is contained in Section 335, by virtue of the provisions of a directly applicable act of the European Union.

(2) The Authority shall issue, alter and withdraw authorization for the central securities depository in accordance with the requirements laid down in Regulation 909/2014/EU and with the provisions of this Act.

(3) The Authority shall grant authorization for the pursuit of central securities depository services to an applicant who is established in Hungary, who is incorporated as a limited company and has at least one billion forints in subscribed capital.

(4)<sup>717</sup> A central securities depository shall be allowed to pursue the activity provided for in Section C of the Annex to Regulation 909/2014/EU in the form of a specialized credit institution.

(5) Central securities depositories operating in the form of specialized credit institutions:

*a)* shall have at least two billion forints of initial capital;

*b)*<sup>718</sup> shall not be authorized, apart from the activity provided for in Section C of the Annex to Regulation 909/2014/EU, to pursue other financial services, financial auxiliary service activities.

#### *Section 335<sup>719</sup>*

The central securities depository may provide services to:

- a)* the stock exchange;
- b)* foreign clearing houses;
- c)* another central securities depository;
- d)* central counterparties;
- e)* investment firms;
- f)* credit institutions;
- g)* commodity dealers;
- h)* investment fund managers;
- i)*<sup>720</sup> actors in regulated markets provided for by statutory provision;
- j)* issuers of securities;
- k)* the Hungarian State;
- l)* agencies managing public funds (State property);
- m)* the MNB;
- n)* the deposit guarantee scheme;
- o)* the investor protection scheme;
- p)* the resolution financing regime;
- q)* payment institutions; and
- r)* electronic money institutions.

<sup>714</sup> Enacted by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>715</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>716</sup> Established by Section 35 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>717</sup> Amended by Paragraph a) of Subsection (2) of Section 41 of Act CCXV of 2015.

<sup>718</sup> Amended by Paragraph a) of Subsection (2) of Section 41 of Act CCXV of 2015.

<sup>719</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>720</sup> Amended by Paragraph c) of Section 28 of Act LXIX of 2017.

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### *Section 336<sup>721</sup>*

(1)<sup>722</sup> In operating the securities settlement system provided for in Point 3 of Section A of the Annex to Regulation 909/2014/EU, the central securities depository shall keep records and accounts that enable a participant defined in Point 19 of Article 2(1) of Regulation 909/2014/EU (hereinafter referred to as “participant”) to distinguish the securities of that participant from those of that participant’s clients.

(2)<sup>723</sup> In operating the securities settlement system provided for in Point 3 of Section A of the Annex to Regulation 909/2014/EU, the central securities depository shall offer to keep records and accounts enabling a participant to distinguish the securities of each of that participant’s clients, if and as required by that participant, on an individual client account; such individual client accounts shall be maintained for keeping records of the securities of clients notified by that participant.

(3) The participant shall offer its clients further segregation of the accounts at the central securities depository, and shall inform them of the costs and risks associated with that option.

(4) The Authority may order a participant who maintains the securities account of an institutional investor to notify the securities of such institutional investor in a way suitable for individual client segregation at the central securities depository.

### *Rules and Regulations Required for the Activities of the Central Securities Depository<sup>724</sup>*

#### *Section 337<sup>725</sup>*

(1) The central securities depository services defined in Regulation 909/2014/EU shall be provided as governed by the standard service agreement and internal regulations adopted for legal compliance and approved by the Authority.

(2) In connection with the settlement of transactions, a time shall be specified in the standard service agreement or in other internal regulations following which the client’s order may not be withdrawn.

(3) Upon receipt of authorization from the Authority, the central securities depository shall publish its standard service agreement and internal regulations on its own website.

(4)<sup>726</sup> The Authority’s approval is not required for regulations relating to fees charged for services rendered to clients. The central securities depository shall publish such regulations on its own website.

### *Special Regulations for the Activities of the Central Securities Depository<sup>727</sup>*

#### *Section 338<sup>728</sup>*

(1) In security for the settlement of transactions the central securities depository may prescribe in its internal regulations the placement of collateral security. According to the procedure laid down in the central securities depository’s regulations, where the collateral security is blocked on behalf of the holder of such right, it shall be considered arranged in accordance with Section 5:95 of the Civil Code.

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<sup>721</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>722</sup> Amended by Paragraph b) of Subsection (2) of Section 41 of Act CCXV of 2015.

<sup>723</sup> Amended by Paragraph b) of Subsection (2) of Section 41 of Act CCXV of 2015.

<sup>724</sup> Enacted by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>725</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>726</sup> Enacted by Section 5 of Act CX of 2020, effective as of 26 December 2020.

<sup>727</sup> Enacted by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>728</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

(2) The financial instruments recorded separately on the accounts of clients carried by the central securities depository shall serve as collateral security for the settlement of transactions.

(3) In the event of non-compliance on the part of a client of the central securities depository, all financial instruments shown in the central securities depository's records as the property of the said client shall serve as collateral security for transactions.

(4) Where satisfaction is provided from the collateral security provided for in this Section, the central securities depository shall advise the client in question to supplement it without delay. The collateral security shall be supplemented from any income of the client in priority before any other liability.

(5) If the prudential standards relating to a central securities depository that inter alia performs the activities provided for in Section C of the Annex to Regulation 909/2014/EU are found to be incoherent in respect of the CIFE, 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") and Regulation 909/2014/EU, the provisions of the CIFE and Regulation (EU) No. 575/2013 of the European Parliament and of the Council shall apply.

(6) In connection with securities lending arrangements concluded under the system operated by the central securities depository the parties may derogate from the terms and conditions prescribed under Subsections (3) and (4) of Section 168.

## *Central Counterparty Activities*<sup>729</sup>

### *Section 339*<sup>730</sup>

(1) The central counterparty shall be entitled to perform the activities defined in Regulation 648/2012/EU under the conditions therein provided for.

(2) In addition to the activity referred to in Subsection (1), the central counterparty shall be entitled to:

*a*)<sup>731</sup> undertake commitments in connection with the settlement of transactions involving commodities;

*b*)<sup>732</sup> effect the settlement of transactions involving commodities;

*c*) effect the settlement of transactions it has cleared or arranged for clearing;

*d*) provide the service specified in Paragraph *b*) of Subsection (1) of Section 3 of the CIFE only for the settlement of transactions it has cleared or arranged for clearing, and only under a financial collateral arrangement providing full coverage in liquid assets;

*e*) provide the service specified in Paragraph *d*) of Subsection (1) of Section 3 of the CIFE only for the purpose of financial settlement of transactions it has cleared or arranged for clearing.

(3) The central counterparty shall be allowed to pursue the activities provided for in Paragraphs *c*)-*e*) of Subsection (2) in the form of a specialized credit institution. The central counterparty operating as a specialized credit institution shall have at least two billion forints of initial capital.

(4) The initial capital defined in Article 16(1) of Regulation 648/2012/EU, pertaining to the date of submission of the application for authorization to pursue central counterparty activities shall be translated to forints by the official MNB exchange rate in effect on the last day of the calendar month preceding the date when the application for authorization is submitted.

(5) The Authority shall withdraw the authorization of a central counterparty, at the request of the central counterparty, when the central counterparty has discharged all its commitments toward clients, if the clearing of transactions concluded in financial instruments is taken over, and guarantees

<sup>729</sup> Enacted by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>730</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>731</sup> Amended by Paragraph *da*) of Subsection (1) of Section 29 of Act LXIX of 2017.

<sup>732</sup> Amended by Paragraph *db*) of Subsection (1) of Section 29 of Act LXIX of 2017.



for the execution of transactions is provided by another central counterparty.

### *Internal Regulations Required for the Activities of the Central Counterparty*<sup>733</sup>

#### *Section 340*<sup>734</sup>

(1) Central counterparty services may be provided as governed by the standard service agreement and internal regulations adopted for legal compliance and approved by the Authority.

(2) The Authority's approval is not required for regulations relating to fees charged for services rendered to clients.

### *Common Provisions Relating to the Central Securities Depository and the Central Counterparty*<sup>735</sup>

#### *Section 341*<sup>736</sup>

(1) Any person in the employment of the central securities depository or a central counterparty under contract of employment or any other work-related contractual relationship, with the exception of senior executives engaged under personal service contract:

*a)* may not be in the employment, under contract of employment or any other work-related contractual relationship, and

*b)* may not hold an executive office, at an investment firm, credit institution - other than a central securities depository operating in the form of specialized credit institution - at any client of the central securities depository or at any client of a central counterparty, nor at the issuers of securities which are listed on a regulated market and at operators of a regulated market, other than the financial holding companies holding a participating interest in the central securities depository or the central counterparty.

(2) Any person in the employment of the central securities depository or a central counterparty under contract of employment or any other work-related contractual relationship may not have any direct holding in an investment firm, credit institution, central counterparty or central securities depository, exclusive of the acquisition of securities which are admitted to trading on a regulated market.

#### *Section 342*<sup>737</sup>

(1) The central securities depository and the central counterparty may not acquire any holding in a company and may not be a member in a company whereby to invoke unlimited liability for the debts of the company in question, regardless of its percentage of holding. A central counterparty's investments shall be in compliance with Regulation 648/2012/EU.

#### *Section 343*<sup>738</sup>

(1) In carrying out the functions provided for in this Act, the central securities depository and the central counterparty shall be entitled to process personal data in connection with any transaction to which it is a party.

(2) The central securities depository and the central counterparty shall be entitled to exchange

<sup>733</sup> Enacted by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>734</sup> Established by Section 6 of Act CX of 2020, effective as of 26 December 2020.

<sup>735</sup> Enacted by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>736</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>737</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>738</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

personal data which they are authorized to process under this Section to the extent necessary to attend to their duties prescribed in this Act.

(3)<sup>739</sup> In the course of their activities, the central securities depository and the central counterparty shall observe all regulations pertaining to business secrets, bank secrets, payment secrets, securities secrets, insider dealing, market manipulation and unlawful disclosure of inside information.

(4) The central securities depository and the central counterparty shall notify the Authority without delay of any infringement of this Act and other regulations adopted by authorization of this Act they detect in their official capacity.

### *Section 344<sup>740</sup>*

The central securities depository and the central counterparty shall be authorized to outsource its activities or services, having regard to Regulation 648/2012/EU, Regulation 909/2014/EU.

### *Section 345<sup>741</sup>*

(1) The collateral established in Regulation 648/2012/EU, held by the central counterparty that is subject to liquidation shall not comprise a part of the assets of the central counterparty for the purposes of liquidation, nor the guarantee fund it has established.

(2) By way of derogation from the provisions of Section 57 of the Bankruptcy Act governing the sequence of the satisfaction of claims, account-related claims against a central counterparty shall be satisfied following the satisfaction of liquidation costs.

(3) As regards the liquidation of the central securities depository, the securities deposited by clients with the central securities depository, and the securities in the clients' securities accounts and/or securities safe custody accounts shall not comprise a part of the assets of the central securities depository. Any pecuniary claim of a client arising during the liquidation proceeding shall be treated the same as the claim represented in the security, which it replaces. The collateral referred to in Section 338 held by the central securities depository that is subject to liquidation shall not comprise a part of the assets of the central securities depository for the purposes of liquidation.

(4) If any part of the assets of clients referred to in Subsection (3) hereof cannot be returned to the clients, these claims shall be satisfied from the central securities depository's assets following the satisfaction 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) The provisions set out in Subsections (3) and (4) shall not apply in respect to the securities and liquid assets belonging to a person holding a qualifying interest in the central depository or to an executive officer of the central depository.

(6) As regards the administration in liquidation proceedings of securities traded on secondary markets, the principal securities shall be treated as if they were deposited by the clients as their own securities, and shall not be included in the liquidation proceedings.

(7)<sup>742</sup> Regarding the liquidation of the central securities depository, the liabilities arising in connection with any subordinated loan under Regulation (EU) No. 575/2013 of the European Parliament and of the Council shall be satisfied after settlement of the debt specified in Paragraph *h*) of Subsection (1) of Section 57 of the Bankruptcy Act.

## ***PART ELEVEN***

### ***COMMON PROVISIONS CONCERNING THE OPERATIONS OF BODIES ON***

<sup>739</sup> Established by Section 36 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>740</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>741</sup> Established by Section 32 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>742</sup> Amended by Paragraph *h*) of Section 48 of Act LIII of 2016.

## ***THE CAPITAL MARKETS***

### **Chapter LI**

### **REGISTER OF SHAREHOLDERS**

#### ***Section 355***

(1)<sup>743</sup> The management body of the investment firm shall keep a register of shareholders on the shares and shareholders of investment firms, commodity dealers incorporated as limited companies, investment fund management companies, the exchange, a central counterparty and a central depository that shall inter alia contain the following information:

*a)*<sup>744</sup> the shareholders' name, address, mother's name, and citizenship for natural persons, the registered address for legal persons;

*b)* if a share is held by more than one person, the information of the owners and their representative as set forth in Paragraph *a*);

*c)* the code, series and face value of the shares;

*d)* the type of shares;

*e)*<sup>745</sup>

*f)* the date when the acquisition is recorded in the register of shareholders;

*g)* the date of overstamping;

*h)* the date when the share is retired and destroyed; and

*i)* the registration number and date of the resolution of the Authority related to the acquisition of the holding.

(2) The register of shareholders must be maintained so as to permit easy identification of any and all changes, modifications, deletions or corrections, the name of the person making an entry and the legal title and date of entry.

(3)<sup>746</sup> The register of shareholders of investment firms and stock exchanges shall have an appendix attached in which to record information for future identification of persons having an indirect holding of five percent or more in the investment firm or stock exchange. Any person having or acquiring an indirect holding in an investment firm or stock exchange of five per cent or more shall be required to supply all relevant information for identification to notify the investment firm or stock exchange concerned regarding the acquisition of such indirect holding, and any changes therein, in the investment firm or stock exchange.

(4) Any shareholder who fails to comply with the provision laid down in Subsection (3) above shall not be permitted to exercise his voting right for the entire duration of non-compliance by virtue of this Act.

### **Requirements Concerning Executive Employees and Shareholders with a Qualifying Interest<sup>747</sup>**

#### ***Section 356<sup>748</sup>***

(1)<sup>749</sup> The persons nominated to be elected or appointed as executive officers of regulated markets,

<sup>743</sup> Established by Section 66 of Act XCVIII of 2013. Amended by Paragraph b) of Subsection (2) of Section 49 of Act LXXXV of 2015.

<sup>744</sup> Amended by Paragraph e) of Section 19 of Act CIV of 2014.

<sup>745</sup> Repealed by Paragraph b) of Subsection (1) of Section 298 of Act XVI of 2014, effective as of 15 March 2014.

<sup>746</sup> Established by Section 33 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>747</sup> Established: by Section 74 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>748</sup> Established by Section 209 of Act CXXXVIII of 2007, effective as of 1 December 2007.

<sup>749</sup> Established by Section 67 of Act XCVIII of 2013. Amended by Point 8 of Subsection (2) of Section 48 of Act LXXXV of

the stock exchange, the central counterparty or central securities depository:

- a) shall have a college or university degree;
  - b) shall have at least three years of professional experience in the field of finance, and at least three years of managerial experience in the fields of finance or economics;
  - c)<sup>750</sup> shall produce proof - having regard to Subsection (3a) of Section 357 - of having no prior criminal record with respect to the criminal offenses specified in Subsection (3) of Section 357.
  - d) shall not be subject to the disqualifying factors listed under Section 357.
- (2)<sup>751</sup>

### Section 357

(1)<sup>752</sup> In the application of Section 307, the following disqualifying factors shall apply to any person who:<sup>753</sup>

- a)<sup>754</sup> has or has had a direct or indirect interest of ten per cent or more, or has held an executive office in an institution that falls within the scope of supervision of the Authority and has become insolvent during the previous five years, or that was rescued from insolvency by intervention of the Authority, or if the authorization of such institution has been revoked by the Authority, and who was found personally liable for the above-specified developments by final or definitive decision;
- b)<sup>755</sup> has repeatedly engaged in any serious violation of the provisions of acts and other legal regulations adopted by authorization conferred by such acts governing the duties of the Authority, in consequence of which the Authority or another authority or court has imposed sanctions by definitive decision or final court ruling within five years previously, or has been reprimanded by the ethics committee of an exchange or other similar organization for breach of the code of ethics within five years previously;
- c) refuses to voluntarily supply the information required for an authorization procedure in connection with his acquisition of a holding, if such information cannot be obtained from the authorities of the country of residence or corporate domicile.

(2) The sanction or penalty referred to in Paragraph b) of Subsection (1) above shall be taken into consideration only if imposed against the same person at least three times within the preceding five-year period.

(3)<sup>756</sup> The clean criminal record required in provisions of this Act relating to regulated markets, stock exchanges, central counterparty and central securities depository shall apply to impunity related to the following criminal offenses:

a) crimes provided for in Chapter XV, Title 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

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2015.

<sup>750</sup> Established by Subsection (7) of Section 211 of Act L of 2017, effective as of 1 January 2018.

<sup>751</sup> Repealed by Point 13 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>752</sup> Amended by Paragraph i) of Section 48 of Act LIII of 2016.

<sup>753</sup> Established by Subsection (1) of Section 210 of Act CXXXVIII of 2007, effective as of 1 December 2007.

<sup>754</sup> Amended by Paragraph f) of Section 212 of Act L of 2017.

<sup>755</sup> Amended by Paragraph g) of Section 212 of Act L of 2017.

<sup>756</sup> Established by Section 46 of Act LIII of 2016. Amended by Paragraph b) of Section 213 of Act L of 2017.

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,

*b*)<sup>757</sup> crimes in connection with atomic energy (Criminal Code, Section 252), misuse of classified information (Criminal Code, Section 265), false accusation [Criminal Code, Subsections (1)-(4) of Section 268], misleading of authority [Criminal Code, Subsection (1) of Section 271], perjury (Criminal Code, Section 272), subornation of perjury (Criminal Code, Section 276), suppressing extenuating circumstances [Criminal Code, Subsections (1) and (2) of 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.

(3a)<sup>758</sup> Where having no prior criminal record is prescribed mandatory by this Act, it applies with respect to the criminal offenses provided for in Paragraphs *a*) and *b*) of Subsection (3), 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 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.

(4)<sup>759</sup> The disqualifying factors specified in Subsections (1)-(3) above shall also apply to the applicant's activities in foreign countries.

(5)<sup>760</sup>

## Audit

### Section 358

(1)<sup>761</sup> The stock exchange, traders other than investment service providers, the central counterparty or the central securities depository may only appoint a certified auditor or registered statutory auditor (audit firm) for auditing services if they satisfy the requirements specified below in addition to the conditions prescribed in the provisions of the Civil Code on legal persons pertaining to auditors, and if they are certified to audit financial institutions or investment firms.

<sup>757</sup> Amended by Section 34 of Act XXXIX of 2017.

<sup>758</sup> Enacted by Subsection (8) of Section 211 of Act L of 2017, effective as of 1 January 2018.

<sup>759</sup> Established by Subsection (3) of Section 210 of Act CXXXVIII of 2007, effective as of 1 December 2007.

<sup>760</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>761</sup> Established by Section 6 of Act XIX of 2014. Amended by Point 9 of Subsection (2) of Section 48 of Act LXXXV of 2015, Paragraph f) of Section 28 of Act LXIX of 2017.

(2)<sup>762</sup> In addition to the conditions prescribed in the provisions of the Civil Code on legal persons pertaining to auditors, the issuer may only appoint a certified auditor or registered statutory auditor (audit firm) for auditing services if they are certified to audit issuers.

(3)-(4)<sup>763</sup>

(5)<sup>764</sup>

(6)<sup>765</sup> In addition to what is contained in Subsection (1) hereof, an auditor who is a natural person shall be subject to additional restrictions, namely, that such an auditor shall be permitted to audit the books of maximum five of the same kind of institutions at any given time and, furthermore, that his income (revenue) from any one institution may not be greater than thirty per cent of his annual income (revenue). The income (revenue) of an auditor from issuers of publicly offered securities, credit institutions, financial institutions, investment firms, investment fund managers, the stock exchange or central securities depository controlled by the same group or his income (revenue) from collective investment trusts managed by managers that are controlled by the same group may not be greater than sixty per cent of his annual income (revenue).

(7)<sup>766</sup> In addition to what is contained in Subsection (1), audit firms shall be subject to additional restrictions, namely, that any auditor in the employ of an audit firm - who satisfies the requirements set out in Subsection (1) - shall be permitted to audit the books of maximum five of the same kind of institutions at any given time, and the audit firm's income from any one institution may not exceed ten per cent of its net annual income. The income of an audit firm from issuers of publicly offered securities, credit institutions, financial institutions, investment firms, investment fund managers, the stock exchange, the central counterparty or from the central securities depository controlled by the same group, or from collective investment trusts managed by investment fund managers controlled by the same group, may not exceed thirty per cent of its net annual income.

### *Section 359*<sup>767</sup>

### *Section 360*

(1)<sup>768</sup> The auditor appointed by an issuer of publicly offered securities admitted to trading on a regulated market, the stock exchange, a central counterparty or a central securities depository, shall forthwith notify the Authority - in writing - while notifying the audited institution of any fact concerning that audited institution of which the auditor has become aware while carrying out the audit and which is liable to:

- a) lead to refusal to certify the accounts or to the expression of reservations;
- b) constitute a criminal offense or any serious violation of the internal regulations of the issuer of publicly offered securities admitted to trading on a regulated market, the stock exchange, the central counterparty or the central securities depository, or the distinct possibility of these;
- c) constitute a material breach of this Act or other regulations, or of the internal regulations of the issuer of publicly offered securities admitted to trading on a regulated market, the stock exchange, the central counterparty or the central securities depository;
- d) result in any uncertainty as to the ability of the issuer of publicly offered securities admitted to trading on a regulated market, the stock exchange, the central counterparty or the central securities depository to meet its liabilities and commitments, or safeguard the assets entrusted to it;

<sup>762</sup> Established by Subsection (1) of Section 34 of Act LXXXV of 2015, effective as of 1 January 2018.

<sup>763</sup> Repealed by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>764</sup> Repealed by Section 59 of Act XLIV of 2016, effective as of 4 June 2016.

<sup>765</sup> Established by paragraph (2) Section 68 of Act XCVIII of 2013. Amended by Point 10 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>766</sup> Established by Subsection (2) of Section 224 of Act XVI of 2014. Amended by Point 11 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>767</sup> Repealed by Paragraph c) of Subsection (2) of Section 227 of Act LXXV of 2007, effective as of 1 January 2008.

<sup>768</sup> Established by Section 38 of Act CCXV of 2015, effective as of 2 January 2016.

e) constitute serious deficiencies or shortcomings in the internal control regime and compliance functions of the issuer of publicly offered securities admitted to trading on a regulated market, the stock exchange, the central counterparty or the central securities depository;

f) result in a considerable difference of opinion between the auditor and the management of the issuer of publicly offered securities admitted to trading on a regulated market, the stock exchange, the central counterparty or the central securities depository regarding issues affecting the solvency, income, data disclosure or accounting of the issuer of publicly offered securities, the stock exchange, the central counterparty or the central securities depository, which are essential from the point of view of operations.

(2)<sup>769</sup>

(3)<sup>770</sup> Over and above the cases defined under Subsection (1):

a) the auditor shall have the right to consult with the Authority, and to inform the Authority;

b) the Authority shall be entitled to demand and receive information from the auditor directly.

### *Section 361<sup>771</sup>*

When an auditor fails to comply with his obligations prescribed by the relevant legislation the Authority shall be authorized to order the stock exchange, the central counterparty, the issuer of publicly offered securities admitted to trading on a regulated market, or the central depository concerned to dismiss such an auditor and to appoint another one who satisfies the requirements laid down in Section 358. When the Authority takes the measures under Paragraph *d*) of Subsection (1) of Section 400 for the dismissal of the auditor of the stock exchange, the central counterparty, the issuer of publicly offered securities admitted to trading on a regulated market, or the central depository, it may also request that the auditor's certificate to audit financial institutions, issuers or investment firms shall be withdrawn.

### *Section 362<sup>772</sup>*

### *Section 363<sup>773</sup>*

(1)<sup>774</sup> The stock exchange, the central counterparty or the central securities depository must send to the Authority their contract concluded with the auditor for auditing the annual account and all of the reports the auditor has prepared regarding the annual account.

(2)<sup>775</sup> Prior to the approval of the annual account, the Authority is entitled, on the basis of the auditor's report under Paragraph *b*) of Subsection (3) of Section 360, to instruct the stock exchange, the central counterparty and the central securities depository to correct any incorrect or inaccurate data the annual account may contain, and have the corrected data verified by an auditor.

(3)<sup>776</sup> If, after the annual account has been approved, the Authority discovers that the annual account contains any substantial error, the Authority may order the stock exchange, the central counterparty and the central securities counterparty and the central depository concerned to have the figures revised and verified by an auditor, also in accordance with the relevant provisions of the Accounting Act on self-revision. The stock exchange, the central counterparty and the central securities counterparty and the central depository concerned must present the revised data verified by an auditor to the Authority.

<sup>769</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>770</sup> Established: by paragraph (59) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>771</sup> Established by Section 24 of Act LXIX of 2017, effective as of 1 July 2017.

<sup>772</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>773</sup> Established by Section 227 of Act XVI of 2014, effective as of 15 March 2014.

<sup>774</sup> Amended by Point 9 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>775</sup> Amended by Point 12 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>776</sup> Amended by Point 13 of Subsection (2) of Section 48 of Act LXXXV of 2015.

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## Special Provision Relating to Commercial Messages<sup>777</sup>

### *Section 364<sup>778</sup>*

Any corporation that is engaged in activities governed by this Act must include its license number and an indication of its exchange membership in all business correspondence, documents, advertisements and commercial messages published in a written form (printed or electronic format).

### *Section 365<sup>779</sup>*

### *Section 366<sup>780</sup>*

### *Section 367<sup>781</sup>*

## Confidentiality Requirements

### *Business Secrets*

### *Section 368<sup>782</sup>*

(1)<sup>783</sup> For the purposes of this Act, ‘business secret’ shall have the meaning defined in Subsection (1) of Section 1 of Act LIV of 2018 on the Protection of Business Secrets.

(2)<sup>784</sup> The owner or owners of the stock exchange, the central counterparty or the central securities depository, or any person bidding to acquire an interest in such bodies, as well as the executive officers and employees of these bodies shall keep confidential any business secrets made known to them in connection with the operation of the aforementioned bodies, without any time limitation.

(3) The persons and bodies referred to in Subsection (2) above shall be subject to the relevant provisions of the IRA pertaining to business secrets.

(4)<sup>785</sup> 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 the IRA on consolidated supervision, or with the provisions of the Act on the Supplementary Supervision of Financial Conglomerates.

### *Securities Secrets*

### *Section 369<sup>786</sup>*

(1)<sup>787</sup> All data and information that is at the disposal of an investment fund management company, a venture capital fund management company, the stock exchange, the central securities depository or central counterparty concerning specific clients relating to their personal information, financial

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<sup>777</sup> Established by Section 74 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>778</sup> Established by Section 74 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>779</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>780</sup> Repealed by Paragraph f) of Subsection (1) of Section 58 of Act CXXXV of 2007, effective as of 1 December 2007.

<sup>781</sup> Repealed, together with the previous title, by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>782</sup> Established by Section 75 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>783</sup> Established by Section 76 of Act CIII of 2008. Amended by Section 28 of Act LIV of 2018.

<sup>784</sup> Established by Section 228 of Act XVI of 2014. Amended by Point 9 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>785</sup> Enacted by Section 43 of Act CCXXXVI of 2013, effective as of 1 January 2014.

<sup>786</sup> Established by Section 76 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>787</sup> Amended by Point 14 of Subsection (2) of Section 48 of Act LXXXV of 2015.



standing, business operations and investments, ownership and business relations, and their contracts and agreements with any investment fund management company, venture capital fund management company, the stock exchange, the central securities depository or central counterparty and to the balance and money movements on their accounts shall be construed as securities secrets.

(2)<sup>788</sup> For the purposes of legal provisions pertaining to securities secrets, any person who receives services from an investment fund management company, venture capital fund management company, the stock exchange, the central securities depository or central counterparty shall be considered a client.

(3) The organizations referred to in Subsection (1) above shall be subject to the relevant provisions of the IRA pertaining to securities secrets.

### *Section 370*<sup>789</sup>

#### *Section 371*

(1) Any person holding any business or securities secrets shall be subject to the requirement of confidentiality indefinitely, unless otherwise prescribed by law.

(2) All facts, information, solutions or data classified as business or securities secrets may not be disclosed to any third person, other those authorized under this Act, without the consent of the client to whom it pertains, and may not be used for any purposes other than those authorized under this Act.

(3)<sup>790</sup> Any person who is in possession of business secrets or securities secrets may not use them to acquire any advantage, either for himself or for any third party, whether directly or indirectly, or to cause any injury to an investment fund management company, a venture capital fund management company, the stock exchange, the central securities depository or central counterparty, or to their clients.

(4)<sup>791</sup> 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.

(5)<sup>792</sup> Any document retrieved from the files of an investment fund management company, a venture capital fund management company, the stock exchange, the central securities depository or central counterparty that has been terminated without a successor, which document contains any business and securities secrets, may be used for archive research projects after sixty years from the date when they were created.

### *Section 372*<sup>793</sup>

Exchange of information between the central securities depository and the central counterparty to the extent deemed necessary for discharging the activities of the central securities depository and the central counterparty shall not constitute a breach of confidentiality concerning securities secrets and business secrets.

### *Section 373*<sup>794</sup>

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<sup>788</sup> Amended by Point 15 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>789</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>790</sup> Established by Subsection (1) of Section 77 of Act CXXXVII of 2007. Amended by Point 16 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>791</sup> Enacted by Subsection (2) of Section 29 of Act XXIV of 2003, effective as of 9 June 2003.

<sup>792</sup> Established by Subsection (2) of Section 77 of Act CXXXVII of 2007. Amended by Point 2 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>793</sup> Established by Section 72 of Act XCVIII of 2013. Amended by Point 17 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>794</sup> Enacted: by Section 73 of Act XCVIII of 2013. In force: as of 29. 06. 2013.

Disclosure of information to a registered or recognized trade repository 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 shall not constitute a breach of confidentiality concerning securities secrets and business secrets.

### *Section 373/A<sup>795</sup>*

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 and business secrets.

### *Section 374<sup>796</sup>*

The disclosure made to the tax authority in compliance with the obligation prescribed in Sections 43/B-43/C of the IACA in accordance with the FATCA Act shall not be construed as violation of securities secrets and business secrets.

### *Section 374/A<sup>797</sup>*

Data disclosures made to the tax authority in compliance with the obligation prescribed in Section 43/H of the IACA shall not be construed as violation of securities secrets and business secrets.

## **Supply of Data Compilations**

### *Section 375<sup>798</sup>*

Unless otherwise prescribed by law, the Authority may supply compilations of data on the stock exchange, the central securities depository, central counterparty, and/or on their activities, to third persons or to any authority only if the identity of such entities cannot be determined by that data.

### **Chapter LII<sup>799</sup>**

### *Section 376<sup>800</sup>*

## **PART TWELVE**

# ***OVERSIGHT OF CAPITAL MARKETS AND OF THE INSTITUTIONS AND PERSONS PARTICIPATING ON THE CAPITAL MARKETS***

### **Chapter LIII**

## **PROVISIONS Concerning the Authority**

### *Section 377<sup>801</sup>*

<sup>795</sup> Enacted by Section 39 of Act CCXV of 2015, effective as of 1 January 2016.

<sup>796</sup> Established by Section 7 of Act XIX of 2014, effective as of 16 July 2014.

<sup>797</sup> Enacted by Section 8 of Act CXCI of 2015, effective as of 1 January 2016.

<sup>798</sup> Established by paragraph (63) Section 159 of Act CXCI of 2011. Amended by Point 18 of Subsection (2) of Section 48 of Act LXXXV of 2015, Paragraph j) of Section 48 of Act LIII of 2016.

<sup>799</sup> Repealed by Paragraph c) of Section 69 of Act LX of 2017, effective as of 1 January 2018.

<sup>800</sup> Repealed by Paragraph c) of Section 69 of Act LX of 2017, effective as of 1 January 2018.

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*Section 378*<sup>802</sup>

*Section 379*<sup>803</sup>

**Supervision Fee**

*Section 380*<sup>804</sup>

(1)<sup>805</sup> Regulated markets, stock exchanges, central depositories, central counterparties, and the Hungarian representations of foreign-registered investment firms shall be required to pay a supervision fee to the Authority.

(2)<sup>806</sup> The supervision fee shall comprise the minimum charge calculated according to Subsections (3)-(4), plus the variable-rate fee calculated according to Section 381.

(3)<sup>807</sup> The minimum charge is calculated by multiplying the unit base-rate with the index number specified in Subsection (4). The unit base-rate is seventy-five thousand forints.

(4)<sup>808</sup> The index number:

a)<sup>809</sup> for regulated markets, stock exchanges, central depositories and central counterparties shall be four;

b)<sup>810</sup> for the Hungarian branches of regulated markets, stock exchanges and central depositories established in another Member State of the European Union, and for central counterparties registered under Article 25 of Regulation 648/2012/EU, not having its registered office in a Member State of the European Union shall be four;

c) for the Hungarian representations of foreign-registered investment firms shall be one.

*Section 381*<sup>811</sup>

(1)<sup>812</sup>

(2)<sup>813</sup>

(3)<sup>814</sup> The variable-rate fee payable by central depositories, central counterparties and exchanges shall be 0.25 ‰ of the balance sheet total shown in the annual account of the central depository, central counterparty or the exchange.

(4)<sup>815</sup>

(5)<sup>816</sup> The variable-rate fee payable by the Hungarian branches of central depositories, regulated markets and exchanges established in other Member States of the European Union shall be 0.125 ‰ of the balance sheet total shown in the annual account.

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<sup>801</sup> Repealed: by Section 66 of Act CXLIII of 2013. No longer in force: as of 1. 10. 2013.

<sup>802</sup> Repealed by Paragraph f) of Subsection (1) of Section 58 of Act CXXXV of 2007, effective as of 1 December 2007.

<sup>803</sup> Repealed, together with the previous subtitle, by Paragraph f) of Subsection (1) of Section 58 of Act CXXXV of 2007, effective as of 1 December 2007.

<sup>804</sup> Established by Section 67 of Act LII of 2007, effective as of 1 October 2007. See also Subsection (2) of Section 82 of Act LII of 2007.

<sup>805</sup> Established by Subsection (1) of Section 229 of Act XVI of 2014, effective as of 15 March 2014.

<sup>806</sup> Amended by Point 19 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>807</sup> Established by Section 37 of Act CXVIII of 2019, effective as of 18 January 2020.

<sup>808</sup> Established by Subsection (2) of Section 79 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>809</sup> Established by Subsection (2) of Section 229 of Act XVI of 2014, effective as of 15 March 2014.

<sup>810</sup> Established by Subsection (2) of Section 229 of Act XVI of 2014, effective as of 15 March 2014.

<sup>811</sup> Established by Section 80 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>812</sup> Repealed by Paragraph b) of Subsection (1) of Section 298 of Act XVI of 2014, effective as of 15 March 2014.

<sup>813</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>814</sup> Established by Subsection (1) of Section 38 of Act CXVIII of 2019, effective as of 18 January 2020.

<sup>815</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>816</sup> Established by Subsection (2) of Section 38 of Act CXVIII of 2019, effective as of 18 January 2020.

(6)<sup>817</sup>

*Sections 382-385*<sup>818</sup>

*Section 386*<sup>819</sup>

*Section 387*<sup>820</sup>

Chapter LIV

**AUTHORITY PROCEDURES**

*Section 388*<sup>821</sup>

(1) Applications for the approval of takeover bids, and for the proceedings under Subsection (7) of Section 22, Subsection (3) of Section 32, Subsection (1) of Section 36, Subsections (1) and (2) of Section 45, Section 46, Subsections (1) and (4) of Section 296/K, and Section 296/M shall be submitted using the standard electronic form prescribed for this purpose.

(2) If the complete application and its enclosures do not meet the requirements set out in the relevant legislation, contain impracticable or unreasonable stipulations, the Authority shall, within ten working days of receiving the complete application, request the applicant to provide additional information or amend the application or its enclosure, within the prescribed time limit.

*Section 389*

(1)-(2)<sup>822</sup>

(3)<sup>823</sup> In procedures for the authorization of the publication of prospectuses, base prospectuses and public notices, the administrative time limit for the Authority shall be ten working days. Where an issuer offers securities to the public for the first time, the administrative time limit for the Authority shall be twenty working days. In procedures for the authorization of the publication of prospectuses, base prospectuses and public notices the Authority may make any request for missing information within ten working days. The time limits in procedures for the authorization of publication of prospectuses and public notices may not be extended.

(4)<sup>824</sup>

(5)<sup>825</sup> The Authority shall publish its resolutions to impose any restriction concerning the exercise of shareholders' rights in the Cégközlöny (Companies Gazette), within eight days.

*Section 390*<sup>826</sup>

*Section 390/A*<sup>827</sup>

**Authority Records and Registers**

<sup>817</sup> Repealed by Paragraph a) of Subsection (2) of Section 49 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>818</sup> Repealed by Paragraph a) of Subsection (5) of Section 79 of Act LII of 2007, effective as of 1 October 2007.

<sup>819</sup> Repealed: by subparagraph h) paragraph (5) Section 84 of Act CXLVIII of 2009. No longer in force: as of 1. 01. 2010.

<sup>820</sup> Repealed by Paragraph a) of Subsection (5) of Section 79 of Act LII of 2007, effective as of 1 October 2007.

<sup>821</sup> Established: by paragraph (67) Section 159 of Act CXCIII of 2011. In force: as of 1. 01. 2012.

<sup>822</sup> Repealed by Paragraph f) of Section 35 of Act CXIII of 2005, effective as of 1 November 2005.

<sup>823</sup> Enacted by Subsection (2) of Section 135 of Act LXII of 2005, effective as of 1 July 2005.

<sup>824</sup> Repealed by Paragraph f) of Subsection (1) of Section 49 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>825</sup> Numbering amended by Subsection (2) of Section 135 of Act LXII of 2005.

<sup>826</sup> Repealed by Paragraph f) of Subsection (1) of Section 58 of Act CXXXV of 2007, effective as of 1 December 2007.

<sup>827</sup> Repealed by Paragraph f) of Section 35 of Act CXIII of 2005, effective as of 1 November 2005.

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### *Section 391*

(1)<sup>828</sup> The Authority shall register the following data and any changes therein:

1. name and address of the stock exchange, the central counterparty and the central securities depository;
2. date of foundation of the stock exchange, the central counterparty and the central securities depository;
3. scope of activities of the stock exchange, the central counterparty and the central securities depository;
4. the subscribed capital of the stock exchange, the central counterparty and the central securities depository;
5. surname and forename, place and date of birth, mother's name (hereinafter referred to collectively as "natural identification data"), home address, and/or corporate name, registered office of the owners of the stock exchange, the central counterparty and the central securities depository whose acquisition of interest is subject to authorization or the obligation of notification; their holdings in other companies;
6. the natural identification data, home address of the senior executives of the stock exchange, the central counterparty and the central securities depository;
7. date of commencement of operations of the stock exchange, the central counterparty and the central securities depository;
8. name, address and activities of any companies owned by the stock exchange, the central counterparty and the central securities depository;
9. date of foundation of any branches of the stock exchange, the central counterparty and the central securities depository, and the location of such branches;
10. name and address of issuers;
11. date of foundation of issuers;
12. amount of subscribed capital of issuers;
13. natural identification data, home address of the executive employees of issuers, their holding of any participating interest in the issuer (including stock options and other rights);
14. natural identification data (corporate name), home address (registered office) of owners of issuers, and their holdings in other companies;
15. issue particulars;
- 16.<sup>829</sup> natural identification data (corporate name) and home address (registered office) of persons discharging managerial responsibilities as defined in Regulation 596/2014/EU and persons closely associated with them as defined in Regulation 596/2014/EU;
17. natural identification data (corporate name), home address (registered office) of auditors of issuers;
18. authorized prospectuses;
19. the means of compliance with the obligation of publication;
20. name, registered office of the SSPE;
21. the natural identification data, home address of the senior executives of the SSPE;
22. natural identification data (corporate name), home address (registered office) of owners of the SSPA, and their holdings in other companies.

(2)<sup>830</sup>

### **Data Processing by the Authority**

### *Section 392*

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<sup>828</sup> Established by Section 11 of Act CXXXVI of 2018, effective as of 1 January 2019.

<sup>829</sup> Established by Section 39 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>830</sup> Repealed by Point 14 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

(1) The Authority is authorized to process data in connection with its duties conferred in this Act, including the personal data specified by this Act.

(2) The data managed by the Authority may be used for statistical purposes if the person to whom it pertains cannot be identified.

(2a)<sup>831</sup> The Authority shall make available the data held on institutions engaged in the pursuit of activities governed under this Act free of charge to the Központi Statisztikai Hivatal in accordance with Section 28 of Act CLV of 2016 on Official Statistics (hereinafter referred to as “Statistics Act”) for statistical purposes to the extent necessary, in a form enabling individual identification, provided that the statistical objective is verified in advance. The data thus received may be used by the Központi Statisztikai Hivatal for statistical purposes. The type of data to be disclosed and the detailed rules of disclosure shall be laid down in a cooperation agreement provided for in Section 28 of the Statistics Act.

(3)<sup>832</sup> The Authority may request electronic data of the type specified in this Act, with the purpose indicated, from other authorities and from providers of electronic communications services when attending to its duties. Any transfer of data shall be documented by the transferor and by the Authority as well.

### *Section 393*

(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 alteration 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 394*

(1) In order to perform its duties the Authority shall be authorized to keep records of:

a)<sup>833</sup> the data of senior executives and employees of stock exchange, the central counterparty and the central securities depository in order to verify the requirements specified in Section 356;

b)<sup>834</sup> the data of persons applying for authorization for the acquisition of a holding in a stock exchange, and of the owners of the stock exchange in order to verify the requirements specified in Section 308;

c)<sup>835</sup> the natural identification data of natural person clients of the stock exchange, the central counterparty and the central securities depository in its proceedings relating to the supervision of the financial intermediary system, to the extent required for its supervisory functions, the particulars of clients with legal personality and the records and databases containing such data; information concerning specific clients relating to their financial standing, business operations and investments, ownership and business relations, and the balance and money movements on their accounts;

d)<sup>836</sup> natural identification data, home address of persons discharging managerial responsibilities as defined in Regulation 596/2014/EU, including the particulars of the transaction, and, where relevant,

<sup>831</sup> Enacted by Subsection (1) of Section 24 of Act XLIV of 2017, effective as of 2 June 2017.

<sup>832</sup> Established by Section 138 of Act LXII of 2005, effective as of 1 July 2005.

<sup>833</sup> Established by Subsection (1) of Section 232 of Act XVI of 2014. Amended by Point 20 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>834</sup> Established: by paragraph (1) Section 76 of Act XCVIII of 2013. In force: as of 29. 06. 2013.

<sup>835</sup> Established by Subsection (2) of Section 232 of Act XVI of 2014. Amended by Point 20 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>836</sup> Established by Subsection (1) of Section 40 of Act CXVIII of 2019, effective as of 26 December 2019.

in the case of persons closely associated with them as defined in Regulation 596/2014/EU:

*da)* natural identification data, home address of natural persons, including the particulars of the transaction,

*db)* identification data of legal persons, including the particulars of the transaction;

*e)*<sup>837</sup> the natural identification data, nationality, home address and temporary residence of clients relating to securities account, client account and payment account transactions in its proceedings relating to the supervision of the financial intermediary system, to the extent required for its market surveillance proceedings, the number of the account to be debited and credited, the holder of such account, the purpose of crediting and debiting, and the code for the identification of the financial transaction, if the Authority is able to provide sufficient evidence to prove that the data requested is essential for clearing up the facts to the fullest extent;

*f)*<sup>838</sup> in order to monitor compliance with regulations on conflicts of interest the natural identification data of:

1. the senior executives of issuers of securities which are listed on the stock exchange,
2. the officers and employees of the stock exchange,
3. the senior executives and employees of the central counterparty and the central depository,
4. agents;

*g)*<sup>839</sup>

*h)* the particulars of the owners of public limited companies to control the measure of participating interests acquired;

*i)-k)*<sup>840</sup>

*l)*<sup>841</sup>

*m)*<sup>842</sup> in the course of market surveillance proceedings the personal data of clients (surname and forename, birth name, home address, temporary residence) relating to the telephone number or other identifier of the subscriber terminal specified in the Act on Electronic Communications, calling and called subscriber numbers, and the date of call or other services provided, if the Authority is able to provide sufficient evidence to prove that the data requested is essential for clearing up the relevant facts of the case. The data specified above shall be made available subject to the district attorney's prior consent. The district attorney shall refuse to consent if the Authority is unable to provide sufficient evidence for clearing up the relevant facts of the case, or if other legal requirements for data processing are not satisfied.

(2)<sup>843</sup> With respect to Subsection (1), the Authority shall process the natural identification data, nationality and home address of the persons concerned, and in respect of data processed for authorization and supervisory purposes, the information concerning investment, acquisition of holding, vocational skills, experience, elected office, position, employment, criminal history and the disqualifying factors defined under Section 357.

(3)<sup>844</sup> Identification data of legal persons:

*a)* name, abbreviated name;

*b)* address (headquarters and branches);

*c)* number of identification document;

*d)* name and position of persons authorized to represent the company.

(4)<sup>845</sup> In addition to the identification data referred to in Subsections (2) and (3), the records shall

<sup>837</sup> Established: by paragraph (2) Section 61 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>838</sup> Established by Section 38 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>839</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>840</sup> Repealed by Point 15 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>841</sup> Repealed: by paragraph (1) Section 52 of Act CLI of 2012. No longer in force: as of 28. 10. 2012.

<sup>842</sup> Established by Section 71 of Act LII of 2007, effective as of 1 July 2007.

<sup>843</sup> Established by Subsection (2) of Section 76 of Act XCVIII of 2013. Amended by Point 16 of Section 48 of Act CXVIII of 2019.

<sup>844</sup> Enacted by Subsection (3) of Section 56 of Act XL of 2003, effective as of 1 July 2003. Amended by Paragraph f) of Section 19 of Act CIV of 2014.

<sup>845</sup> Enacted by Subsection (3) of Section 56 of Act XL of 2003, effective as of 1 July 2003.

contain the following information as well:

- a)*<sup>846</sup> in relation to qualifying interest, the percentage of the interest 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, subject of the appointment, type of the legal relationship, 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 license as well as the data of the document attached for evaluation of the application;
  - e)-i)*<sup>847</sup>
- (5)<sup>848</sup> The Authority may process data:
- a)* for five years from the date when the executive officer's term in office, supervisory board membership, employment or the exchange officer's mandate is terminated;
  - b)* for five years from the date when the agent terminates his activities;
  - c)*<sup>849</sup> for ten years from the date when a holding in an exchange, a body providing clearing and settlement services, the central counterparty or in the central depository is terminated;
  - d)*<sup>850</sup> for ten years from the date of conclusion of a supervisory proceeding in connection with insider dealing, market manipulation, unlawful disclosure of inside information or in connection with a client;
  - e)* for five years from the date when participating interests in a public limited company is terminated; and
  - f)* in the cases not mentioned in Paragraphs *a)-e)*, for five years from the date when received.

## Notifications and Disclosures

### Section 395

- (1)<sup>851</sup> The central counterparty and the central depository shall be required to notify the Authority, and - with the exceptions set out in Paragraph *i)* - publish at the same time:
- a)* the taking up 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 personnel under Section 356 of this Act and Subsections (5)-(8) of Section 19 of the Collective Investments Act;
  - e)* on the conclusion, amendment or termination of contracts with agents;
  - 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 register of companies;
  - j)* if implicated in action for judicial oversight proceedings.
- (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 over five per cent;

<sup>846</sup> Established: by Section 78 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>847</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>848</sup> Numbering amended by Subsection (3) of Section 56 of Act XL of 2003.

<sup>849</sup> Established: by paragraph (3) Section 76 of Act XCVIII of 2013. In force: as of 29. 06. 2013.

<sup>850</sup> Established by Subsection (2) of Section 40 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>851</sup> Established by Subsection (1) of Section 233 of Act XVI of 2014. Amended by Paragraph d) of Subsection (2) of Section 49 of Act LXXXV of 2015.



*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 of its branch has been disciplined or penalized by the supervisory authority competent for the place where the founder is established.

(3)<sup>852</sup> The central counterparty and the central securities depository shall be required to send to the Authority, and shall simultaneously publish their audited annual accounts approved by the general meeting, together with the independent audit report.

(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);

*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 under Paragraph *j)* of Subsection (1);

*g)* within two days following the date when the loan is contracted under Paragraph *k)* of Subsection (1); and

*h)* within fifteen days following approval of the annual report under Subsection (3).

(5)<sup>853</sup> 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)<sup>854</sup> The central counterparty and the central depository shall be required to supply information to the MNB concerning their operations and their transactions subject to the form, content and frequency requirements laid down in other legislation.

(7) As part of the oversight and enforcement of the regulations concerning the acquisition of participating interests in public limited companies, any person exercising shareholders' rights shall - upon the Authority's written request - present the agreement concluded for the exercise of such rights, and produce copies of all associated documents for the Authority and shall name the person on behalf of whom he acts.

(8)<sup>855</sup>

## **Supervisory Review and Evaluation<sup>856</sup>**

### *Section 395/A<sup>857</sup>*

### **Chapter LV<sup>858</sup>**

### *Sections 396-398/B<sup>859</sup>*

### **Chapter LVI**

## **AUTHORITY PROCEDURES AND ACTIONS, SUPERVISION FINES**

<sup>852</sup> Established by Subsection (1) of Section 39 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>853</sup> Established: by paragraph (1) Section 62 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>854</sup> Established by Subsection (2) of Section 39 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>855</sup> Repealed by Point 17 of Section 48 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>856</sup> Enacted by Section 72 of Act LII of 2007, effective as of 1 July 2007.

<sup>857</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>858</sup> Repealed by Paragraph f) of Subsection (1) of Section 58 of Act CXXXV of 2007, effective as of 1 December 2007.

<sup>859</sup> Repealed by Paragraph f) of Subsection (1) of Section 58 of Act CXXXV of 2007, effective as of 1 December 2007.

## Authority Measures and Sanctions

### Section 399

(1)<sup>860</sup>

(2)<sup>861</sup> The Authority is vested with powers to take measures and to impose sanctions under a cooperation agreement with a foreign supervisory authority for the supervision of companies with entitlement for trading on the exchange, when initiated by the foreign supervisory authority in connection with any violation of the provisions laid down in foreign laws, in the foreign supervisory authorities' resolutions, as well as in the articles of association and internal regulations of a foreign exchange, and in the articles of association and internal regulations of foreign clearing houses, in the articles of association and internal regulations of foreign central counterparties and in the articles of association of foreign central depositories.

(3)<sup>862</sup> If the Authority finds that an issuer or dealer that is established in another Member State has infringed upon the regulations on public offering, or that the issuer of securities that has been admitted to trading on a regulated market in Hungary has breached the obligations relating to keeping the securities in circulation, it shall notify the competent supervisory authority of the Member State where the issuer or dealer affected is established.

(4)<sup>863</sup> If the issuer or dealer fails to terminate its unlawful conduct in spite of, or in the absence of, any measures taken by the competent supervisory authority of the Member State where the issuer or dealer is established upon the notice referred to in Subsection (3) hereof, the Authority shall take the measures necessary for the protection of investors. The Authority shall notify the competent supervisory authority of the other Member State prior to taking the measures. The Authority shall notify the European Commission and the European Securities and Markets Authority concerning the measures taken.

(5)<sup>864</sup> The Authority shall assess and weight the data and information available and shall take measures and/or impose sanctions consistent with the gravity of the violation, breach or negligence in relation:

- a) to the operation of the institution in question;
- b) to the clients of the institution; or
- c) to the operation of the capital markets.

### Section 399/A<sup>865</sup>

### Section 400

(1)<sup>866</sup> The Authority shall have powers to take the following measures and/or to impose the following sanctions having regard to progressivity and proportionality:

a)<sup>867</sup> issue an official warning to issuers and the organizations under its control, to their executive officers and employees, to persons acquiring a qualifying holding and to persons engaged in insider dealing and/or market manipulation in the event of any infringement of the relevant statutory provisions, internal regulations and the authorization concerning the offering and production of

<sup>860</sup> Repealed by Paragraph f) of Section 35 of Act CXIII of 2005, effective as of 1 November 2005.

<sup>861</sup> Established: by Section 78 of Act XCVIII of 2013. In force: as of 29. 06. 2013.

<sup>862</sup> Established: by paragraph (77) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>863</sup> Established: by paragraph (77) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>864</sup> Numbering amended by Section 141 of Act LXII of 2005.

<sup>865</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>866</sup> Established by paragraph (1) Section 77 of Act XCVIII of 2013. Amended by Paragraph g) of Section 28 of Act LXIX of 2017.

<sup>867</sup> Established by Subsection (1) of Section 40 of Act CCXV of 2015. Amended by Paragraph k) of Section 48 of Act LIII of 2016.

securities, compliance with disclosure requirements, relating to setting up and the functioning of the audit committee, the register on persons with access to inside information, the activities of the stock exchange, the activities of central counterparties, the activities of central securities depositories, and activities associated with the acquisition of holdings in public limited companies for compliance with the said provisions, or - if necessary - shall order compliance within the prescribed deadline;

b)<sup>868</sup> prohibit the conduct of unauthorized exchange operations, including unauthorized central counterparty or central securities depository services;

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)<sup>869</sup> initiate the dismissal of a senior executive or the auditor of the stock exchange, the central counterparty, the issuer of publicly offered securities admitted to trading on a regulated market, or the central securities depository, initiate disciplinary action against an employee of such entities;

e)<sup>870</sup> order the management body of the stock exchange, the central counterparty or the central securities depository to call an extraordinary general meeting, and may specify the mandatory agenda for such sessions;

f)<sup>871</sup> instruct the stock exchange, the central counterparty or the central securities depository to draw up a recovery plan within the prescribed deadline, and submit it to the Authority;

g)<sup>872</sup> order an issuer, offeror, a holder of voting rights representing a participating interest of five per cent or more in a public limited company, the stock exchange, the central counterparty or the central securities depository to disclose specific data or information;

h) order the suspension of all or part of stock exchange operations for a fixed period of time;

i)<sup>873</sup> order the suspension of trading in a specific section of a stock exchange or all trading operations on the entire exchange for a specific period of time, and may order the delisting of certain exchange-traded products;

j)<sup>874</sup> revoke the authorization of the stock exchange, the central counterparty or the central securities depository;

k)<sup>875</sup>

l)<sup>876</sup> appoint a regulatory commissioner to the stock exchange, the central counterparty or the central securities depository;

m) impose fines in the cases and in the measure prescribed by law;

n) suspend for a fixed period of time the offering and subscription of securities and the trading of financial instruments, and the procedure in connection with the acquisition of participating interests in a public limited liability company by way of public offer;

o)<sup>877</sup> order the suspension of membership rights:

1. if a shareholder is banned from exercising his membership rights in a limited company by virtue of law, and this is established by the Authority in a resolution,

2. against a shareholder of a public limited company or holder of voting right, in the case of any infringement of the obligations set out in Section 61;

p) initiate procedures with other competent supervisory authorities;

<sup>868</sup> Amended by Point 22 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>869</sup> Established by Subsection (1) of Section 25 of Act LXIX of 2017, effective as of 1 July 2017.

<sup>870</sup> Established by Subsection (1) of Section 234 of Act XVI of 2014. Amended by Point 23 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>871</sup> Established by Subsection (1) of Section 234 of Act XVI of 2014. Amended by Point 24 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>872</sup> Established by Subsection (2) of Section 40 of Act CCXV of 2015, effective as of 2 January 2016.

<sup>873</sup> Established by Subsection (1) of Section 40 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>874</sup> Established by Subsection (2) of Section 234 of Act XVI of 2014. Amended by Point 23 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>875</sup> Repealed by Paragraph d) of Section 49 of Act LIII of 2016, effective as of 1 July 2016.

<sup>876</sup> Established by Subsection (3) of Section 234 of Act XVI of 2014. Amended by Point 25 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>877</sup> Established by Subsection (1) of Section 8 of Act CLXII of 2015, effective as of 26 November 2015.

q)<sup>878</sup> ban, restrict or impose conditions on the stock exchange, the central counterparty and the central securities depository, in terms of:

1. their payment of dividends,
2. any payment made to a senior executive,
3. their owners to raise loans from the said organizations or that these organizations provide any services to them that involve any degree of exposure,
4. their providing any loan or credit to, or any similar transaction with, companies in which their owners or senior executives have any interest,
5. the extension (prolongation) of deadlines specified in loan or credit agreements,
6. their opening of any new branches, introducing new services and new operations;

r)<sup>879</sup> order the stock exchange, the central counterparty and the central securities depository:

1. to draw up new internal regulations, or to revise or apply the existing regulations along specific guidelines,
2. to provide further training to employees (executives), or to hire employees (executives) with adequate professional experience and expertise,
3. to reduce operating expenses,
4. to set aside adequate reserves;

s) prohibit the exchange from continuing any unlawful activity, order the exchange to draw up new regulations or adopt a new resolution;

t) if before the closing of the marketing procedure the Authority learns about any material fact or circumstance, based on which authorization for the publication of the prospectus should have been rejected or that is of significant injury to the investors' interests, the Authority shall withdraw its authorization granted for the publication of the prospectus and shall compel the issuer and the dealer to terminate the marketing procedure within the prescribed deadline;

u)<sup>880</sup> in the event of any failure to comply with the obligation of public disclosure as prescribed in this Act, the Authority shall publish the information in question in accordance with Subsection (6) of Section 44 at the expense of the defaulting party;

v) in the event of any breach of the obligation delegated under Articles 4 and 9-11 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, the Authority issue an official warning to the person or organization, or - if necessary - shall order compliance with the obligation;

w)<sup>881</sup> for any breach of the obligation of notification provided for in Chapter V against the person liable to make such notification:

1. issue a public statement on its website after the finding of the breach, indicating the person responsible and the nature of the breach;

2. issue an order requiring the person responsible to cease the conduct constituting the breach and to desist from any repetition of that conduct; or

3. impose a fine;

x)<sup>882</sup> request any person to take steps to reduce the size of the position or exposure;

y)<sup>883</sup> require the removal of a natural person from the management board of a market operator;

z)<sup>884</sup> make a public statement which indicates the person responsible for the breach and the nature of the breach;

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<sup>878</sup> Established by Subsection (4) of Section 234 of Act XVI of 2014. Amended by Point 26 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>879</sup> Established by Subsection (4) of Section 234 of Act XVI of 2014. Amended by Point 24 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>880</sup> Established by Subsection (2) of Section 40 of Act LXXXV of 2015. Amended by Paragraph n) of Section 47 of Act CXVIII of 2019.

<sup>881</sup> Enacted by Subsection (2) of Section 8 of Act CLXII of 2015, effective as of 26 November 2015.

<sup>882</sup> Enacted by Subsection (2) of Section 25 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>883</sup> Enacted by Subsection (2) of Section 25 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>884</sup> Enacted by Subsection (2) of Section 25 of Act LXIX of 2017, effective as of 3 January 2018.

zs)<sup>885</sup> adopt a resolution to declare the fact of infringement, and shall order the cessation of the infringement or prohibit any further infringement.

(2)<sup>886</sup> In the event of any infringement of Regulation 596/2014/EU, the Authority:

a) shall establish the fact of infringement, and shall issue an order requiring the person responsible for the infringement to cease the conduct constituting the breach and to desist from any repetition of that conduct;

b) shall order payment to compensate the profits gained or losses avoided because of the breach, if the amount thereof can be determined;

c) shall issue a public warning which indicates the person responsible for, and the nature of, the infringement;

d) shall withdraw or suspend the investment firm's authorization for the provision of investment services, ancillary services;

e) shall impose a temporary 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, and/or from dealing on own account;

f) shall impose a permanent ban against any member of the investment firm's management body or any other natural person, who is held responsible for repeated serious infringements of Articles 14 and 15 of Regulation 596/2014/EU, to exercise management functions in the investment firm.

(3)<sup>887</sup> The Authority:

a) in the event of infringement of Regulation 909/2014/EU shall impose a temporary ban,

b) in the event of repeated, serious breach of Regulation 909/2014/EU shall impose a permanent ban,

against any member of the central securities depository's management body or any other natural person, who is held responsible, to exercise management functions in the central securities depository.

(3a)<sup>888</sup> In the event of any infringement of Regulation 2017/1129/EU, the Authority shall have powers to take the following measures and/or to impose the following sanctions having regard to progressivity and proportionality:

a) to require issuers, offerors or persons asking for admission to trading on a regulated market to include in the prospectus supplementary information, where necessary for investor protection;

b) to require issuers, offerors or persons asking for admission to trading on a regulated market, and the persons that control them or are controlled by them, to provide information and documents;

c) to require auditors and managers of the issuer, offeror or person asking for admission to trading on a regulated market, as well as financial intermediaries commissioned to carry out the offer of securities to the public or ask for admission to trading on a regulated market, to provide information;

d) to suspend an offer of securities to the public or admission to trading on a regulated market for a maximum of 10 consecutive working days on any single occasion where there are reasonable grounds for suspecting that Regulation 2017/1129/EU has been infringed;

e) to prohibit or suspend advertisements or require issuers, offerors or persons asking for admission to trading on a regulated market, or relevant financial intermediaries to cease or suspend advertisements for a maximum of 10 consecutive working days on any single occasion where there are reasonable grounds for believing that Regulation 2017/1129/EU has been infringed;

f) to prohibit an offer of securities to the public or admission to trading on a regulated market where they find that Regulation 2017/1129/EU has been infringed or where there are reasonable grounds for suspecting that it would be infringed;

g) to suspend or require the relevant regulated markets to suspend trading on a regulated market for a maximum of ten consecutive working days on any single occasion where there are reasonable

<sup>885</sup> Enacted by Subsection (2) of Section 25 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>886</sup> Established by Section 12 of Act CXXVI of 2018, effective as of 29 December 2018.

<sup>887</sup> Established by Section 41 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>888</sup> Enacted by Section 41 of Act CXVIII of 2019, effective as of 26 December 2019.

grounds for believing that this Regulation 2017/1129/EU has been infringed;

*h)* to prohibit trading on a regulated market, a multilateral trading facility or an organized trading facility where it finds that Regulation 2017/1129/EU has been infringed;

*i)* to make public the fact that an issuer, an offeror or a person asking for admission to trading on a regulated market is failing to comply with its obligations;

*j)* to suspend the scrutiny of a prospectus submitted for approval or suspend or restrict an offer of securities to the public or admission to trading on a regulated market where the Authority is making use of the power to impose a prohibition or restriction pursuant to Article 42 of Regulation 600/2014/EU of the European Parliament and of the Council, until such prohibition or restriction has ceased;

*k)* to refuse approval of any prospectus drawn up by a certain issuer, offeror or person asking for admission to trading on a regulated market for a maximum of five years, where that issuer, offeror or person asking for admission to trading on a regulated market has repeatedly and severely infringed Regulation 2017/1129/EU;

*l)* to disclose, or to require the issuer to disclose, all material information which may have an effect on the assessment of the securities offered to the public or admitted to trading on a regulated market in order to ensure investor protection or the smooth operation of the market;

*m)* to suspend or require the relevant regulated market, multilateral trading facility or organized trading facility to suspend the securities from trading where it considers that the issuer's situation is such that trading would be detrimental to investors' interests;

*n)* to carry out on-site inspections or investigations at sites other than the private residences of natural persons, and for that purpose to enter premises in order to access documents and other data in any form, where a reasonable suspicion exists that documents and other data related to the subject-matter of the inspection or investigation may be relevant to prove an infringement of Regulation 2017/1129/EU.

(4)<sup>889</sup> The Authority shall have powers to restrict, for a maximum period of thirty days, the account-holder's and the proxy's access to any account operated by the central securities depository if it is warranted to enhance the sound and prudent functioning of the capital markets and/or for the protection of investors. If justified, the restriction may be extended on one occasion by thirty additional days.

(5) The Authority may restrict access to an account if:

*a)* the offering of the securities contained therein took place unlawfully, and there is reasonable cause to retain such securities on the account in order to prevent any injury to third parties;

*b)* based on the information available there is evidence to suggest that the account is linked to criminal activities;

*c)* trading on the exchange or on over-the-counter markets has been suspended by the competent person;

*d)*<sup>890</sup>

*e)* the quantity of securities recorded on the securities account fails to coincide in the aggregate with the quantity of dematerialized securities issued.

(6) The measures taken by the Authority under Subsection (4) above shall not effect the exchange transactions concluded before the fact.

(7)<sup>891</sup> The Authority may prohibit the outsourcing of an activity if it does not comply with the relevant provisions of this Act pertaining to outsourcing.

(8)<sup>892</sup> The Authority may impose the measure contained in Point 1 of Paragraph *r)* of Subsection (1) of this Section if payment of any dividend is likely to jeopardize the compliance of the stock

<sup>889</sup> Established by Subsection (2) of Section 166 of Act CLXXXVI of 2005. Amended by Point 27 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>890</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>891</sup> Established by Subsection (3) of Section 40 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>892</sup> Established by paragraph (2) Section 77 of Act XCVIII of 2013. Amended by Point 28 of Subsection (2) of Section 48 of Act LXXXV of 2015.

exchange, the central counterparty or the central securities depository in question with capital requirements.

(9)<sup>893</sup> The Authority shall order any other stock exchange established in Hungary that may be involved in trading, to suspend or remove from trading in the cases under Subsections (1)-(2) of Section 149/B of the IRA, or if the stock exchange provides for the suspension or removal from trading specific exchange-traded 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.

(10)<sup>894</sup> Where the suspension or removal from trading of a financial instrument or related derivatives is ordered by the competent supervisory authorities of other 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 stock exchange 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 supervisory authorities of the other Member States such a decision. If the Authority did not order a stock exchange established in Hungary the suspension or removal, the Authority shall enclose in the communication its reasons.

(11)<sup>895</sup> The provisions of Subsections (9) and (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 Paragraphs *h*) and *i*) of Subsection (1) as regards the notification procedure.

## **Regulatory Commissioner**

### *Section 401*

(1)<sup>896</sup> The Authority may appoint one or more regulatory commissioners to oversee the activities of the central counterparty or the central securities depository, 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 senior executive 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)<sup>897</sup> The situation referred to in Paragraph *b*) of Subsection (1) shall apply, among other reasons, if:

- a)<sup>898</sup> the owners or the founder of the branch fail to increase the equity capital of the the central counterparty or the central securities depository as prescribed;
- b) the management body fails to call a general meeting when it is ordered by the Authority.

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<sup>893</sup> Established by Subsection (3) of Section 25 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>894</sup> Enacted by Subsection (3) of Section 25 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>895</sup> Enacted by Subsection (3) of Section 25 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>896</sup> Established by Subsection (1) of Section 235 of Act XVI of 2014. Amended by Point 29 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>897</sup> Established: by paragraph (2) Section 80 of Act XCVIII of 2013. In force: as of 29. 06. 2013.

<sup>898</sup> Established by Subsection (2) of Section 235 of Act XVI of 2014. Amended by Point 30 of Subsection (2) of Section 48 of Act LXXXV of 2015.

(3)<sup>899</sup> The Authority may appoint a regulatory commissioner to a regulated market or an exchange, if the regulated market or the exchange does not have the internal regulations defined under Paragraphs *a)-d)* of Subsection (4) of Section 317 in place, or if the management body is not elected or the managing director is not appointed within thirty days. The duties and powers of the regulatory commissioner shall be laid down in the resolution on his appointment.

(4) The regulatory commissioner shall convey his report to the Authority within ninety days in which to outline the situation of the corporation 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) Based on the regulatory commissioner's recommendations the Authority shall decide within thirty days on any further measures.

## *Section 402*

(1)<sup>900</sup> Until the resolution ordering the appointment of a regulatory commissioner is delivered by service of process, the liability of members of the management body of the regulated market, the stock stock exchange, the central counterparty or the central securities depository concerned shall remain in effect as defined by legal provisions on business associations.

(2)<sup>901</sup> During the period of the regulatory commissioner's appointment, members of the management body may not perform their tasks and exercise their signatory rights as described in the statutory provisions governing business associations, and the articles of association. For the period of appointment, the regulatory commissioner shall exercise the rights of members of the management body described by law and the articles of association.

(3)<sup>902</sup> By way of derogation from Subsection (2), members of the management body and the supervisory board shall have the right to bring administrative action to challenge the resolution appointing the regulatory commissioner - also during the period of delegation of the regulatory commissioner - and the resolution the Authority has adopted against the regulated market, the stock exchange, the central counterparty or central securities depository.

(4)<sup>903</sup> The supervisory commissioner shall be responsible:

- a)* to assess the financial situation of the central counterparty or the central depository concerned;
- b)* to analyze any potential to satisfy the claims of clients;
- c)* to restore the records of the central counterparty or the central depository to the extent necessary for the actions defined in Paragraphs *a)* and *b)*; and
- d)* to operate the central counterparty or the central depository to the extent necessary.

(5)<sup>904</sup>

## **On-site Inspector<sup>905</sup>**

### *Section 403<sup>906</sup>*

(1) In the interest of exercising its supervisory control function in upholding the provisions of this Act and other regulations relating to the activities of the central securities depository and central counterparties, the Authority shall have powers to appoint one or more on-site inspectors without

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<sup>899</sup> Established by Subsection (3) of Section 86 of Act CXXXVII of 2007. Amended by Point 31 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>900</sup> Established by Subsection (1) of Section 236 of Act XVI of 2014. Amended by Point 28 of Subsection (2) of Section 48 of Act LXXXV of 2015.

<sup>901</sup> Established by Section 75 of Act LII of 2007, effective as of 1 July 2007.

<sup>902</sup> Established by Subsection (9) of Section 211 of Act L of 2017, effective as of 1 January 2018.

<sup>903</sup> Established by Section 41 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>904</sup> Repealed by Paragraph *a)* of Subsection (4) of Section 79 of Act LII of 2007, effective as of 1 July 2007.

<sup>905</sup> Enacted by Section 42 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>906</sup> Established by Section 42 of Act LXXXV of 2015, effective as of 7 July 2015.



causing unnecessary disturbance in the central securities depository's or central counterparty'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 officers 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 meeting;

c) consult with the central securities depository's or central counterparty'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.

## **Supervision of the Branches of Bodies Established in Other Member States of the European Union**

### *Section 404*

(1)<sup>907</sup> If the branch of a regulated market, the stock exchange, a clearing house, a central counterparty or central depository that is established in another Member State of the European Union violates any Hungarian regulations, or if the Authority finds any discrepancy in the operation of the branch, the Authority shall advise the branch in question to remedy the situation.

(2)<sup>908</sup> If the branch fails to comply with the aforesaid advise, the Authority shall notify the competent supervisory authority of the Member State concerning the unlawful situation, or shall request the competent supervisory authority to take the actions required.

(3)<sup>909</sup> The Authority shall have powers to take action of its own accord regarding any infringement of Hungarian provisions or if it deems that the unlawful situation poses a substantial threat to the stability of the capital market or to the interests of the clients. The Authority shall inform the European Commission and the competent supervisory authorities of the Member States concerned. The European Commission shall review the Authority's measures implemented in connection with any violation of prudential requirements and subsequently determine their legality.

## **Cooperation With the Competent Supervisory Authorities of Other Member States of the European Union<sup>910</sup>**

### *Section 404/A<sup>911</sup>*

(1) The Authority shall cooperate with the competent supervisory authorities of other Member States. Cooperation shall, in particular, cover the following cases:

a) where the issuer of securities offered in Hungary to the public has offered other types of securities under the authorization granted by the competent supervisory authority of another Member

<sup>907</sup> Established by Section 237 of Act XVI of 2014, effective as of 15 March 2014.

<sup>908</sup> Amended by Subsection (5) of Section 153 of Act LXII of 2005.

<sup>909</sup> Established by Section 59 of Act XL of 2003. Amended by Subsection (2) of Section 153 of Act LXII of 2005.

<sup>910</sup> Enacted by Section 3 of Act CXLV of 2017, effective as of 3 January 2018.

<sup>911</sup> Enacted by Section 143 of Act LXII of 2005, effective as of 1 July 2005.

State;

b) where the Authority has forwarded an application for authorization for the publication of a prospectus or public notice to the competent supervisory authority of another Member State, or received an application for authorization for the publication of a prospectus or public notice from the competent supervisory authority of another Member State;

c) where the Authority has suspended or banned trading of specific securities on a regulated market, if the same securities have also been admitted to trading on a regulated market in another Member State as well;

d) where the Authority receives an application for the authorization of publication of a prospectus or public notice relating to a brand new type of securities or rare securities;

e)<sup>912</sup> monitoring compliance with the obligation of disclosure of information in connection with securities offered to the public.

(2)<sup>913</sup> In the cases referred to in Subsection (1) above the Authority shall be authorized to transmit information to the competent supervisory authorities of other Member States in carrying out its duties as prescribed in this Act, or may receive information from the competent supervisory authorities of other Member States relating to the issuer, the securities, traders, or to the special characteristics of the market of another Member State.

(3)<sup>914</sup> The Authority shall disclose the information referred to in Subsection (7) of Section 315 within thirty days after informing the exchange to the competent supervisory authority of the Member State (in the application of the provisions of this Section hereinafter referred to as “host Member State”) in which the exchange plans to offer the services provided for in Subsection (7) of Section 315.

(4)<sup>915</sup> The Authority shall, without undue delay, inform the competent supervisory authority of the host Member State about the person of traders with remote participation in the host Member State.

## Supervision Fines

### *Section 405<sup>916</sup>*

(1)<sup>917</sup> Issuers, offerors, persons violating the regulations on the acquisition of a participating interest in public limited companies, the stock exchange, the central depository, central counterparty and their senior executives and other employees, persons engaged in insider dealing and/or market manipulation, unlawful disclosure of inside information, or persons responsible for any breach of the obligation of notification relating to persons discharging managerial responsibilities as defined in Regulation 596/2014/EU and persons closely associated with them as defined in Regulation 596/2014/EU, and any shareholder or holder of voting right responsible for any breach of the obligation set out in Section 61 shall be subject to a fine imposed by the Authority for any infringement, circumvention, evasion, non-compliance or late fulfillment of the obligations set out in this Act and in legislation adopted by authorization of this Act, in the MLT, in the resolution of the Authority and in its own internal regulations, as well as if the financial penalty is proposed by a foreign supervisory authority under Subsection (2) of Section 399.

(2)<sup>918</sup> The Authority shall have powers to impose a fine upon any non-financial counterparty referred to in Point 9 of Article 2 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 for any breach of the obligation delegated under Articles 4 and 9-11 of the same regulation.

<sup>912</sup> Enacted by Section 89 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>913</sup> Amended by Section 5 of Act CXLV of 2017.

<sup>914</sup> Enacted by Section 4 of Act CXLV of 2017, effective as of 3 January 2018.

<sup>915</sup> Enacted by Section 4 of Act CXLV of 2017, effective as of 3 January 2018.

<sup>916</sup> Established by Section 90 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>917</sup> Established by Subsection (1) of Section 42 of Act CXVIII of 2019, effective as of 3 January 2020.

<sup>918</sup> Established: by Section 83 of Act XCVIII of 2013. In force: as of 29. 06. 2013.

(3)<sup>919</sup> In the event of any infringement of Regulation 596/2014/EU, the amount of the fine shall be:  
*a)* in the case of natural persons:  
*aa)* up to 2,000,000,000 forints for any breach of Articles 14 and 15 of Regulation 596/2014/EU,  
*ab)* up to 2,000,000,000 forints for any breach of Articles 16 and 17 of Regulation 596/2014/EU,  
*ac)* up to 2,000,000,000 forints for any breach of Articles 18, 19 and 20 of Regulation 596/2014/EU;

*b)* in the case of companies:

*ba)* up to 4,667,550,000 forints for any breach of Articles 14 and 15 of Regulation 596/2014/EU, or up to 15 per cent of the total annual turnover according to the last available annual accounts approved by the decision-making body, with the proviso that where the company is a parent company or a subsidiary of a parent company which has to prepare consolidated financial accounts pursuant to accounting regulations, the relevant total turnover shall be the annual turnover according to the last available consolidated annual accounts approved by the decision-making body of the ultimate parent company or its equivalent under accounting regulations,

*bb)* up to 2,000,000,000 forints for any breach of Articles 16 and 17 of Regulation 596/2014/EU, or up to 2 per cent of the total annual turnover according to the last available annual accounts approved by the decision-making body, with the proviso that where the company is a parent company or a subsidiary of a parent company which has to prepare consolidated financial accounts pursuant to accounting regulations, the relevant total turnover shall be the annual turnover according to the last available consolidated annual accounts approved by the decision-making body of the ultimate parent company or its equivalent under accounting regulations,

*bc)* up to 2,000,000,000 forints for any breach of Articles 18, 19 and 20 of Regulation 596/2014/EU.

(4)<sup>920</sup> In the event of any infringement of Regulation 596/2014/EU, the amount of the fine shall be at least three times the amount of the profits gained or losses avoided because of the infringement, if the amount thereof can be determined.

(5)<sup>921</sup> In the event of any infringement of Regulation 909/2014/EU, the amount of the fine shall be:

*a)* in respect of a natural person up to 1,536,150,000 forints,

*b)* in respect of a legal person up to 6,144,600,000 forints or up to 10 per cent of the total annual turnover according to the last available annual accounts approved by the decision-making body, with the proviso that where the legal person is a parent company or a subsidiary of a parent company which has to prepare consolidated financial accounts pursuant to accounting regulations, the relevant total turnover shall be the annual turnover according to the last available consolidated annual accounts approved by the decision-making body of the ultimate parent company or its equivalent under accounting regulations.

(6)<sup>922</sup> In the event of any infringement of Regulation 909/2014/EU, the amount of the fine shall be up to twice the amount of the profits gained or losses avoided because of the infringement, if the amount of loss can be determined, irrespective of the amount limits specified in Subsection (5).

(7)<sup>923</sup> In the event of the infringements listed in Article 38(1)(a) of Regulation 2017/1129/EU, the amount of the fine shall be:

*a)* in respect of a natural person up to 214,263,000 forints,

*b)* in respect of a legal person up to 1,530,450,000 forints or up to 3 per cent of the total annual turnover according to the last available annual accounts approved by the decision-making body, with the proviso that where the legal person is a parent company or a subsidiary of a parent company which has to prepare consolidated financial accounts pursuant to accounting regulations, the relevant total turnover shall be the annual turnover according to the last available consolidated annual accounts

<sup>919</sup> Enacted by Section 13 of Act CXXVI of 2018, effective as of 15 January 2019.

<sup>920</sup> Enacted by Section 13 of Act CXXVI of 2018, effective as of 15 January 2019.

<sup>921</sup> Enacted by Subsection (2) of Section 42 of Act CXVIII of 2019, effective as of 3 January 2020.

<sup>922</sup> Enacted by Subsection (2) of Section 42 of Act CXVIII of 2019, effective as of 3 January 2020.

<sup>923</sup> Enacted by Subsection (2) of Section 42 of Act CXVIII of 2019, effective as of 3 January 2020.

approved by the decision-making body of the ultimate parent company or its equivalent under accounting regulations.

(8)<sup>924</sup> As regards the fine defined in Subsection (7) the amount of the fine shall be up to twice the amount of the profits gained or losses avoided because of the infringement, if the amount of the profits gained or losses avoided because of the infringement can be determined.

## **Amount of the Fine**

### *Section 406*<sup>925</sup>

#### Chapter LVI/A<sup>926</sup>

## **PROCEEDINGS IN CONNECTION WITH ANY INFRINGEMENT OF THE REGULATIONS RELATING TO BUSINESS-TO-CONSUMER COMMERCIAL PRACTICES**<sup>927</sup>

### *Section 406/A*<sup>928</sup>

In connection with any infringement of the provisions of this Act and other legislation adopted for the implementation of this Act, relating to business-to-consumer commercial practices and in particular to the disclosure of information to investors, the Authority shall proceed in accordance with the relevant provisions of the UCPA), if the infringement concerns any consumer to whom the definition under Paragraph *a*) of Section 2 of the UCPA applies.

## ***PART THIRTEEN***

### Chapter LVII

## **TRANSITIONAL AND CLOSING PROVISIONS**

### **Entry into Force**

#### *Section 407*

(1)<sup>929</sup> This Act, with the exceptions set out in Subsections (3) and (4), shall enter into force on 1 January 2002. Its provisions shall apply to pending cases if they comprise more favorable regulations for the client. For the definition of ‘client’ the provisions of the SAPR shall apply.

(2)<sup>930</sup> For the purposes of authorization proceedings, a proceeding shall be deemed pending when the application for authorization was submitted before the date of entry into force in compliance with the formal and content requirements set out in Act CXI of 1996, Act LXIII of 1991 or Act XXXIX of 1994.

(3)<sup>931</sup> Section 59, Subsection (4) of Section 62, Section 64, Subsection (5) of Section 85, Subsection (9) of Section 90, Subsection (5) of Section 91, Subsection (5) of Section 92, Section 94,

<sup>924</sup> Enacted by Subsection (2) of Section 42 of Act CXVIII of 2019, effective as of 3 January 2020.

<sup>925</sup> Repealed: by subparagraph h) paragraph (5) Section 84 of Act CXLVIII of 2009. No longer in force: as of 1. 01. 2010.

<sup>926</sup> Enacted: by paragraph (6) Section 42 of Act XLVII of 2008. In force: as of 01. 09. 2008.

<sup>927</sup> Enacted: by paragraph (6) Section 42 of Act XLVII of 2008. In force: as of 01. 09. 2008.

<sup>928</sup> Enacted: by paragraph (6) Section 42 of Act XLVII of 2008. In force: as of 01. 09. 2008. Shall apply to proceedings launched after this date.

<sup>929</sup> Established by Subsection (1) of Section 215 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>930</sup> Established by Subsection (2) of Section 215 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>931</sup> Established by Subsection (3) of Section 215 of Act LXIV of 2002, effective as of 1 January 2003.

Sections 102-105, Section 211, Section 218, Section 231, Section 232, Subsection (3) of Section 284, Sections 287 and 288, Section 302, Subsection (3) of Section 313 and Section 404 of this Act shall enter into force simultaneously with the act promulgating the treaty on Hungary's accession to the European Union.

(4) Section 435 of this Act shall enter into force on 1 January 2003.

(5)<sup>932</sup> The provisions of Act XXXIX of 1994 (hereinafter referred to as "Commodities Act"), Act LXIII of 1991 (hereinafter referred to as "IFA") and Act CXI of 1996 (hereinafter referred to as "Securities Act") shall apply if the reason upon which the supervisory action was imposed took place before the entry of this Act into force.

## **Compliance with the Acquis<sup>933</sup>**

### *Section 407/A<sup>934</sup>*

This Act serves the purpose of compliance with Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

## **Transitional Provisions**

### *Section 408<sup>935</sup>*

(1) Exchange markets shall draw up their internal policies relating to the transfer of exchange-traded instruments to other trading venues and to their delisting in accordance with Chapter VI/A, as established by Section 96 of Act CLIX of 2010 on the Amendment of Financial Regulations, within six months from the time of its entry into force, whereby the exchange shall proceed in accordance with the provisions of Chapter VI/A in connection with any transfer or delisting initiated after the said time of entry into force.

(2) In accordance with Chapter VI/A, as established by Section 96 of Act CLIX of 2010 on the Amendment of Financial Regulations, issuers of shares admitted to trading on a regulated market are required to amend their bylaws on or before the general meeting convened to approve next year's annual account to bring it into compliance with the relevant regulations as amended.

### *Section 409<sup>936</sup>*

The provisions set out in Paragraphs *c)-d)* of Subsection (1) of Section 14, Subparagraph *ca)* of Paragraph *c)* of Subsection (2) of Section 21, Subsection (5) of Section 26, Paragraph *b)* of Subsection (2) of Section 45 and in Subsection (3) of Section 54 shall be satisfied as of 1 January 2013.

### *Section 410<sup>937</sup>*

The Institution referred to in Section 146/A shall make available the information provided for in Subsection (1) of Section 146/B 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.

<sup>932</sup> Enacted by Subsection (4) of Section 215 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>933</sup> Enacted by Section 57 of Act XLIV of 2016, effective as of 4 June 2016.

<sup>934</sup> Enacted by Section 57 of Act XLIV of 2016, effective as of 4 June 2016.

<sup>935</sup> Established: by Section 105 of Act CLIX of 2010. In force: as of 1. 01. 2011.

<sup>936</sup> Enacted: by Section 49 of Act CLI of 2012. In force: as of 28. 10. 2012.

<sup>937</sup> Established by Section 8 of Act XIX of 2014, effective as of 16 July 2014.

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### Section 411<sup>938</sup>

Any clearing house:

*a)* that was authorized to perform the activities provided for in Paragraphs *a)* and *c)* of Subsection (3) of Section 335 in effect on 31 December 2014, and

*b)* that was entitled to perform the activities provided for in Section 334 and Subsections (3) and (5) of Section 335 in effect on 31 December 2015,

shall be entitled to perform those activities under Paragraphs *a)* and *b)* under those authorizations and in compliance with the statutory provisions underlying such authorization, until receiving the authorization for providing central securities depository services - in the form of a specialized credit institution - under Regulation 909/2014/EU.

### Section 412

(1)-(3)<sup>939</sup>

(4)<sup>940</sup> The persons referred to in Points 116-118 of Subsection (1) of Section 5 shall verify of having passed the examination prescribed in specific other legislation to the Authority by 30 June 2007.

### Section 413<sup>941</sup>

(1)<sup>942</sup> On 1 January 2020 any:

*a)* employment relationship of an indefinite period with the Országos Betétbiztosítási Alap (*National Deposit Insurance Fund*) in the Fund's independent work organization carrying out operational functions held on 31 December 2019 shall be transformed into an employment relationship of an indefinite period with the Fund,

*b)* fixed-term employment relationship with the Országos Betétbiztosítási Alap in the Fund's independent work organization carrying out operational functions held on 31 December 2019 shall be transformed into a fixed-term employment relationship with the Fund.

(2)<sup>943</sup> The duration of any probationary period stipulated in an employment relationship existing with the Országos Betétbiztosítási Alap on 31 December 2019 shall remain unaltered after the transition.

(3)<sup>944</sup> The salary of the person mentioned in Subsection (1) may not be less after 1 January 2020 than the salary due on 31 December 2019 according to the employment contract existing pursuant to Act I of 2012 on the Labor Code (hereinafter referred to as "Labor Code").

(4)<sup>945</sup> If the employee fails to sign the employment contract for the employment relationship entered into under Subsections (1)-(3) within eight days of receipt thereof, his/her employment relationship shall cease to exist pursuant to the provisions of the Labor Code relating to termination by the employee, with the proviso that the notice period shall begin on the ninth day following receipt of the employment contract, except if the employee fell in delay through no fault of his/her own. Until such time as the employment contract is signed by the employee, the managing director of the Fund shall exercise employer's rights as regards the employment with the Fund.

(5)<sup>946</sup> The duration of the relationship with the Országos Betétbiztosítási Alap, as referred to in

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<sup>938</sup> Established by Section 47 of Act LIII of 2016, effective as of 1 July 2016.

<sup>939</sup> Repealed by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>940</sup> Enacted by Section 64 of Act XLVIII of 2004, effective as of 10 June 2004.

<sup>941</sup> Established by Section 44 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>942</sup> Established by Section 43 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>943</sup> Established by Section 43 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>944</sup> Established by Section 43 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>945</sup> Established by Section 43 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>946</sup> Established by Section 43 of Act CXVIII of 2019, effective as of 26 December 2019.

Subsection (1) - including any recognized duration of employment related to such relationship - shall be recognized after 1 January 2020 and taken into consideration as time spent at the Fund in employment. The Országos Betétbiztosítási Alap shall issue an employer certificate to persons it employs on 31 December 2019.

(6)<sup>947</sup> The Országos Betétbiztosítási Alap shall redeem the vacation time that has not been allocated to persons in employment on 31 December 2019, to which they are entitled until 31 December 2019 in employment relationship.

(7)<sup>948</sup> As regards the persons referred to in Subsection (1), the Fund shall satisfy the obligations relating to notices and notification of changes, and the related data disclosures to the Nemzeti Adó- és Vámhivatal (*National Tax and Customs Authority*) relating to insured persons employed by the employer or payer within eight working days following the commencement of the employment.

## *Section 414*<sup>949</sup>

### *Section 415*

(1)<sup>950</sup> The maximum amount of compensation referred to in Subsection (2) of Section 217 shall be one million forints until 31 December 2004 and two million forints between 1 January 2005 and 31 December 2007. The day of the opening of the liquidation proceedings is to be taken into consideration when determining the maximum amount of compensation.

(2)<sup>951</sup> Between the period commencing on the operative date of the act promulgating the treaty on Hungary's accession to the European Union and ending on 31 December 2007:

*a)*<sup>952</sup> any branch established in another Member State of the European Union by an organization that is engaged in insured activities and domiciled in Hungary must join the investor protection scheme of the country in which it is located in order to obtain the supplementary cover;

*b)* the amount of coverage afforded by the investor protection scheme in respect of the Hungarian branch of organizations engaged in insured activities that are established in other Member States of the European Union shall not exceed twenty thousand euro per person and per securities intermediary.

(3) Section 215 of this Act shall not apply to any claims originating from the preceding period.

(4) The compensation proceedings of the Investor Protection Fund pending at the time of this Act entering into force shall be governed by the legal regulations in force at the time when the claims to which the compensation pertains were frozen.<sup>953</sup>

(5) Any payment of membership fees made in 2001 shall be applied as advance payment of membership fees for 2002 to the extent applicable for 2002.

(6)<sup>954</sup>

### *Section 416*

(1)-(2)<sup>955</sup>

(3)<sup>956</sup> The persons referred to in Points 1-4 of Annex 11 of this Act shall provide proof to the Authority of having passed the examination prescribed in specific other legislation by 30 June 2007.

<sup>947</sup> Established by Section 43 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>948</sup> Established by Section 43 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>949</sup> Repealed by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>950</sup> Established by Section 60 of Act XL of 2003, effective as of 1 July 2003.

<sup>951</sup> Established by Subsection (2) of Section 218 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>952</sup> Established by Section 146 of Act LXII of 2005, effective as of 1 July 2005.

<sup>953</sup> See also Subsection (1) of Section 138 of Act XLVIII of 2004.

<sup>954</sup> Repealed by Paragraph b) of Subsection (1) of Section 299 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>955</sup> Repealed by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>956</sup> Established by Section 65 of Act XLVIII of 2004, effective as of 10 June 2004.

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*Section 417<sup>957</sup>*

*Section 418*

(1) A tax exemption of an exchange that operates under this Act with respect to corporate tax and local business tax shall end in the tax year, the last day of which is in 2006.

(2)<sup>958</sup>

*Section 419*

(1)-(2)<sup>959</sup>

(3)-(4)<sup>960</sup>

(5)<sup>961</sup>

(6)<sup>962</sup>

(7)<sup>963</sup> Paragraphs *a)-e)* of Subsection (3) of Section 450 of this Act shall not apply to the validity of certificates of deposit, treasury bills and bonds issued prior to the date of entry into force or offered according to Subsection (2) of Section 408.

*Section 420*

(1) The term of the Authority's chairperson<sup>964</sup> and deputy chairpersons elected and appointed prior to the entry of this Act into force shall terminate on the date indicated on the election or appointment papers.

(2)<sup>965</sup>

*Sections 421-423<sup>966</sup>*

*Sections 424-431<sup>967</sup>*

*Section 432*

(1) The limited company established by transformation of the exchange shall be its legal successor. The rights and obligations of the predecessor exchange shall devolve upon the successor limited company.

(2) Any exchange that is established by way of transformation in accordance with the provisions of this Act shall not be subject to the regulations pertaining to the authorization requirements concerning the foundation and operations of exchanges.

*Section 433<sup>968</sup>*

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<sup>957</sup> Repealed by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>958</sup> Repealed by Paragraph b) of Subsection (1) of Section 299 of Act LXIV of 2002, effective as of 1 January 2003.

<sup>959</sup> Repealed by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>960</sup> Repealed by Paragraph a) of Subsection (2) of Section 49 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>961</sup> Repealed by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>962</sup> Repealed by Subsection (2) of Section 14 of Act XXIII of 2003, effective as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

<sup>963</sup> Numbering amended by Section 220 of Act LXIV of 2002.

<sup>964</sup> See Subsection (4) of Section 37 of Act XXII of 2004.

<sup>965</sup> Repealed by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>966</sup> Repealed by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>967</sup> Repealed, together with the previous subtitle, by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>968</sup> Established: by paragraph (7) Section 42 of Act XLVII of 2008. In force: as of 01. 09. 2008.



This Act contains regulations that may be approximated with the legislation of the Communities listed in Annex 25.

*Section 434<sup>969</sup>*

*Sections 435-441<sup>970</sup>*

*Section 442<sup>971</sup>*

*Section 443<sup>972</sup>*

*Sections 444-448<sup>973</sup>*

*Section 449*

Any reference made to Act CXI of 1996 or the Securities Act, to Act XXXIX of 1994 or the Commodities Act, or to Act LXIII of 1991 or the IFA in any legal regulation enacted prior to this Act shall be understood as this Act.

*Section 450<sup>974</sup>*

The provisions of this Act, as established by Act LXII of 2005 on the Amendment of Act CXX of 2001 on the Capital Market, shall not apply in connection with the - public or private - offering of securities before the date of the entry into force thereof.

*Section 450/A<sup>975</sup>*

The entry into force of Act CXLIII of 2013 on the Amendment of Certain Acts Relating to Act on the National Bank of Hungary, and for Other Purposes shall not affect the membership held on 30 September 2013 in the executive board under Subsection (2) of Section 223, with the proviso that the MNB shall be able to exercise its entitlement referred to in Paragraph *c*) of Subsection (2) of Section 223 upon the occurrence of either of the grounds for termination defined in this Act.

*Section 450/B<sup>976</sup>*

The provisions of Subsection (5a) of Section 58, as established by Subsection (2) of Section 7 of Act CIV of 2014 on the Amendment of Financial Regulations Relating to Deposit Insurance and the Financial Intermediary System, shall apply after 1 February 2015.

*Section 450/C<sup>977</sup>*

Securities account managers shall send the regulations laying down data security requirements for processing user IDs and passwords, and for delivering them to account holders, provided for in

<sup>969</sup> Repealed, together with the preceding subtitle, by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>970</sup> Repealed by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>971</sup> Repealed by Paragraph d) of Subsection (1) of Section 233 of Act LX of 2003, effective as of the operative date of the Act promulgating the treaty on the accession of the Republic of Hungary to the European Union.

<sup>972</sup> Repealed by Paragraph d) of Section 181 of Act CLXXXVI of 2005, effective as of 1 January 2006.

<sup>973</sup> Repealed by Point 541 of Section 2 of Act LXXXII of 2007, effective as of 1 July 2007.

<sup>974</sup> Established: by Section 54 of Act LXXVI of 2012. In force: as of 27. 06. 2012.

<sup>975</sup> Enacted: by Section 63 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>976</sup> Enacted by Section 18 of Act CIV of 2014, effective as of 1 January 2015.

<sup>977</sup> Enacted by Section 45 of Act LXXXV of 2015, effective as of 7 July 2015.

Subsection (5) of Section 142/A, as established by Section 13 of Act LXXXV of 2015 on the Amendment of Legislation with a View to Promoting the Development of the Financial Intermediary System, to the MNB for approval for the first time by 30 September 2015.

### *Section 450/D<sup>978</sup>*

(1) Subsections (2a)-(2d) of Section 62, as established by Subsection (1) of Section 56 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”), and Subsections (3a) and (3b) of Section 62, as established by Subsection (2) of Section 56 of Act XLIV/2016 shall apply for the first time in the financial year beginning after the date of entry into force thereof.

(2) Subsection (5) of Section 358 repealed by Section 59 of Act XLIV/2016 shall remain to apply to statutory audit activities performed relating to the financial year beginning before 17 June 2016.

### *Section 450/E<sup>979</sup>*

Any member and managing director of the management body of any regulated market authorized before 3 January 2018 shall be construed to satisfy the requirements set out in Subsection (1) of Section 310/A, as established by 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.

### *Section 450/F<sup>980</sup>*

If authorization for the publication of the prospectus and/or the supplements to the prospectus was granted before 21 July 2019, the provisions of Chapter IV in effect on 20 July 2019 shall apply within the period of validity of the prospectus, at the latest until 21 July 2020.

## **Authorizations**

### *Section 451*

(1) The Government is hereby authorized to decree the following:

a)-b)<sup>981</sup>

c)<sup>982</sup>

d) the content requirements for securities and the conditions for their issue;<sup>983</sup>

e) the security requirements concerning the production of printed certificates of securities, their handling and physical destruction, and the Authority’s obligation for cooperation relating to the above;

f) the regulations concerning the creation and transfer of dematerialized securities, and the related security requirements;<sup>984</sup>

g) the detailed regulations concerning the opening, operation and administration of securities accounts, central securities accounts, exchange cash accounts, safe custody accounts and client

<sup>978</sup> Enacted by Section 58 of Act XLIV of 2016, effective as of 4 June 2016.

<sup>979</sup> Enacted by Section 26 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>980</sup> Enacted by Section 44 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>981</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>982</sup> Repealed by Paragraph a) of Subsection (2) of Section 49 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>983</sup> See Government Decree 285/2001 (XII. 26.) Korm., Government Decree 286/2001 (XII. 26.) Korm., and Government Decree 287/2001 (XII. 26.) Korm.

<sup>984</sup> See Government Decree 284/2001 (XII. 26.) Korm.

accounts, and the operation of the accounts system, including the regulations on the individual administration of the accounts and on the right of disposition over such accounts;<sup>985</sup>

*h)-l)*<sup>986</sup>

*m)* the detailed regulations on the calculation of return on securities, and on the publication of such return;

*n)*<sup>987</sup> the personnel, equipment and technical requirements and security facilities required for central depository activities;

*o)-p)*<sup>988</sup>

*q)*<sup>989</sup> the detailed regulations on the minimum content requirements for the liability insurance contracts of real estate appraiser individuals and real estate appraiser companies.<sup>990</sup>

(2) The minister is hereby authorized to decree the following:<sup>991</sup>

*a)-b)*<sup>992</sup>

*c)*<sup>993</sup>

*d)*<sup>994</sup>

*e)*<sup>995</sup> the detailed regulations concerning the disclosure requirements in connection with securities offered to the public;

*f)*<sup>996</sup> the detailed regulations for compliance with capital adequacy requirements and capital requirements on a consolidated basis;

*g)*<sup>997</sup>

*h)*<sup>998</sup>

*i)*<sup>999</sup>

*j)*<sup>1000</sup>

*k)*<sup>1001</sup>

*l)-m)*<sup>1002</sup>

*n)*<sup>1003</sup> the formal and content requirements concerning the disclosure of information in connection with securities offered to the public;

*o)*<sup>1004</sup>

*p)*<sup>1005</sup>

*q)-s)*<sup>1006</sup>

*t)*<sup>1007</sup> the detailed regulations concerning internal control systems and procedures;

*u)*<sup>1008</sup> the detailed rules relating to the mandatory information to be supplied by regulated markets

<sup>985</sup> See Government Decree 284/2001 (XII. 26.) Korm., and Government Decree 227/2006 (XI. 20.) Korm.

<sup>986</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>987</sup> Established by Subsection (1) of Section 172 of Act CLXXXVI of 2005, effective as of 1 January 2006.

<sup>988</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>989</sup> Enacted by Subsection (1) of Section 77 of Act LII of 2007, effective as of 1 July 2007.

<sup>990</sup> See Government Decree 197/2007 (VII. 30.) Korm.

<sup>991</sup> Amended by Paragraph m) of Subsection (8) of Section 170 of Act CIX of 2006.

<sup>992</sup> Repealed: by subparagraph c) paragraph (1) Section 137 of Act CLVIII of 2010. No longer in force: as of 1. 01. 2011.

<sup>993</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCI of 2011. No longer in force: as of 1. 01. 2012.

<sup>994</sup> Repealed: by paragraph (1) Section 52 of Act CLI of 2012. No longer in force: as of 28. 10. 2012.

<sup>995</sup> Established by Subsection (1) of Section 92 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>996</sup> Established: by paragraph (1) Section 80 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>997</sup> Repealed: by subparagraph c) paragraph (1) Section 137 of Act CLVIII of 2010. No longer in force: as of 1. 01. 2011.

<sup>998</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCI of 2011. No longer in force: as of 1. 01. 2012.

<sup>999</sup> Repealed: by subparagraph b) paragraph (1) Section 167 of Act CLIX of 2010. No longer in force: as of 1. 01. 2011.

<sup>1000</sup> Repealed: by subparagraph c) paragraph (1) Section 137 of Act CLVIII of 2010. No longer in force: as of 1. 01. 2011.

<sup>1001</sup> Repealed by Paragraph a) of Subsection (2) of Section 49 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>1002</sup> Repealed: by subparagraph c) paragraph (1) Section 137 of Act CLVIII of 2010. No longer in force: as of 1. 01. 2011.

<sup>1003</sup> Established by Subsection (2) of Section 92 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>1004</sup> Repealed: by subparagraph b) Section 27 of Act LXXXIII of 2013. No longer in force: as of 22. 06. 2013.

<sup>1005</sup> Repealed: by subparagraph c) paragraph (1) Section 137 of Act CLVIII of 2010. No longer in force: as of 1. 01. 2011.

<sup>1006</sup> Repealed by Paragraph e) of Section 49 of Act LIII of 2016, effective as of 3 July 2016.

<sup>1007</sup> Established: by paragraph (1) Section 64 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>1008</sup> Established by Subsection (1) of Section 46 of Act LXXXV of 2015, effective as of 1 January 2016.

and stock exchanges.

(3)<sup>1009</sup> The Governor of the MNB is hereby authorized to decree the detailed regulations:

a) relating to ISIN codes;

b)<sup>1010</sup> concerning the mandatory information to be supplied by regulated markets and stock exchanges, and the contents of such disclosures;

c) relating to the mandatory layout and formal requirements, and for the submission of the standard electronic forms used for the proceedings referred to in Subsection (1) of Section 388;

d) concerning the dissemination of information, the information storage mechanism and the procedure for the filing of regulated information to the MNB;

e)<sup>1011</sup> relating to the methodology for creating user IDs and passwords provided for in Section 142/A of the CMA, the data structure of information about the balance and other particulars of the securities accounts and client accounts reported by securities account managers to the Authority, and the mandatory contents of regulations laying down data security requirements.

### Annex 1 to Act CXX of 2001<sup>1012</sup>

#### ***Abbreviations of legal regulations referred to in this Act***

- 1.<sup>1013</sup>
- 2.<sup>1014</sup> PFA: Act CXCV of 2011 on Public Finances,
- 3.<sup>1015</sup> Insurance Act: Act on the Insurance Business,
4. IRA: Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities,
- 5.<sup>1016</sup> Criminal Code: Act C of 2012 on the Criminal Code,
6. CRA: Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings,
7. Bankruptcy Act: Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings,
8. FCA: Act CXXXII of 1997 on Hungarian Branch Offices and Commercial Representative Offices of Foreign-Registered Companies,
- 9.<sup>1017</sup> UCPA: Act XLVII of 2008 on the Prohibition of Unfair Business-to-Consumer Commercial Practices (hereinafter referred to as "UCPA"),
- 10.<sup>1018</sup> Resolution Act: Act XXXVII of 2014 on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System,
- 11.<sup>1019</sup> CIFE: Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises,
- 12.<sup>1020</sup> Duties Act: Act XCIII of 1990 on Duties,
- 13.<sup>1021</sup>
- 14.<sup>1022</sup> MNB Act: Act CXXXIX of 2013 on the National Bank of Hungary,
- 15.<sup>1023</sup> MLT: Act on the Prevention and Combating of Money Laundering and Terrorist Financing,

<sup>1009</sup> Established: by paragraph (2) Section 64 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>1010</sup> Established by Subsection (2) of Section 46 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>1011</sup> Enacted by Subsection (3) of Section 46 of Act LXXXV of 2015, effective as of 1 January 2016.

<sup>1012</sup> Established by Subsection (1) of Section 93 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>1013</sup> Repealed by Section 108 of Act CLIX of 2017, effective as of 1 January 2018.

<sup>1014</sup> Amended: by paragraph (3) Section 113 of Act CXCV of 2011. In force: as of 1. 01. 2012.

<sup>1015</sup> Amended by Paragraph c) of Subsection (2) of Section 466 of Act LXXXVIII of 2014.

<sup>1016</sup> Established: by paragraph (2) Section 284 of Act CCXXXIII of 2012. In force: as of 1. 07. 2013.

<sup>1017</sup> Enacted: by paragraph (8) Section 42 of Act XLVII of 2008. In force: as of 01. 09. 2008.

<sup>1018</sup> Established by Section 47, Annex 1 of Act LXXXV of 2015, effective as of 7 July 2015.

<sup>1019</sup> Numbering amended by paragraph (8) Section 42 of Act XLVII of 2008. Amended by Paragraph c) of Section 44 of Act CCXXXVI of 2013.

<sup>1020</sup> Numbering amended: by paragraph (8) Section 42 of Act XLVII of 2008. In force: as of 01. 09. 2008.

<sup>1021</sup> Repealed by Paragraph d) of Section 213 of Act L of 2017, effective as of 1 January 2018.

<sup>1022</sup> Established: by Section 67 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

<sup>1023</sup> Established by Subsection (2) of Section 86 of Act LIII of 2017, effective as of 26 June 2017.

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- 16.<sup>1024</sup>
  - 17.<sup>1025</sup> Civil Code: Act V of 2013 on the Civil Code,
  - 18.<sup>1026</sup> Accounting Act: Act C of 2000 on Accounting,
  - 19.<sup>1027</sup>
  - 20.<sup>1028</sup> 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,
  - 21.<sup>1029</sup> 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 CXX of 2001

### ***Content requirements of prospectuses and public notices relating to the public offering of government securities***

#### *1. All prospectuses prepared for the public offering of government securities must contain the following items:*

1. name of the issuer,
2. purpose of issue, reference to the authorization for issue or the decision for offering,
3. class and type of the securities, description of the rights attached to them,
4. formula for determining the price and yield of the securities,
5. any restrictions concerning negotiability,
6. type of offering, and the rules pertaining to the type of offering in question,
7. allocation information,
8. rules on the disclosure of information concerning the outcome of the subscription procedure,
- 9.<sup>1030</sup> payment terms and conditions, payment account number for making payments,
10. rules on the payment of interest and redemption (repayment),
11. name and address of the dealer involved.

#### *2. All public notices prepared for the public offering of government securities must contain the following information:*

1. name of the issuer,
2. purpose of issue, reference to the authorization for issue or the decision for offering,
3. class, type and series of the securities, the securities code,
4. quantity planned to be issued, face value of the securities,
5. issue price of the securities, or the date and place when and where it will be published,
6. opening and closing date of subscription,
7. deadline of financial settlement,
8. interest rate, formula for calculating the interest,
9. date of payment of interest and redemption (repayment),
10. information on transfer restrictions, if any,
11. date of publication of the prospectus, means of publication.

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<sup>1024</sup> Repealed: by Section 66 of Act CXLIII of 2013. No longer in force: as of 1. 10. 2013.

<sup>1025</sup> Established by Subsection (29) of Section 151, Annex 4 to Act CCLII of 2013, effective as of 15 March 2014.

<sup>1026</sup> Numbering amended: by paragraph (8) Section 42 of Act XLVII of 2008. In force: as of 01. 09. 2008.

<sup>1027</sup> Repealed by Paragraph c) of Section 69 of Act LX of 2017, effective as of 1 January 2018.

<sup>1028</sup> Enacted: by paragraph (93) Section 159 of Act CXCVIII of 2011. In force: as of 1. 01. 2012.

<sup>1029</sup> Established by Section 240 of Act XVI of 2014, effective as of 15 March 2014.

<sup>1030</sup> Amended: by paragraph (1) Section 117 of Act LXXXV of 2009. In force: as of 1. 11. 2009.

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Annex 3 to Act CXX of 2001<sup>1031</sup>

### ***Content requirements of summary prospectuses***

Summary prospectuses shall include, at least, the following details:

a) Summary provided for in Regulation 2017/1129/EU of the European Parliament and of the Council

b) Essential information

The purpose is to summarize essential information about the company's financial condition, capitalization and risk factors. If the financial statements included in the document are restated to reflect material changes in the company's group structure or accounting policies, the selected financial data must also be restated.

1. Selected financial data
2. Capitalization and indebtedness (for equity securities only)
3. Reasons for the offer and use of proceeds
4. Risk factors

c) Information on the company

The purpose is to provide information about the company's business operations, the products it makes or the services it provides, and the factors which affect the business. It is also intended to provide information regarding the adequacy and suitability of the company's properties, plants and equipment, as well as its plans for future capacity increases or decreases.

1. History and development of the company
2. Business overview
3. Structural organization
4. Property, plants and equipment

d) Operating and financial review and prospects

The purpose is to provide the management's explanation of factors that have affected the company's financial condition and results of operations for the historical periods covered by the financial statements, and management's assessment of factors and trends which are expected to have a material effect on the company's financial condition and results of operations in future periods.

1. Operating results
2. Liquidity and capital resources
3. Research and development, patents and licenses, etc.
4. Trends

e) Directors, senior management and employees

The purpose is to provide information concerning the company's directors and managers that will allow investors to assess their experience, qualifications and levels of remuneration, as well as their relationship with the company.

1. Directors and senior management
2. Remuneration
3. Information on management bodies
4. Employees
5. Share ownership

f) Details of the offer

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<sup>1031</sup> Established by Subsection (1) of Section 14, Annex 1 of Act CXXVI of 2018, effective as of 29 December 2018.

The purpose is to provide information regarding the offer of securities, the plan for distribution of the securities and related matters.

1. Offer
2. Plan for distribution
3. Markets
4. Holders of securities who are selling
5. Dilution (for equity securities only)
6. Expenses of the issue
7. A description of the type and class of the securities being offered to the public
8. A description of any rights attached to the securities, including any limitations of those rights, and the procedure for the exercise of those rights

#### Annex 4 to Act CXX of 2001

### ***Content requirements of prospectuses prepared for the issue of bonds by local governments of communities***

The prospectuses prepared by local governments must contain the following:

a) Summary page

Name of the issuer, the issuer's obligations entailed in the public notice relating to the procedure, name of the seller if other than the issuer, name of the dealer involved, description of the commitments relating to the prospectus for public offering and to the public notice, first and last day of subscription or sale, number and date of the authorization for publication of the prospectus.

b) The issuer

1. name,
2. address,
- 3.<sup>1032</sup>
4. class and type of the securities to be issued,
5. class and type and material information of any previous issues of securities by the local government which are still in circulation, list of issues and results of subscription, commitments of the issuing local government relating to the securities issued,
6. description of the market position and price trends of the securities still in circulation,
7. the issuing local government's organizational structure,
8. number of employees,
9. particulars of elected officers (mayor, deputy mayor, representatives, committee chairman) and of the executive employees (notary, assistant notary, financial officer, director of the field for the purposes of which the securities are issued) and their professional qualifications, in particular education, trade skills, experience, etc.

c) Description of the local government

(covering at least three years preceding the date of issue)

1. brief overview of the history of the local government,
2. geographical boundaries, size of area,
3. residential, industrial, commercial, agricultural, etc. areas covered in the regional development plan,
4. mandatory and voluntary commitments,
5. history of normative subsidies received in relation to the purpose of the issue, central and local funds available for projects and duties at the time of issue,
6. population of the area governed by the local government, per capita income, statistics concerning age groups, education and skills,

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<sup>1032</sup> Repealed by Section 45, Paragraph a) of Annex 1 of Act CXVIII of 2019, effective as of 26 December 2019.

- 7.<sup>1033</sup> number of business associations registered in the area, broken down per trades,
8. major companies in the local government's area of jurisdiction,
9. unemployment indices,
10. local taxes levied (tourism, community, land, building, local business taxes),
11. funds received from central taxation sources,
12. budgetary information: summary and prospects of the current budget,
13. list of income and expenses in the annual budget,
14. if the principal and interest of the bonds are covered by a single designated source the nature and potential of this source (fees, taxes, other) must also be indicated,
15. restrictions pertaining to means of debt servicing, if any,
16. any legal ramifications imposing limitations on debt servicing under Subsection (2) of Section 88 of the LGA,
17. current debts and other tangible debts, overdue debts,
18. overdue receivables,
19. major lawsuits.

*d) Financial report and related information*

1. The prospectus must be accompanied by a simplified statement of holdings, a simplified financial report, a simplified profit and loss account and a simplified statement of remaining assets covering the three-year period preceding the date of issue and prepared in accordance with the legal provisions on accounting.

2. The prospectus shall contain the latest financial information available since the date of closing the last balance sheet. Such latest financial information must be comparable with the figures of the balance sheet compiled according to the legal provisions on accounting.

*e) Issue particulars*

1. number, contents and date of the decision for offering,
2. name of the person making the offer, if other than the issuer,
3. detailed description of the purpose for offering,
4. name and address of the lead dealer involved,
5. name of the dealers participating in the subscription procedure,
6. name and address of payment and deposit locations,
7. name and address of underwriters of subscription guarantees, indicating the amount guaranteed for subscription,
8. total amount planned to be raised by the issue,
9. costs of the subscription procedure,
10. class and type of securities, description of the rights attached to them,
11. securities codes,
12. pre-emption rights, any restrictions concerning negotiability,
13. quantity of securities issued, their face value, issue price, and formula for determining the issue price,
14. series and serial numbers,
15. first and last day of subscription or sale,
- 16.<sup>1034</sup> payment terms and conditions, payment account number for making payments,
17. procedure for over- or under-subscription, allocation information,
18. draft transcript of the instrument specified under Subsection (2) of Section 7.

*f)*<sup>1035</sup> In connection with the admission of securities series for trading on the stock exchange the listing particulars shall contain:

- 1.<sup>1036</sup> name and address of the investment firm or credit institution who participates in the

<sup>1033</sup> Established: by paragraph (5) Section 73 of Act CXV of 2009. In force: as of 1. 01. 2010.

<sup>1034</sup> Amended: by paragraph (1) Section 117 of Act LXXXV of 2009. In force: as of 1. 11. 2009.

<sup>1035</sup> Enacted by Point III of Annex 4 to Act LXIV of 2002, effective as of 1 January 2003.

<sup>1036</sup> Established: by paragraph (1) Section 81 of Act CIII of 2008. In force: as of 01. 01. 2009.



admission procedure;

2. the number and date of the general meeting (or management body) resolution on the decision for official stock exchange listing,

3. a statement of the issuer declaring that he is not involved in bankruptcy, liquidation or winding up proceedings at the time of submission of the application for the authorization of admission to the Authority, that he has satisfied all payment obligations during the previous two years or, if less than two years, since the commencement of operations, that he has no public debts, and that he has not been condemned by final judgment for any payment default,

4.<sup>1037</sup> a statement from the investment firm or credit institution who participates in the admission procedure declaring their joint and several liability with the issuer for the listing particulars being true and correct and that, to the best of his knowledge, the listing particulars do not conceal any material fact or information that is necessary for investors to make an informed judgment of the issuer and the securities series to which the listing particulars pertain,

5. the issuer's statement that the securities in question are marketable and that he is not aware of any contract or agreement that has the capacity to impede the free movement of the securities series in question;

6. the latest economic, legal and financial information on the issuer if more than six months lapsed from the closing of the public offering procedure until the submission of the application for admission,

7. figures on the over-the-counter trading of the securities from the time of the public offering until the submission of the application for admission (quantity sold, average price with the minimum and maximum price indicated), if the duration is over six months,

8. auditor's report (attached subsequently) for the last flash report of the issuer before submission of the application for admission,

9.<sup>1038</sup>

10. all other data and information prescribed by legal regulation in force at the time of submission of the application for admission and by exchange regulations as approved by the Authority.

For the purposes of preliminary authorization for the admission of securities issued by an international financial institution into the official listing of a Hungarian stock exchange the term, 'listing particulars' shall be understood as 'prospectus' as contained in Annex 7.

*Annex 5 to Act CXX of 2001*<sup>1039</sup>

*Annex 6 to Act CXX of 2001*<sup>1040</sup>

*Annex 7 to Act CXX of 2001*

### ***Content requirements of prospectuses prepared by international financial institutions***

All prospectuses prepared for the public offering of securities by an international financial institution must contain the following information:

1. name of the issuer, an introduction,
2. reference to the authorization for issue or the decision for offering, including the number, contents and date of such authorization or decision,
3. quantity planned to be issued,
4. name and address of the dealer,

<sup>1037</sup> Established: by paragraph (2) Section 81 of Act CIII of 2008. In force: as of 01. 01. 2009.

<sup>1038</sup> Repealed by Section 45, Paragraph b) of Annex 1 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>1039</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>1040</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

5. other dealers involved,
6. name and address of payment and deposit locations,
7. designation of the securities, purpose of the issue,
8. class and type of securities, description of the rights attached to them,
9. any restrictions concerning negotiability,
10. quantity of securities issued, their face value, issue price, and formula for determining the issue price,
11. series and serial numbers, securities codes,
12. first and last day of subscription or sale,
- 13.<sup>1041</sup> payment terms and conditions, payment account number for making payments,
14. procedure for over- or under-subscription, allocation information,
15. last fiscal year's financial figures,
16. the issuer's last audited balance sheet (prepared according to national law),
17. total amount planned to be raised by the issue and the purpose for which it will be used,
18. name and address of the underwriters of subscription guarantees, indicating the amount guaranteed for subscription,
19. draft version of the transcript of the securities (specimen) or a draft version of the transcript of the written instrument described in Subsection (2) of Section 7 in the case of dematerialized securities.

Annex 8 to Act CXX of 2001<sup>1042</sup>

***Content requirements of the program of operation and business report to be prepared by the offeror when acquiring a participating interest in a public limited company by way of a takeover bid***

**I. General information**

1. Name and address (residence) of the offeror;
2. identification data of persons acting in concert (birth name, permanent address, place and date of birth);
3. name and address of the offeree company;
4. name and address of the dealer in securities, if applicable;
5. medium of publication of the takeover bid;
6. details of any existing holdings of the offeror, and of persons acting in concert with him/her, in the offeree company;
7. the time allowed for acceptance of the bid;
8. information concerning the financing for the bid;
9. where the consideration offered by the offeror includes securities of any kind, information concerning those securities, including:
  - 9.1. information concerning the last twelve months' trading (minimum price, maximum price, average price, volume) if the security is listed on a stock exchange;
  - 9.2. the price and the calculation formula of the security as included in the consideration.

**II. Program of operation**

1. Description of business policy proposed for the future operations of the offeree company;
2. the offeror's intentions with regard to the future business of the offeree company and, in so far as it is affected by the bid, the offeror company;

<sup>1041</sup> Amended: by paragraph (1) Section 117 of Act LXXXV of 2009. In force: as of 1. 11. 2009.

<sup>1042</sup> Established by Subsection (3) of Section 173 of Act CLXXXVI of 2005, effective as of 1 January 2006.

3. safeguarding of the jobs of their employees and management, including any material change in the conditions of employment at the offeree company;
4. the offeror's strategic plans for the two companies;
5. the likely repercussions on employment;
6. the likely repercussions on the locations of the companies' places of business.

### III. Business report

1. Name and address (residence) of the offeror;
2. name and address of the offeree company;
3. brief description of the corporate history of the offeror, and its business profile;
4. brief introduction of the offeror's executive officers and supervisory board members;
5. details of any agreement between the offeror, or the parties holding an interest in the offeror, and the offeree company, or the parties holding an interest in the offeree company, if the agreement(s) carry any weight regarding the takeover bid;
6. details of any agreements between the offeror, or the parties holding an interest in the offeror, and the offeree company, or the parties holding an interest in the offeree company or the executive employees of the offeree company, if the agreement(s) carry any weight regarding the takeover bid;
7. description of the offeror's financial position, indicating any changes and fluctuations therein;
8. offeror's declaration of having sufficient funds to cover the takeover bid, and a description of such funds;
9. declaration of liability for the authenticity of data and information contained in the takeover bid and in the business report.

#### Annex 9 to Act CXX of 2001<sup>1043</sup>

#### ***Content requirements of the response of the management body of the offeree company to a takeover bid***

1. Name and address of the company;
2. executive summary of the bid, including fundamental terms and conditions (price, period within which the declaration of acceptance is to be introduced, payment terms);
3. a declaration to indicate whether the executive employees of the offeree company hold any executive office or have any participating interests in the offeror, or in the holder of a participating interest in the offeror, or any other relationship between the aforementioned;
4. the offeree company's ownership structure, list of persons having at least five per cent of the voting rights, number of their shares and the number of their votes;
5. any effect on the offeree company's employees on account of the acquisition of a participating interests;
6. recommendation of the offeree company's management body whether to accept or reject the takeover bid, including a detailed explanation; in the event that there is any vote against the recommendation or if a member of the management body did not vote, it shall also be indicated along with an explanation;
7. name of the independent financial expert appointed by the management body of the company, and the expert's statement to declare that he is immune from any conflict of interest that could affect his ability to proceed unbiased;
8. the employees' opinion on the takeover bid.

#### Annex 10 to Act CXX of 2001<sup>1044</sup>

<sup>1043</sup> Established by Subsection (2) of Section 78 of Act LII of 2007, effective as of 1 July 2007.

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*Annexes 11-13 to Act CXX of 2001<sup>1045</sup>*

*Annex 14 to Act CXX of 2001<sup>1046</sup>*

*Annexes 15-21 to Act CXX of 2001<sup>1047</sup>*

*Annex 22 to Act CXX of 2001<sup>1048</sup>*

*Annex 23 to Act CXX of 2001<sup>1049</sup>*

For the purposes of this Act and other legal regulations implemented by authorization of this Act the following shall be construed as international financial institutions:

1. the African Development Bank;
2. the Inter-American Investment Corporation;
3. the Inter-American Development Bank;
4. the Asian Development Bank;
5. the European Investment Fund;
6. the European Investment Bank;
7. the European Community;
8. the Council of Europe Development Bank;
9. the European Bank for Reconstruction and Development;
10. the Nordic Investment Bank;
11. the Black Sea Trade and Development Bank;
12. the Caribbean Development Bank;
13. the Central American Bank for Economic Integration;
14. the Multilateral Investment Guarantee Agency;
15. the Bank for International Settlements;
16. the International Finance Corporation;
17. the International Bank for Reconstruction and Development;
18. the International Monetary Fund;
- 19.<sup>1050</sup> the International Investment Bank.
- 20.<sup>1051</sup> Asian Infrastructure Investment Bank.

*Annex 24 to Act CXX of 2001<sup>1052</sup>*

*Annex 25 to Act CXX of 2001<sup>1053</sup>*

### ***Compliance with the Acquis***

This Act serves the purpose of compliance with the following legislation of the European Union:

1. Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes.

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<sup>1044</sup> Repealed: by subparagraph c) paragraph (3) Section 175 of Act CIII of 2008. No longer in force: as of 01. 01. 2009.

<sup>1045</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>1046</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>1047</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>1048</sup> Repealed by Subsection (2) of Section 98 of Act CXXXVII of 2007, effective as of 1 December 2007.

<sup>1049</sup> Established by Subsection (8) of Section 78 of Act LII of 2007, effective as of 1 July 2007.

<sup>1050</sup> Enacted by Section 27, Point 1 of Annex 1 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>1051</sup> Enacted by Section 6, Annex 1 of Act CXLV of 2017, effective as of 21 November 2017.

<sup>1052</sup> Repealed: by subparagraph a) paragraph (1) Section 191 of Act CXCVIII of 2011. No longer in force: as of 1. 01. 2012.

<sup>1053</sup> Established by Section 50, Annex 1 of Act LIII of 2016, effective as of 3 July 2016.

2. Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities.

3. Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements.

4. Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council.

5.<sup>1054</sup>

6.<sup>1055</sup> Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

7.<sup>1056</sup> Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitization, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No. 1060/2009 and (EU) No. 648/2012.

8.<sup>1057</sup>

9. Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids.

10.<sup>1058</sup> 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.

11.<sup>1059</sup>

12. Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

13. Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

14.<sup>1060</sup> 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.

15.<sup>1061</sup>

16.<sup>1062</sup> 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 organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

17. Commission Directive 2007/14/EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC on the harmonization of transparency

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<sup>1054</sup> Repealed by Section 46, Point 2 of Annex 2 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>1055</sup> Established by Section 46, Point 1 of Annex 2 of Act CXVIII of 2019, effective as of 26 December 2019.

<sup>1056</sup> Established by Subsection (2) of Section 14, Subsection (1) of Annex 2 of Act CXXVI of 2018, effective as of 29 December 2018.

<sup>1057</sup> Repealed by Subsection (2) of Section 14, Subsection (2) of Annex 2 of Act CXXVI of 2018, effective as of 29 December 2018.

<sup>1058</sup> Established by Section 27, Point 2 of Annex 1 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>1059</sup> Repealed by Subsection (2) of Section 14, Subsection (2) of Annex 2 of Act CXXVI of 2018, effective as of 29 December 2018.

<sup>1060</sup> Established by Section 7, Annex 1 of Act CX of 2020, effective as of 26 December 2020.

<sup>1061</sup> Repealed by Subsection (2) of Section 14, Subsection (2) of Annex 2 of Act CXXVI of 2018, effective as of 29 December 2018.

<sup>1062</sup> Established by Section 27, Point 3 of Annex 1 of Act LXIX of 2017, effective as of 3 January 2018.

requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

18. 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.

19. 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.

20. 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).

21. Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

22. 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.

23. Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No. 1060/2009, (EU) No. 1094/2010 and (EU) No. 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority).

24. 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.

25. Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14/EC laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC.

26. 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.

27. 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.

28. Commission Implementing Directive (EU) 2015/2392 of 17 December 2015 on Regulation (EU) No. 596/2014 of the European Parliament and of the Council as regards reporting to competent authorities of actual or potential infringements of that Regulation.

29.<sup>1063</sup> Regulation (EC) No. 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and repealing Regulation (EC, Euratom) No. 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, Council Regulation (EC) No. 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical

<sup>1063</sup> Enacted by Subsection (2) of Section 24, Annex 1 of Act XLIV of 2017, effective as of 2 June 2017.

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Programs of the European Communities.

30.<sup>1064</sup> 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.

*Annex 26 to Act CXX of 2001*<sup>1065</sup>

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<sup>1064</sup> Enacted by Section 27, Point 4 of Annex 1 of Act LXIX of 2017, effective as of 3 January 2018.

<sup>1065</sup> Repealed by Paragraph b) of Subsection (1) of Section 298 of Act XVI of 2014, effective as of 15 March 2014.

## TARTALOMJEGYZÉK

A tartalomjegyzék megjelenítéséhez kattintson a szürke háttérű szövegrészen jobb egér gombbal és válassza ki a Mező frissítése menüpontot.