

## **Act XXX of 1997**

### **on Mortgage Loan Companies and on Mortgage Bonds<sup>1</sup>**

In order to improve facilities for the extension of long-term loans required for economic growth, Parliament hereby passes the following Act:

#### ***Part I.***

#### ***GENERAL PROVISIONS<sup>2</sup>***

##### *Section 1<sup>3</sup>*

The provisions of this Act shall apply to mortgage loan companies founded and operating in Hungary, and to mortgage bonds.

##### *Section 1/A<sup>4</sup>*

For the purposes of this Act and other regulations implemented by authorization of this Act:

1. 'automatic acceleration' shall mean a situation in which a mortgage bond automatically becomes immediately due and payable upon the insolvency or resolution of the mortgage loan company and in respect of which mortgage bond investors have an enforceable claim for repayment at a time earlier than the original maturity date;

2. 'collateral assets' shall mean real estate properties and assets in the form of exposures that secure cover assets;

3. 'EEA Member State' shall mean any Member State of the European Union and any State that is a party to the Agreement on the European Economic Area;

4. 'segregation' shall mean the actions performed by a mortgage loan company to identify cover assets and put them legally beyond the reach of creditors other than mortgage bond investors and counterparties of derivative contracts;

5. 'cover assets' shall mean assets included in a cover pool;

6. 'special administrator' shall mean the person appointed to a mortgage loan company to ensure the continuous and sound management of a mortgage bond program in the event of the insolvency of the mortgage loan company, or when such mortgage loan company has been determined to be failing or likely to fail pursuant to the Act on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System, in the event of the opening of liquidation procedures or where the proper functioning of that mortgage loan company is seriously at risk;

7. 'cover pool' shall mean a clearly defined set of assets securing the payment obligations attached to mortgage bonds that are segregated from other assets held by the mortgage loan company issuing the mortgage bonds;

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1 Passed by Parliament on April 29, 1997.

2 Established by Section 1 of Act LVIII of 2021, effective as of 8 July 2022.

3 Amended: by subparagraph a) Section 137 of Act CCI of 2011. In force: as of 1. 01. 2012.

4 Enacted by Section 2 of Act LVIII of 2021, effective as of 8 July 2022.

8. 'mortgage lending value' shall mean, for the purposes of real estate property, the mortgage lending value as defined in point (74) of Article 4(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (hereinafter referred to as "Regulation 575/2013/EU of the European Parliament and of the Council");

9. 'mortgage bond' shall mean a debt obligation that is issued by a mortgage loan company in accordance with the provisions of this Act and that is secured by cover assets to which mortgage bond investors have direct recourse as preferred creditors;

10. 'mortgage bond program' shall mean the structural features of a mortgage bonds issue that are determined by statutory rules and by contractual terms and conditions, in accordance with the permission granted to the mortgage loan company;

11. 'special supervision' shall mean the supervision of mortgage bond programs ensuring compliance with, and the enforcement of, the requirements applicable to the issue of mortgage bonds;

12. 'extendable maturity structure' shall mean a mechanism which provides for the possibility of extending the scheduled maturity of mortgage bonds for a pre-determined period of time and in the event that the conditions set out in this Act are met;

13. 'net liquidity outflow' shall mean all payment outflows falling due on one day, including principal and interest payments and payments under derivative contracts of the mortgage bond program, net of all payment inflows falling due on the same day for claims related to the cover assets;

14. 'margin assets' shall mean cover assets that contribute to the coverage requirements, other than ordinary assets;

15. 'ordinary assets' shall mean primary cover assets that determine the nature of the cover pool;

16. 'overcollateralization' shall mean the entirety of the statutory, contractual or voluntary level of collateral that exceeds the coverage requirement set out in Subsections (1)-(16) of Section 14;

17. 'resolution' shall mean the application of the resolution tools necessary to achieve one or more of the resolution objectives specified by the Act on the Development of the Institutional Framework Intended to Enhance the Security of Members of the Financial Intermediary System;

18. 'resolution authority' shall mean the Magyar Nemzeti Bank (*National Bank of Hungary*) acting within its resolution function, and an authority of an EEA Member State empowered to carry out functions comparable to resolution actions that may be applied by the Magyar Nemzeti Bank acting within its resolution function.

## ***Part II.***

### ***MORTGAGE LOAN COMPANIES***

#### Foundation of Mortgage Loan Companies

##### *Section 2*

(1) Mortgage loan companies are specialized credit institutions.

(2)<sup>1</sup> Foundation, operation, and supervision of mortgage loan companies shall be subject to the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter referred to as "CIFE"), and investment services and ancillary services and investment activities of mortgage loan companies shall be subject to the provisions of Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (hereinafter referred to as "IRA") subject to the exceptions set out in this Act.

(3)<sup>2</sup> Mortgage loan companies may be founded with a initial capital of at least three billion forints, to be paid up in money.

(4)<sup>3</sup>

(5) Mortgage loan companies are not required to join National Deposit Insurance Fund.

## Concept and Scope of Activities of Mortgage Loan Companies

### Section 3

(1)<sup>4</sup> Mortgage loan companies are engaged in the business of lending money secured by mortgages, including if filed in the form of an independent lien or a converted mortgage lien, or as a seceded mortgage (hereinafter referred to collectively as "mortgage") on real estate located in the territory of Hungary or another EEA Member State, the sources for which they obtain primarily by way of issuing mortgage bonds.

(2) Mortgage loan companies shall perform exclusively the following financial service, investment service, and complementary investment service activities:

a) accepting repayment funds from the public, not including the collection of deposits;

b)<sup>5</sup> lending money secured by mortgages on real estate located in the territory of Hungary or another EEA Member State (hereinafter referred to collectively as "mortgage loan");

c) extending loans without stipulating a mortgage, if cash surety is assumed by the State;

d)<sup>6</sup> providing surety facilities and guarantees, and undertaking other banker's obligations (hereinafter referred to collectively as "banker's obligations");

e)<sup>7</sup> safe custody services;

f) performing securities custody connected with self-issued securities, and rendering services connected therewith;

g) performing securities safekeeping in respect of self-issued securities;

h) keeping securities accounts in respect of self-issued securities;

i) keeping client accounts in respect of self-issued securities;

j) organizing the offering of self-issued mortgage bonds, debentures, and certificates of deposit, and rendering services connected therewith.

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1 Established: by paragraph (1) Section 187 of Act CXXXVIII of 2007. Amended by Paragraph a) of Section 22 of Act CCXXXVI of 2013.

2 Amended: by Section 98 of Act LXXXV of 2009. In force: as of 1. 11. 2009.

3 Repealed: by paragraph (4) Section 22 of Act CXII of 2006. No longer in force: as of 01. 01. 2007.

4 Established by Subsection (1) of Section 146 of Act CCLII of 2013. Amended by Paragraph a) of Section 22 of Act LIII of 2016, Paragraph a) of Section 21 of Act LVIII of 2021.

5 Established by Subsection (2) of Section 1 of Act CXII of 2006. Amended by Paragraph b) of Section 21 of Act LVIII of 2021.

6 Established by Subsection (2) of Section 146 of Act CCLII of 2013, effective as of 15 March 2014.

7 Established: by paragraph (1) Section 23 of Act XLVIII of 2004. In force: as of 10. 06. 2004.

(3)<sup>1</sup> If, in connection with a mortgage loan, another loan is simultaneously provided under Government guarantees (this loan hereinafter referred to as “follow-up loan”), the provisions contained in Subsection (1) of Section 5, Section 6, Section 7 and Subsections (3)-(4) of Section 8 pertaining to mortgage loans shall apply to the entire loan amount, with the exception that the mortgage shall not cover the follow-up loan.

(4)<sup>2</sup>

(5)<sup>3</sup> Apart from the financial and investment activities and activities auxiliary to investment services defined in Subsection (2), mortgage loan companies may only engage in the business of appraisal services to determine the market and collateral value of real estate properties.

(6)-(9)<sup>4</sup>

(10)<sup>5</sup> Mortgage loan companies are permitted to conclude derivative contracts solely for reasons of risk management operations for hedging purposes, which shall be segregated and sufficiently documented. The volume of derivative contracts shall be adjusted in the case of a reduction in the hedged risk and shall be removed when the hedged risk ceases to exist.

(11)<sup>6</sup> Mortgage loan companies shall have in place a separate set of regulations for derivative contracts laying down:

a) the eligibility criteria for the counterparties, specifying the counterparties with whom such contracts may be concluded, and

b) the necessary documentation to be provided in relation to such derivative contracts.

### *Section 3/A<sup>7</sup>*

(1)<sup>8</sup> Mortgage loan companies may engage in lending operations where the loan is secured by a real estate property that is located in an EEA Member State (hereinafter referred to as “EEA mortgage loan”) other than Hungary, and may purchase, advance, and discount mortgage loans and follow-up loans (hereinafter referred to as “EEA mortgage loan purchase”) if a mortgage is registered on the property on behalf of the lending mortgage loan company that affords the same degree of protection as a mortgage loan under Hungarian law. A mortgage registered on a real estate property located in any EEA Member State shall be construed to afford the same degree of protection as a mortgage loan under Hungarian law if:

a) the mortgage is registered in the appropriate public register; and

b) the mortgage registered on behalf of the mortgage company enjoys priority and supersedes all other claims when seeking satisfaction in any judicial enforcement, or liquidation or similar insolvency proceedings.

(2) In addition to the conditions specified above for providing or purchasing EEA mortgage loans, the mortgage loan company is required to:

a) prepare a written analysis to provide reliable proof that the laws of the EEA Member State affected concerning mortgages, judicial enforcement, liquidation and similar insolvency proceedings are in conformity with the requirements set out in Subsection (1); and

b) draw up methodological and descriptive regulations laying down the conditions for providing and purchasing EEA mortgage loans secured by mortgages registered on real estate properties located in EEA Member States; furthermore

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1 Enacted: by paragraph (1) Section 95 of Act CXVI of 2003. In force: as of 1. 01. 2004.

2 Repealed by Paragraph a) of Section 22 of Act LVIII of 2021, effective as of 8 July 2022.

3 Established: by Section 162 of Act LVI of 2009. In force: as of 1. 10. 2009. Shall apply to proceedings opened subsequently and to reopened cases.

4 Repealed: by Section 164 of Act LVI of 2009. No longer in force: as of 1. 10. 2009.

5 Established by Section 3 of Act LVIII of 2021, effective as of 8 July 2022.

6 Enacted by Section 3 of Act LVIII of 2021, effective as of 8 July 2022.

7 Enacted: by Section 2 of Act CXII of 2006. In force: as of 01. 01. 2007.

8 Established: by Section 36 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

c)<sup>1</sup> submit the documents referred to in Paragraphs a)-b) to the Magyar Nemzeti Bank acting within its function as supervisory authority of the financial intermediary system (hereinafter referred to as "Authority"), along with the written assessment of the property supervisor declaring that the EEA mortgage loan is provided or purchased in accordance with the methodological and descriptive regulations in compliance with the requirements set out in Subsection (1).

(3) The regulations referred to in Paragraph b) of Subsection (2) shall contain a detailed description of the contract terms and conditions the mortgage loan company intends to use in connection with providing or purchasing EEA mortgage loans, the procedure employed to determine the collateral value of the mortgaged real estate properties, a description of the lending process, and the procedure for monitoring the availability and enforcement of the mortgage.

(4)<sup>2</sup> The mortgage loan company may commence the procedure for providing or purchasing a mortgage loan secured by a real estate property located in an EEA Member State after a period of one month following delivery of the documents referred to in Subsection (2) to the Authority, if the Authority did not raise any objection.

(5)<sup>3</sup> The mortgage loan company shall monitor changes in the laws of the EEA Member States affected. The mortgage loan company shall notify the Authority and the property supervisor concerning any material changes in the laws pertaining to credit and loan operations.

(6) If the methodological and descriptive regulations have to be amended consistent with any changes in the laws of the EEA Member States affected, the provisions contained in Subsections (2)-(4) shall be duly applied for such amendments.

(7) The ratio of EEA mortgage loans may not exceed fifteen per cent of the total loan portfolio.

#### Section 4

(1) Mortgage loan companies may assume banker's obligations only under stipulation of a security on real estate and solely to clients to whom (which) they have extended a mortgage loan.

(2)<sup>4</sup>

(3)<sup>5</sup> Mortgage loan companies may provide safe custody services to customers to whom they have provided a mortgage loan.

#### Mortgage Lending

#### Section 5

(1)<sup>6</sup> The ratio of mortgage and other loans held by a mortgage loan company with a maturity of not less than five years may not be less than eighty per cent of the total loan portfolio at the time of concluding loan contracts, purchasing independent and converted mortgage loans (hereinafter referred to as "independent mortgage lien"), lending money secured by seceded mortgage (hereinafter referred to as "refinancing mortgage loan"), or at the time of purchasing independent liens.

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1 Established by Subsection (4) of Section 82 of Act LI of 2007. Amended by Paragraph a) of Section 38 of Act CXLIII of 2013, Paragraph c) of Section 21 of Act LVIII of 2021.

2 Amended by Paragraphs a), b) of Section 38 of Act CXLIII of 2013, Paragraphs d), e) of Section 21 of Act LVIII of 2021.

3 Amended by Paragraph c) of Section 38 of Act CXLIII of 2013, Paragraph f) of Section 21 of Act LVIII of 2021.

4 Repealed: by paragraph (11) Section 169 of Act CL of 2009. No longer in force: as of 1. 03. 2010.

5 Enacted: by Section 24 of Act XLVIII of 2004. In force: as of 10. 06. 2004.

6 Established by Subsection (3) of Section 146 of Act CCLII of 2013. Amended by Paragraph b) of Section 22 of Act LIII of 2016.

(2)<sup>1</sup>

(3)<sup>2</sup> The value of the principal outstanding in connection with mortgage loans, refinancing mortgage loans and repurchased independent liens, or acquired upon the transfer of seceded liens - not including the principal of any follow-up loan or the part of the repurchase price related to the follow-up loan or to the refinancing mortgage loan - may not exceed seventy per cent of the total collateral value of the mortgaged real estate properties.

(4)<sup>3</sup> Methodological principles for determining collateral value shall be defined in legal regulations. On this basis, the mortgage loan company shall draw up its appraisal procedures which shall be approved by the Authority.

(5)<sup>4</sup> The valuer determining the mortgage lending value of the real estate property covering the mortgage loan is a person independent from the credit decision process, who has a certificate in real estate appraisal and agency. In determining the mortgage lending value the valuer shall not take into account speculative elements and shall document the appraisal in a transparent and clear manner.

(6)<sup>5</sup> When including a real estate property in the cover pool, the mortgage loan company shall apply the most recent mortgage lending value of the mortgaged property.

(7)<sup>6</sup> The real estate supervisory authority shall adopt a decision concerning the applications of mortgage loan companies for the registration of mortgages and restraint of alienation and encumbrance within eight days.

(8)<sup>7</sup> Where a mortgage loan fails to meet the requirements set out in Article 129(1)-(3) of Regulation 575/2013/EU of the European Parliament and of the Council, the mortgage loan company shall assess the enforceability of claims for payment and the ability to realize collateral assets before including them in the cover pool.

(9)<sup>8</sup> Mortgage loan companies shall have in place procedures to monitor that the real estate properties pledged as collateral assets to secure mortgage loans are adequately insured against the risk of damage and that the insurance claim is segregated.

### Section 69

Mortgage loan contracts concluded by mortgage loan companies - and if the loan contract and the mortgage deed are made out in separate documents, both of them - shall be fixed in notarial documents. On the other hand, it is sufficient to fix in a private document of full probative value any loan contract or mortgage deed:

a) if it contains exclusively a limited mortgage on behalf of the mortgage loan company; or

b)<sup>10</sup> if all obligors have made a unilateral commitment - fixed in a notarial document - before the loan is made available or before the amendment of the contract takes effect, acknowledging their obligations laid down in the contract or any subsequent amendment.

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1 Repealed by Section 23 of Act LIII of 2016, effective as of 1 July 2016.

2 Established by Subsection (3) of Section 146 of Act CCLII of 2013, effective as of 15 March 2014.

3 Established by Subsection (3) of Section 4 of Act CXII of 2006. Amended by Paragraph a) of Section 38 of Act CXLIII of 2013, Paragraph e) of Section 21 of Act LVIII of 2021.

4 Established by Subsection (1) of Section 4 of Act LVIII of 2021, effective as of 8 July 2022.

5 Established by Subsection (1) of Section 4 of Act LVIII of 2021, effective as of 8 July 2022.

6 Enacted: by Section 57 of Act L of 2001. In force: as of 18. 07. 2001. Amended: subparagraph r) paragraph (1) Section 73 of Act CIX of 2006. In force: as of 01. 01. 2007. Amended: by Section 163 of Act LVI of 2009. In force: as of 1. 10. 2009. Amended: by paragraph (35) Section 2 of Act CLII of 2010. In force: as of 1. 01. 2011.

7 Enacted by Subsection (2) of Section 4 of Act LVIII of 2021, effective as of 8 July 2022.

8 Enacted by Subsection (2) of Section 4 of Act LVIII of 2021, effective as of 8 July 2022.

9 Established: by Section 5 of Act CXII of 2006. In force: as of 01. 01. 2007. Shall apply where any amendments are made to mortgage loan contracts concluded before this date.

10 Established by Section 19 of Act LIII of 2016, effective as of 1 July 2016.

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*Section 71*

Mortgage loan companies shall be entitled to recover their costs stemming from early repayment. Unless otherwise provided for by law, in connection with consumer credit the provisions of Act CLXII of 2009 on Consumer Credit shall apply to the early repayment of loans.

*Section 8*

(1)<sup>2</sup> Mortgage loan companies may only purchase, advance (including factoring and forfeiting), and discount mortgage loans and follow-up loans (hereinafter referred to collectively as “purchase of mortgage loans”).

(2)<sup>3</sup> Mortgage loan companies may purchase from financial institution receivables arising from mortgage loans and follow-up loan contracts:

*a*)<sup>4</sup> that are secured by a mortgage on a real estate property located in the territory of Hungary or any EEA Member State, and that is provided under the provisions contained in Subsection (3) of Section 3 relating to follow-up loans;

*b*)<sup>5</sup> that are not classified as exposures in default or restructured receivables in accordance with the legislation on Prudential Requirements Relating to Exposures in Default and Restructured Receivables;

*c*)<sup>6</sup> for which the collateral value of the mortgaged real state property was established by the mortgage loan company under the relevant regulations, and the principal of the mortgage loan does not exceed the collateral value at the time of refinancing, or the principal and interest of the follow-up loan does not exceed the amount to which the Government guarantee pertains; and

*d*) if the documents containing the contracts are in compliance with the requirements set out in Section 6, irrespective of whether the unilateral commitment referred to in Paragraph *b*) of Section 6 was made before or after the loan was made available.

(3)<sup>7</sup> Unless otherwise stipulated by the parties in the mortgage purchase contract, all rights of the seller financial institution arising out of or in connection with the contractual relationship on which the mortgage purchase is based and secured shall be transferred to the mortgage company at the time of purchase.

(4)<sup>8</sup> Mortgage loan companies may purchase independent liens on real estate properties located in the territory of Hungary:

*a*)<sup>9</sup> that was filed by the seller credit institution in security of a mortgage loan in due compliance with all other criteria specified in Subsection (2), or converted as such; and

*b*) if the lien is repurchased in installments or under deferred payment terms by the seller credit institution at the time of sale on condition that the mortgage will be transferred to the repurchasing credit institution only when the purchase price is paid up in full.

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1 Established: by Section 5 of Act CXXI of 2011. In force: as of 29. 09. 2011.

2 Established: by paragraph (2) Section 95 of Act CXVI of 2003. In force: as of 1. 01. 2004.

3 Established by Subsection (1) of Section 6 of Act CXII of 2006. Amended by Paragraph b) of Section 22 of Act LVIII of 2021.

4 Established by Subsection (1) of Section 20 of Act LIII of 2016, effective as of 1 July 2016.

5 Established by Subsection (1) of Section 4 of Act LXIX of 2017. Amended by Paragraph c) of Section 22 of Act LVIII of 2021.

6 Amended by Paragraph c) of Section 22 of Act LIII of 2016.

7 Established by Subsection (2) of Section 6 of Act CXII of 2006. Amended by Paragraph d) of Section 22 of Act LVIII of 2021.

8 Established: by paragraph (3) Section 6 of Act CXII of 2006. In force: as of 01. 01. 2007.

9 Established by Subsection (2) of Section 20 of Act LIII of 2016, effective as of 1 October 2016.

(5)<sup>1</sup> Any receivable of the mortgage loan company under Paragraph *b*) of Subsection (4) (hereinafter referred to as “repurchase price”) must not exceed the amount of claim remaining from the mortgage secured by independent lien and from the follow-up loan.

(5a)<sup>2</sup> A mortgage loan company may provide to a credit institution refinancing mortgage loan secured by a seceded lien acquired upon the transfer to the mortgage loan company of mortgage on a real estate property located in the territory of Hungary if:

*a*) the amount of principal of the refinancing mortgage loan the credit institution owes to the mortgage loan company does not exceed during the term of the refinancing mortgage loan the amount of claim remaining from the mortgage secured by seceded lien and from the follow-up loan (the mortgage secured by seceded lien and the follow-up loan hereinafter referred to collectively as “first mortgage”),

*b*) the credit institution undertakes before the refinancing mortgage loan is made available the commitment that, in the event of receiving any prepayment or full payment for the first mortgage, it too shall effect early repayment or pay-off relating to the refinancing mortgage loan in the same measure,

*c*)<sup>3</sup> that is provided under the provisions contained in Subsection (3) of Section 3 relating to follow-up loans,

*d*)<sup>4</sup> the receivables from the first mortgage are not classified as exposures in default or restructured receivables by the auditor of the credit institution transferring the mortgage in accordance with the MNB Decree on Prudential Requirements Relating to Exposures in Default and Restructured Receivables,

*e*)<sup>5</sup> the collateral value of the real state property or properties tied up under the first mortgage was established by the mortgage loan company providing the refinancing mortgage loan under the relevant regulations, and the first mortgage at the time of refinancing does not exceed the collateral value of the pledged real estate property or properties under the seceded lien, and the principal and interest of the follow-up loan does not exceed the amount secured by State surety facilities, and

*f*) the documents containing the contracts for the first mortgage are in compliance with the requirements set out in Section 6, irrespective of whether the unilateral commitment referred to in Paragraph *b*) of Section 6 was made before or after the loan was made available.

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1 Established: by Section 91 of Act CLIX of 2010. In force: as of 1. 01. 2011.

2 Enacted by Subsection (4) of Section 146 of Act CCLII of 2013, effective as of 15 March 2014.

3 Established by Subsection (3) of Section 20 of Act LIII of 2016, effective as of 1 July 2016.

4 Established by Subsection (2) of Section 4 of Act LXIX of 2017, effective as of 1 July 2017.

5 Amended by Paragraph d) of Section 22 of Act LIII of 2016.



(6)<sup>1</sup> In the event of default of the repurchasing credit institution, or the credit institution receiving the refinancing mortgage loan, in the payment obligation stipulated under the repurchase or loan agreement or agreements, or if the Authority has filed for the liquidation of the credit institution in question, subsequent to the day of submission of the petition for liquidation to the court, all mortgages affected by the repurchase agreement and secured by the independent lien and the follow-up loan, and all first mortgages shall become the property of the mortgage loan company effective as of the date of default and subject to the legal consequences defined in Subsection (3). Consequently, the mortgage loan company shall be deemed the legitimate assignee and shall have the privilege to notify the obligor by virtue of the assignor's notification obligation provided for in the Civil Code. In this case, when settling accounts with the credit institution, the mortgage loan company shall be liable to pay the fraction of the repurchase price that is in excess of the combined total of all installments paid up and the mortgage loan company's receivables from the mortgage loan less any write-down for impairment approved by the credit institution's auditor. In the event of subrogation upon the statutory assignment of first mortgages the mortgage loan company shall release to the credit institution the accumulated principal outstanding from the first mortgage adjusted by any write-down for impairment approved by the credit institution's auditor, of the amount that is in excess of the amount of the accumulated principal outstanding from the refinancing mortgage loans.

#### Restrictions on Investments

##### *Section 9*

(1)<sup>2</sup> With the exception of other credit institutions, insurance companies, investment fund managers, investment firms and ancillary services companies, mortgage loan companies may only acquire or maintain direct ownership interests in economic operators which are engaged exclusively in activities related to the management, utilization, and sale of real estate.

(2) Total investments acquired in an economic association, subject to the restriction of activities, as defined in Subsection (1), may not exceed ten per cent of the mortgage loan company's guarantee capital.

(3) When applying the restriction specified in Subsection (2), ownership interests, which have been taken into possession by the mortgage loan company only temporarily, for a period of not more than three years from the date of such acquisition, as a result of liquidation or execution, and which are registered and managed separately, and subject to regular valuation, shall not be taken into account.

#### Restrictions on Real Estate Investments

##### *Section 10*

(1) A mortgage loan company's total investments in real estate may not exceed five per cent of its guarantee capital, not including real estate directly serving bank operation purposes, acquired on the basis of the provisions of Subsection (2).

(2)<sup>3</sup> Other than real estate directly serving bank operation purposes, mortgage loan companies may acquire real estate properties covering more than five per cent of their own funds only in course of:

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1 Established by Subsection (5) of Section 146 of Act CCLII of 2013. Amended by Paragraph e) of Section 21 of Act LVIII of 2021.

2 Established by Section 21 of Act LIII of 2016, effective as of 1 July 2016.

3 Established: by Section 67 of Act LXXXVI of 2013. In force: as of 29. 06. 2013.

a) credit-real estate swap transactions concluded in order to mitigate or avoid losses arising from financial services, as well as

b) liquidation or enforcement proceedings initiated against their debtors.

(3)<sup>1</sup> Real estate properties acquired in the manner described in Subsection (2) shall be sold within six years by public auction.

(4)<sup>2</sup> Properties recognized as agricultural and forestry land under the Act on Transactions in Agricultural and Forestry Land may be acquired by a mortgage loan company only for a temporary period of not more than one year following the date of acquisition, by way of liquidation or enforcement procedure.

(5)<sup>3</sup> If the mortgage loan company is unable to sell the land it has acquired within one year of the date of acquisition, the land in question shall be transferred to the State, and shall then be given to the National Land Fund. The land fund management body shall pay to the mortgage loan company the collateral value of the land within ninety days from the date when the transfer of title to the State is recorded in the real estate register. For the purposes of this Subsection the day following the date of registration of title in the real estate register shall be recognized as the date of acquisition.

### ***Part III.***

## ***MORTGAGE BONDS***

### **Method and Conditions of Mortgage Bonds Issues**

#### ***Section 11***

(1)<sup>4</sup> Mortgage bonds are registered transferable securities that can be issued only by mortgage loan companies in accordance with this Act.

(2)<sup>5</sup> Mortgage bonds produced in the territory of Hungary shall be regulated by the statutory provisions on bonds subject to the exceptions set out in this Act.

(3) Mortgage bonds shall indicate:

a) designation of the mortgage bond;

b) name and company-authorized signature of the issuer;

c)<sup>6</sup>

d)<sup>7</sup> the name of the holder of the mortgage bond;

e) letter symbol of series of the mortgage bond, and code and serial numbers of the mortgage bond;

f) nominal value of the mortgage bond;

g) interest rate, manner of computation of interest;

h) in the case of variable interest rate:

ha) initial interest rate,

hb) principles of alteration of interest rate,

hc) mode of computation of interest rate;

i) expiration date of the mortgage bond;

j) dates and amount of interest payments and redemption (repayment);

k) restrictions, if any, relating to transfer;

l) total nominal value of issued series;

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1 Established: by Section 67 of Act LXXXVI of 2013. In force: as of 29. 06. 2013.

2 Enacted by Section 134 of Act CCXII of 2013, effective as of 1 May 2014.

3 Enacted by Section 134 of Act CCXII of 2013, effective as of 1 May 2014.

4 Established: by Section 27 of Act XLVIII of 2004. In force: as of 10. 06. 2004.

5 Established by Subsection (6) of Section 146 of Act CCLII of 2013, effective as of 15 March 2014.

6 Repealed: by paragraph (4) Section 22 of Act CXII of 2006. No longer in force: as of 01. 01. 2007.

7 Established: by paragraph (2) Section 8 of Act CXII of 2006. In force: as of 01. 01. 2007.

m) date and place of issue of the mortgage bond;  
n) certificate of property supervisor regarding existence of collateral security according to regulations, and entry of such into the collateral security register.

(4)<sup>1</sup> In connection with mortgage bonds produced in any other Member State of the Organization for Economic Cooperation and Development (hereinafter referred to as "OECD"), the provisions of Paragraph d) of Subsection (3) of this Section and Subsection (2) of Section 12, and the provisions of Subsection (3) of Section 6 of Act CXX of 2001 on the Capital Market (hereinafter referred to as "CMA") shall not apply. Such mortgage bonds shall be treated as registered, provided that the holder can be clearly identified. The mortgage bonds so produced shall remain to be treated as mortgage bonds where mortgage bonds of consolidated denominations, deposited with a body authorized to provide safe custody services or with an authorized securities custodian, are converted into individual securities of the original denomination. The production procedure shall be governed by the national law of the State where the mortgage bonds are produced.

### *Section 12*

(1)<sup>2</sup> In one series all mortgage bonds issued must carry identical rights and must have the same nominal value. With the exception of dematerialized mortgage bonds, all mortgage bonds in a series shall be numbered in a sequence without any interruptions, and shall be issued in identical format. Mortgage bonds, issued in the same series may be issued also in consolidated denominations.

(2) For installments of interest payment and repayment stipulated in printed mortgage bonds, interest and principal repayment coupons shall be issued.

### *Section 13<sup>3</sup>*

(1)<sup>4</sup>

(2)<sup>5</sup>

(3)<sup>6</sup> Repurchased mortgage bonds may not be placed back into circulation. These mortgage bonds are considered withdrawn from circulation and as such, are not required to be covered by the mortgage loan company.

### *Section 13/A<sup>7</sup>*

Mortgage loan companies shall have in place adequate and appropriate documentation systems and processes to register all their transactions in relation to the mortgage bond program in compliance with the requirements laid down in the relevant provisions.

## Security for Mortgage Bonds

### *Section 14*

(1)<sup>8</sup> Mortgage loan companies shall at all times have sufficient cover assets to ensure that all liabilities of the mortgage bonds are covered.

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1 Established: by Section 92 of Act CLIX of 2010. In force: as of 1. 01. 2011.

2 Established: by Section 9 of Act CXII of 2006. In force: as of 01. 01. 2007.

3 Established: by paragraph (4) Section 444 of Act CXX of 2001. In force: as of 1. 1. 2002.

4 Repealed: by subparagraph a) Section 181 of Act CLXXXVI of 2005. No longer in force: as of 01. 01. 2006.

5 Repealed by Paragraph e) of Section 22 of Act LVIII of 2021, effective as of 8 July 2022.

6 Enacted: by Section 28 of Act XLVIII of 2004. In force: as of 10. 06. 2004.

7 Enacted by Section 5 of Act LVIII of 2021, effective as of 8 July 2022.

8 Established by Subsection (1) of Section 6 of Act LVIII of 2021, effective as of 8 July 2022.

(1a)<sup>1</sup> The liabilities referred to in Subsection (1) shall include:

a) the obligations for the payment of the principal amount of outstanding mortgage bonds;

b) the obligations for the payment of any interest on outstanding mortgage bonds;

c) the obligations attached to derivative contracts held in accordance with the requirements set out in this Act; and

d) the expected costs related to maintenance and administration for the winding-down of the mortgage bond program, that mortgage loan companies may determine in the form of a lump sum provided for in Subsection (1c), or based on the methodology contained on the cover records policy.

(1b)<sup>2</sup> The following cover assets shall be considered to contribute to the coverage requirement:

a) ordinary assets;

b) margin assets;

c) liquid assets held in accordance with Section 14/B, other than those mentioned in Paragraph b) hereof; and

d) claims for payment attached to derivative contracts held in accordance with the requirements set out in this Act.

(1c)<sup>3</sup> The costs specified in Paragraph d) of Subsection (1a) may also be determined by way of lump sum calculation at a rate of 1 ‰ of all mortgage bonds issued by the mortgage loan company and still in circulation.

(2)<sup>4</sup> Mortgage loan companies shall comply with the requirements set out in Subsection (1) as set out below:

a) the amount of the combined total of outstanding principal claims applied as security, less any value adjustments, must be more than 100 per cent of the amount of the face value of the outstanding mortgage bonds in circulation;

b) the amount of the combined total of interests on outstanding principal claims applied as security, less any value adjustments, must be more than 100 per cent of the amount of interest on the face value of the outstanding mortgage bonds in circulation.

(3)<sup>5</sup> Principal outstanding from mortgage loans or refinancing mortgage loans, and interest due under the contract, and service charges that may be applied according to the loan contract in a specific percentage of the outstanding principal for the life of the contract (hereinafter referred to as "interest and similar income") may be taken into account as ordinary security, if the mortgage is registered in the real estate register to the benefit of the mortgage loan company. The repurchase price and the amount of principal outstanding from the follow-up loan, and interest due and other similar income under the contract, as well as the value of derivatives as specified in Subsection (6) may also be accepted as ordinary security. As regards the purchase or repurchase of principal outstanding from a refinancing mortgage loan, or an independent lien the repurchase price and the interest and similar income may be taken into account as ordinary security if the independent mortgage lien or the converted mortgage lien has been legitimately registered, and these liens and the seceded lien has been legitimately registered and ultimately transferred to the benefit of the mortgage loan company, and the mortgage loan company is given unconditional right to request registration of the seceded lien and independent lien in the real estate register under its name.

(3a)<sup>6</sup> Uncollateralized claims where a default is considered to have occurred pursuant to Article 178 of Regulation 575/2013/EU of the European Parliament and of the Council do not contribute to coverage.

1 Enacted by Subsection (1) of Section 6 of Act LVIII of 2021, effective as of 8 July 2022.

2 Enacted by Subsection (1) of Section 6 of Act LVIII of 2021, effective as of 8 July 2022.

3 Enacted by Subsection (1) of Section 6 of Act LVIII of 2021, effective as of 8 July 2022.

4 Established: by paragraph (2) Section 29 of Act XLVIII of 2004. In force: as of 10. 06. 2004.

5 Established by Subsection (7) of Section 146 of Act CCLII of 2013. Amended by Paragraph e) of Section 22 of Act LIII of 2016.

6 Enacted by Subsection (2) of Section 6 of Act LVIII of 2021, effective as of 8 July 2022.

(4)<sup>1</sup> The mortgage loan company shall ensure the security for mortgage bonds - above and beyond the compliance referred to in Subsection (2) - at all times at current prices.

(5)<sup>2</sup> Where any mortgage bond and its cover are not denominated in the same currency, the mortgage loan company shall enter into derivative transactions to reduce currency exchange risks.

(6)<sup>3</sup> Where a mortgage loan company enters into derivative transactions affecting its mortgage bonds and their security, such derivative transactions may also be applied - subject to the prior written consent of the derivative partner - in accordance with the relevant provisions of specific other legislation to comprise part of the security for these mortgage bonds. The derivative partner may not exercise its right of cancellation in connection with the derivative transaction that comprises part of the security arrangements in the event of insolvency of the mortgage loan company. The amount of receivables or liabilities arising from the derivative transaction adjusted by the security serving as cover shall be shown as ordinary security. If the adjusted amount indicates a liability on the part of the mortgage loan company, it shall be shown as a negative amount under securities. The balance of receivables or liabilities arising from the derivative instruments comprising a part of ordinary security and calculated at current value may not exceed twelve per cent of the current value of the liabilities from mortgage bonds in circulation.

(7)<sup>4</sup> If the amount of the principal outstanding from a mortgage loan or refinancing mortgage loan, or the repurchase price exceeds sixty per cent of the collateral value of the mortgaged real estate property, the principal outstanding or the repurchase price may be taken into account as ordinary security up to not more than 60 per cent thereof. If the mortgaged real estate is a residential property as provided for in Paragraph *a*) of Subsection (4) of Section 147 of Act LIII of 1994 on Judicial Enforcement, the amount of principal outstanding from the mortgage loan or the refinancing mortgage loan or the repurchase price may be taken into account as ordinary security up to 70 per cent of the mortgage lending value.

(8)<sup>5</sup> The share of ordinary assets may in no case be less than 80 per cent of all mortgage bonds with remaining maturity of more than 180 days.

(9)<sup>6</sup> The share defined in Subsection (8) shall be achieved by the mortgage loan company by the third calendar year of its operation.

(10)<sup>7</sup> The share of ordinary security within the mortgage bond security of may not be less than sixty per cent in the first year of operation of the mortgage bond company, and seventy per cent in the second year thereof.

(11)<sup>8</sup> Collateral security serves to complement ordinary security and may consist of the following assets:

*a*)<sup>9</sup> money held in a separate, tied-up current account at the National Bank of Hungary;

*b*)<sup>10</sup> securities issued by the central banks of EEA Member States and OECD Member States, and by the European Central Bank;

*c*)<sup>11</sup> securities issued by Member States of the European Union, except for the Hungarian State, the EEA and OECD and their full-fledged members;

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1 Established: by paragraph (2) Section 11 of Act CXII of 2006. In force: as of 01. 01. 2007.

2 Enacted: by paragraph (4) Section 29 of Act XLVIII of 2004. In force: as of 10. 06. 2004.

3 Established: by paragraph (3) Section 11 of Act CXII of 2006. In force: as of 01. 01. 2007.

4 Established by Subsection (8) of Section 146 of Act CCLII of 2013. Amended by Paragraph f) of Section 22 of Act LIII of 2016.

5 Established by Subsection (3) of Section 6 of Act LVIII of 2021, effective as of 8 July 2022.

6 Established: by paragraph (5) Section 11 of Act CXII of 2006. In force: as of 01. 01. 2007.

7 Numbering amended: by paragraph (4) Section 29 of Act XLVIII of 2004. In force: as of 10. 06. 2004.

8 Established: by paragraph (6) Section 11 of Act CXII of 2006. In force: as of 01. 01. 2007.

9 Amended: by Section 98 of Act LXXXV of 2009. In force: as of 1. 11. 2009.

10 Established by Subsection (1) of Section 93 of Act CLIX of 2010. Amended by Paragraph g) of Section 21 of Act LVIII of 2021.

11 Established by Subsection (4) of Section 6 of Act LVIII of 2021, effective as of 8 July 2022.

*d)* securities issued by the European Investment Bank (EIB), the International Bank for Reconstruction and Development (IBRD), the Council of Europe Development Bank (CEB) and the European Bank for Reconstruction and Development (EBRD) which are payable by the issuer;

*e)*<sup>1</sup> securities issued by the Hungarian State or under guarantees by the Hungarian State;

*f)* securities where principal and interest payments are guaranteed by either of the issuers listed under Paragraphs *c)* and *d)*;

*g)* loans provided under guarantees by the Hungarian Government, other than what is defined in Subsection (3) of Section 3;

*h)*<sup>2</sup> securities recognized as covered bonds under Article 129 of Regulation 575/2013/EU of the European Parliament and of the Council, that have been declared eligible assets by the central bank of any Member State or by the European Central Bank, not including the mortgage bonds issued by mortgage loan companies, and the covered bonds issued by any mortgage loan company that is considered to have close links with a credit institution or an investment firm as provided for in Subsection (1) of Section 6 of the CIFE.

(12)<sup>3</sup> The total of all exposures to either of the entities listed under Paragraphs *c)*, *d)*, *f)* and *h)* of Subsection (11) may be taken into consideration as additional collateral up to 2 per cent of all mortgage bonds of mortgage loan companies in circulation at that time. The assets listed in Paragraph *h)* of Subsection (11) may be applied as additional collateral on the aggregate up to 25 per cent of the total of additional collateral, and their total sum may not exceed 5 per cent of the nominal value of the mortgage bonds of mortgage loan companies in circulation at that time.

(13)<sup>4</sup> Mortgage loan companies shall immediately notify the Authority if<sup>5</sup>

*a)* the security for mortgage bonds in circulation does not meet the requirements set forth in Subsection (1);

*b)* the share of ordinary security in total security falls under eighty per cent.

(14)<sup>6</sup> Mortgage loan companies shall keep a register of mortgaged properties providing ordinary security for mortgage bonds, and of the values of ordinary security and collateral security, in which each individual security is listed separately.

(15)<sup>7</sup> Mortgage loan companies shall prepare regulations for making entries into the security register, which shall be approved by the Authority.

(16)<sup>8</sup> The internal regulations of mortgage loan companies shall contain provisions for their lending policy in accordance with the provisions on coverage.

(17)<sup>9</sup> The level of overcollateralization prescribed for mortgage bonds shall be at least 2 per cent.

#### Section 14/A<sup>10</sup>

(1) An EEA mortgage loan may be included to comprise a part of ordinary security if:

1 Established by Subsection (5) of Section 6 of Act LVIII of 2021, effective as of 8 July 2022.

2 Enacted by paragraph (2) Section 93 of Act CLIX of 2010. Amended by Paragraph b) of Section 22 of Act CCXXXVI of 2013, Paragraph h) of Section 21 of Act LVIII of 2021.

3 Established: by paragraph (3) Section 93 of Act CLIX of 2010. In force: as of 1. 01. 2011.

4 Numbering amended by Subsection (4) of Section 29 of Act XLVIII of 2004, Subsection (7) of Section 11 of Act CXII of 2006. Amended by Paragraph i) of Section 21 of Act LVIII of 2021.

5 Amended: by subparagraph d) Section 38 of Act CXLIII of 2013. In force: as of 1. 10. 2013.

6 Numbering amended: by paragraph (4) Section 29 of Act XLVIII of 2004. In force: as of 10. 06. 2004. Numbering amended: by paragraph (7) Section 11 of Act CXII of 2006. In force: as of 01. 01. 2007.

7 Numbering amended by Subsection (4) of Section 29 of Act XLVIII of 2004, Subsection (7) of Section 11 of Act CXII of 2006. Amended by Paragraph a) of Section 38 of Act CXLIII of 2013, Paragraph e) of Section 21 of Act LVIII of 2021.

8 Enacted by Subsection (6) of Section 6 of Act LVIII of 2021, effective as of 8 July 2022.

9 Enacted by Subsection (6) of Section 6 of Act LVIII of 2021, effective as of 8 July 2022.

10 Enacted: by Section 12 of Act CXII of 2006. In force: as of 01. 01. 2007.

a) the mortgage loan company was engaged in providing, purchasing, advancing or discounting mortgage loans in the Member State in question during the previous two calendar years;

b) the mortgage loan company has gathered adequate proof concerning the risks inherent in the cover; and

c) the mortgage loan company's procedures for keeping records on collateral securities permits a mortgage filed on a real estate property located in the Member State in question to comprise a part of ordinary security.

(2)<sup>1</sup> The procedures for keeping records on collateral securities in accordance with Paragraph c) of Subsection (1) shall be approved by the Authority if the requirements set out in Paragraphs a)-b) of Subsection (1) are satisfied in connection with a mortgage loan provided under security of a mortgage filed on a real estate property located in the Member State in question.

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

(1) In order to cover the net liquidity outflow, the mortgage bond program shall contain a cover pool liquidity buffer composed of liquid assets.

(2) The cover pool liquidity buffer shall cover the maximum cumulative net liquidity outflow over the next 180 days.

(3) The cover pool liquidity shall consist of the following types of segregated assets:

a) assets qualifying as level 1, level 2A or level 2B assets pursuant to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No. 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions (hereinafter referred to as "Commission Regulation 2015/61/EU"), that are valued in accordance with Commission Regulation 2015/61/EU, and are not issued by the credit institution issuing the mortgage bonds itself, its parent company, other than a public sector entity that is not a mortgage loan company, its subsidiary or another subsidiary of its parent company or by a securitization special purpose entity with which the credit institution has close links; and

b) short-term exposures to credit institutions that qualify for credit quality step 1 or 2, or short-term deposits to credit institutions that qualify for credit quality step 1, 2 or 3, in accordance with point (c) of Article 129(1) of Regulation 575/2013/EU of the European Parliament and of the Council.

(4) The liquidity buffer may not contain uncollateralized claims from exposures considered in default pursuant to Article 178 of Regulation 575/2013/EU of the European Parliament and of the Council.

#### *Section 14/C<sup>3</sup>*

(1) A mortgage loan company may issue mortgage bonds with extendable maturity structures where:

a) the maturity can only be extended subject to objective triggers specified for the issue in advance, and not at the discretion of the mortgage loan company, through which the mortgage loan company aims to prevent default, for example by addressing liquidity shortage, market failure or market disturbance;

b) the maturity extension conditions mentioned in Paragraph a) are specified in the contractual terms and conditions of the mortgage bond;

c) the information provided to investors about the maturity structure is sufficient to demonstrate the risk of the mortgage bond, and includes a detailed description of:

ca) the maturity extension triggers;

1 Amended by Paragraph a) of Section 38 of Act CXLIII of 2013, Paragraph e) of Section 21 of Act LVIII of 2021.

2 Enacted by Section 7 of Act LVIII of 2021, effective as of 8 July 2022.

3 Enacted by Section 7 of Act LVIII of 2021, effective as of 8 July 2022.

*cb)* the consequences for a maturity extension of the insolvency or resolution of the mortgage loan company issuing the mortgage bonds; and

*cc)* the role of the Authority and of the special administrator with regard to the maturity extension;

*d)* the final maturity date of the mortgage bond is at all times determinable;

*e)* in the event of the insolvency or resolution of the mortgage loan company issuing the mortgage bonds, maturity extensions do not affect the ranking of mortgage bond investors or invert the sequencing of the mortgage bond program's original maturity schedule; and

*f)* the maturity extension does not change the features of the mortgage bonds as referred to Subsections (3), (5) and (6) of Section 20.

(2) If the conditions specified in Subsection (1) are satisfied the maturity of mortgage bond may be extended once and it may not exceed twelve months.

### Subrogation of Obligations Arising from Mortgage Bonds<sup>1</sup>

#### Section 15

(1)<sup>2</sup> In the event of the transformation or liquidation of a mortgage loan company, such company may, subject to authorization by the Authority (*National Bank of Hungary*), transfer in part or in whole its rights and obligations accruing in connection with mortgage bonds and derivative instruments to another mortgage loan company.

(2)<sup>3</sup> In connection with the transfer of liabilities from mortgage bonds and derivative transactions the provisions of the Civil Code pertaining to transfers of contracts shall apply, with the exception that in the case of transfer the guarantees of the contract shall not cease to exist and the transfer shall not be subject to the consent of the holder of the mortgage bond or of the contracted derivative partner of the derivative transaction used as collateral security. Upon such transfer, the liabilities from the mortgage bond and from the derivative instrument used as collateral security shall fall upon the transferor mortgage loan company as of the day of receipt of the authorization.

(3) Application for the transfer permit shall contain at least the following:

*a)* a legal declaration by the transferor and the transferee regarding the granting and accepting of the transfer;

*b)* the outstanding nominal value and interest of the obligation arising from the mortgage bonds to be transferred;

*c)*<sup>4</sup> itemized description of the cover for each mortgage bond proposed to be transferred with detailed information concerning the derivative instruments used as collateral security, and an indication of the collateral value of the mortgaged real estate property;

*d)* countervalue and date of the transfer;

*e)* certification that the party accepting the transfer has, in addition to the minimum guarantee capital pertaining to obligations arising from his own mortgage bonds, the minimum guarantee capital required for fulfillment of obligations arising from the mortgage bond to be accepted, or the security required for fulfillment of obligations arising from the mortgage bonds.

1 Established by Subsection (9) of Section 146 of Act CCLII of 2013, effective as of 15 March 2014.

2 Established by Subsection (10) of Section 146 of Act CCLII of 2013. Amended by Paragraph e) of Section 21 of Act LVIII of 2021.

3 Established by Subsection (10) of Section 146 of Act CCLII of 2013, effective as of 15 March 2014.

4 Established: by paragraph (3) Section 13 of Act CXII of 2006. In force: as of 01. 01. 2007.



f)<sup>1</sup> if only some of the liabilities are transferred, proof that it is necessary to maintain the solvency of the mortgage loan company and for the satisfaction of mortgage bond holders, together with a written statement of the property supervisor declaring that the holders of mortgage bonds which are not involved in the transfer will not suffer any injury in consequence of the transfer.

(4)<sup>2</sup> The Authority shall refuse to authorize the transfer if it is likely to jeopardize the fulfillment of liabilities from the mortgage bonds affected by the transfer. If only some of the liabilities are transferred, the Authority may refuse to authorize the transfer if it is likely to jeopardize the fulfillment of liabilities from the mortgage bonds which are not affected by the transfer.

(5) Obligations arising from mortgage bonds may only be transferred if the ordinary security and collateral pertaining to such are concurrently transferred.

(6) The mortgage loan company accepting the portfolio shall offer new mortgage bonds on the original terms and conditions defined by the mortgage loan company transferring the same.

(7)<sup>3</sup> The mortgage loan company accepting the portfolio shall, within thirty days of receipt of the decision for approval, publish an announcement upon accepting of the portfolio and cancellation of mortgage bonds offered by the mortgage bond company transferring the same in the Exchange Journal.

## Appointment of Property Supervisor

### Section 16

(1)<sup>4</sup> Mortgage loan companies shall appoint a property supervisor to fulfill the tasks set forth in Section 17. Validity of appointment of the property supervisor shall be subject to approval by the Authority.

(2)<sup>5</sup> Only a public accounting firm or a natural person may be appointed as a property supervisor.

(3)<sup>6</sup> Only public accounting firms, which comply with the requirements defined in Subsection (1) of Section 260 of the CIFE, and which do not perform any other auditing tasks for the mortgage loan company, may be entrusted with the tasks of a property supervisor.

(4)<sup>7</sup> Only natural persons, who have

- a) no prior criminal record,
- b) specialized higher qualification, and
- c) professional liability insurance,

may be appointed as property supervisors.

(5) The specialized higher qualification set forth in Paragraph b) of Subsection (4) shall be a university or college diploma certifying qualification in law, administration, finances and accounting or a technical field.

(6)<sup>8</sup> The following may not serve as property supervisor:

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1 Enacted: by paragraph (4) Section 13 of Act CXII of 2006. In force: as of 01. 01. 2007.

2 Established by Subsection (5) of Section 13 of Act CXII of 2006. Amended by Paragraph a) of Section 38 of Act CXLIII of 2013, Paragraph j) of Section 21 of Act LVIII of 2021.

3 Amended by Paragraph f) of Section 22 of Act LVIII of 2021.

4 Amended by Paragraph a) of Section 38 of Act CXLIII of 2013, Paragraph e) of Section 21 of Act LVIII of 2021.

5 Amended: by subparagraph c) paragraph (1) Section 55 of Act XXXIX of 2003. In force: as of 01. 07. 2003.

6 Amended by Paragraph c) of Section 22 of Act CCXXXVI of 2013.

7 Amended: by subparagraph c) paragraph (1) Section 55 of Act XXXIX of 2003. In force: as of 01. 07. 2003.

8 Established by Section 8 of Act LVIII of 2021, effective as of 8 July 2022.

a) any person who is the senior executive, supervisory board member, auditor of a mortgage loan company, or the close relative defined in the Civil Code thereof, or an employee of the mortgage loan company;

b) any person who has terminated such status listed in Paragraph a) within less than two years;

c) any person who has a direct or indirect ownership interest in the mortgage loan company, except if the ownership share does not exceed 1 per cent; and

d) any person who carries on business relations with the mortgage loan company or with the persons described in Paragraph a) or is employed by a person holding a qualifying interest in the mortgage loan company.

(7)<sup>1</sup> A property supervisor may be appointed for a fixed period of time, not to exceed five years; however, he may be re-appointed after expiration of the period of his appointment. The contract of appointment concluded between the mortgage loan company and the property supervisor may not be validly terminated without the approval of the Authority.

(8) Within the scope of his property supervision activities, a property supervisor may not be instructed by his principal.

(9) A property supervisor may at any time inspect books and other files of the mortgage loan company which contain data necessary for performance of his tasks, and may solicit information in connection with performance of his tasks. Even in the absence of such request, the mortgage loan company is required to keep the property supervisor informed regarding principal and interest repayments on mortgage loans entered into the security register, as well as regarding any changes affecting the mortgaged properties and collateral.

(10) Except the case defined in Subsection (2) of Section 17, the property supervisor shall be obliged to maintain confidentiality in respect of the facts, data, and business information which he becomes aware of in course of his activity.

(11) When fulfilling his obligations as regulated by law, the property supervisor shall act with due diligence expectable from a person performing such tasks, and otherwise his responsibility shall be governed by general rules of responsibility under civil law.

## Scope of Activities, Obligations of Property Supervisors

### Section 17

(1) Property supervisors shall, in accordance with the provisions of Paragraph *n*) of Subsection (3) of Section 11, and Subsection (1) of Section 18, continually monitor, and certify:

a) whether the security for mortgage bonds is available at all times according to regulations;

b) the entry of mortgaged properties providing ordinary security for mortgage bonds, of the real estate register data and loan security value of such, and of ordinary security and collateral into the security register.

(2)<sup>2</sup> Property supervisors shall, without delay, notify the Authority in writing if the security for mortgage bonds in circulation fails to meet the requirements set forth in Subsection (1) of Section 14.

1 Amended by Paragraph a) of Section 38 of Act CXLIII of 2013, Paragraph e) of Section 21 of Act LVIII of 2021.

2 Amended by Paragraph d) of Section 38 of Act CXLIII of 2013, Paragraph i) of Section 21 of Act LVIII of 2021.

(3)<sup>1</sup> The particulars relating to pledged properties listed in the register of mortgaged properties, and to cover assets, excluding the inclusion of cover assets specified in Paragraphs *b*) and *c*) of Subsection (1b) of Section 14 in the cover pool, and their reclassification, may be amended only in possession of the property administrator's written consent.

## Disclosure Obligations

### *Section 18<sup>2</sup>*

(1) The information provided on mortgage bond programs shall be sufficiently detailed to allow investors to assess and evaluate the profile and risks of that program in advance.

(2) Mortgage loan companies shall ensure that the information is provided to mortgage bond investors at least on a quarterly basis and submit to the Authority the following minimum portfolio information:

- a*) the value of the cover pool and outstanding mortgage bonds;
- b*) a list of the International Securities Identification Numbers (ISINs) for all mortgage bond issues under that program, to which an ISIN has been attributed;
- c*) the geographical distribution and type of cover assets, their loan size and valuation method;
- d*) details in relation to market risk, including interest rate risk and currency risk, and credit and liquidity risks;
- e*) the maturity structure of cover assets and mortgage bonds, including an overview of the maturity extension triggers if applicable;
- f*) the levels of required and available coverage, including the levels of liquidity buffer, ordinary and margin assets, and the levels of statutory, contractual and voluntary overcollateralization; and
- g*) the percentage of loans where a default is considered to have occurred pursuant to Article 178 of Regulation 575/2013/EU of the European Parliament and of the Council and in any case where the loans are more than 90 days past due.

(3) Mortgage loan companies shall publish on their website the information made available in accordance with Subsections (1) and (2).

### *Section 19*

In addition to the content requirements specified in the CMA, the annual report of mortgage loan companies shall contain also the following:<sup>3</sup>

- a*) the security values for mortgage bonds in circulation as of 31 December, with an itemized listing of collateral securities;
- b*) number of foreclosure sales which have been initiated at the request of the mortgage loan company, and, in the case of such completed sales, the difference in the value between the result of sale and the mortgage loan existing at that time;
- c*) number, legal character, and classification in line of cultivation of real estate received in order to mitigate or avoid losses connected with extension of mortgage loans or as a consequence of liquidation or execution;
- d*) the amount of mortgage loan repayment installments.

## European Covered Bond Label<sup>4</sup>

<sup>1</sup> Established by Section 9 of Act LVIII of 2021, effective as of 8 July 2022.

<sup>2</sup> Established by Section 10 of Act LVIII of 2021, effective as of 8 July 2022.

<sup>3</sup> Established: by paragraph (5) Section 444 of Act CXX of 2001. In force: as of 1. 1. 2002.

<sup>4</sup> Enacted by Section 11 of Act LVIII of 2021, effective as of 8 July 2022.

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*Section 19/A*<sup>1</sup>

(1) The label 'European Covered Bond' and its official translation in the official language of any EEA Member State may be used for securities issued in Hungary which meet the requirements laid down in the provisions of this Act.

(2) The label 'European Covered Bond (Premium)' and its official translation in the official language of any EEA Member State may be used for securities issued in Hungary which meet the requirements laid down in this Act and in Article 129 of Regulation 575/2013/EU of the European Parliament and of the Council.

**Part IV.****RULES APPLICABLE FOR INSOLVENCY, RESOLUTION**<sup>2</sup>Liquidation, Resolution of Mortgage Loan Companies<sup>3</sup>*Section 20*<sup>4</sup>

(1)<sup>5</sup> The liquidation and resolution of mortgage loan companies shall be governed by the provisions relating to the liquidation and resolution of credit institutions subject to the exceptions set out in Subsections (2)-(6) hereof and in Section 20/A.

(2)<sup>6</sup> The Authority shall cooperate with the resolution authority in the event of the resolution of a mortgage loan company in order to ensure that the rights and interests of the mortgage bond investors are preserved, including at least by verifying the continuous and sound management of the mortgage bond program during the period of the resolution process.

(2a)<sup>7</sup> The Authority shall appoint a special administrator to the mortgage loan company

a) undergoing resolution ordered by the resolution authority, at the time of the opening of the resolution process, or

b) undergoing liquidation, from the date of the ruling ordering liquidation, where applicable.

(2b)<sup>8</sup> The Authority shall recall the special administrator if it is not necessary for the effective conclusion of the liquidation, resolution procedure opened against the mortgage loan company.

(2c)<sup>9</sup> The tasks of the special administrator shall include:

a) the discharge of the liabilities attached to the mortgage bonds and derivative instruments used as collateral;

b) the management and sale of cover assets, including their transfer together with mortgage bond liabilities to another mortgage loan company; and

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1 Enacted by Section 11 of Act LVIII of 2021, effective as of 8 July 2022.

2 Established by Section 12 of Act LVIII of 2021, effective as of 8 July 2022.

3 Established by Section 12 of Act LVIII of 2021, effective as of 8 July 2022.

4 Established: by Section 15 of Act CXII of 2006. In force: as of 01. 01. 2007.

5 Established by Subsection (1) of Section 13 of Act LVIII of 2021, effective as of 8 July 2022.

6 Established by Subsection (1) of Section 13 of Act LVIII of 2021, effective as of 8 July 2022.

7 Enacted by Subsection (1) of Section 13 of Act LVIII of 2021, effective as of 8 July 2022.

8 Enacted by Subsection (1) of Section 13 of Act LVIII of 2021, effective as of 8 July 2022.

9 Enacted by Subsection (1) of Section 13 of Act LVIII of 2021, effective as of 8 July 2022.

c) the legal transactions necessary for the proper administration of the cover pool, for the ongoing monitoring of the coverage of the liabilities attached to the mortgage bonds, for the initiation of proceedings in order to bring assets back into the cover pool and for the transfer of the remaining assets to the insolvency estate of the mortgage loan company after all mortgage bond liabilities have been discharged.

(2d)<sup>1</sup> In carrying out the responsibilities provided for in Paragraph c) of Subsection (2c) the special administrator shall have authority to operate the insolvent mortgage loan company based on the license issued by the Authority, in accordance with its operational requirements.

(2e)<sup>2</sup> In carrying out the responsibilities provided for in Subsection (2c) the special administrator shall assign a natural person engaged under contract of employment, membership or personal service contract to act on its behalf, and this person may not be the same as the receiver appointed by the liquidator to carry out the liquidation of the mortgage loan company.

(3)<sup>3</sup> When a mortgage loan company is undergoing liquidation or resolution process the liabilities from mortgage bonds and derivative instruments used as collateral shall not be deemed payable (due) at the time of the opening of liquidation proceedings or the resolution process.

(3a)<sup>4</sup> In the process of liquidation or resolution of a mortgage loan company the Authority, the resolution authority and the special administrator shall cooperate and exchange information with special regard to the sale of assets included in the cover pool.

(4) The bond trustee shall satisfy the liabilities from mortgage bonds - irrespective of whether or not they were notified to the liquidator - from the assets of the mortgage loan company listed in Subsection (5), outside the liquidation proceedings, at the times indicated in the mortgage bonds for the payment of interest and redemption (repayment). The contracted partners of the derivative transactions listed in the register of ordinary securities shall be entitled to the same rights as the holders of mortgage bonds up to the value of their claims from the derivative instruments used as collateral security, and these claims shall be satisfied in accordance with the provisions pertaining to the satisfaction of liabilities from mortgage bonds.

(5) In connection with the liquidation or resolution of a mortgage loan company, following settlement of the bond trustee's fee and the costs relating to the registration and enforcement of the claims specified in this Subsection and the costs relating to the activities of the property supervisor, the following may be used solely for the satisfaction of liabilities to holders of mortgage bonds:<sup>5</sup>

a)<sup>6</sup> ordinary and collateral security listed in the register of collateral securities at the time of the opening of liquidation proceedings or the resolution process;

b) the part of ordinary collateral that is in excess of the percentages referred to in Subsection (7) of Section 14 and which cannot be taken into consideration, and the part of the liquid assets of the mortgage loan company held at the time of the opening of liquidation proceedings, which are not used as security even though they are in conformity with the requirements for collateral security set out in this Act.

The security and liquid assets specified in Paragraphs a) and b) shall not comprise part of the assets to be liquidated.

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1 Enacted by Subsection (1) of Section 13 of Act LVIII of 2021, effective as of 8 July 2022.

2 Enacted by Subsection (1) of Section 13 of Act LVIII of 2021, effective as of 8 July 2022.

3 Established by Subsection (2) of Section 13 of Act LVIII of 2021, effective as of 8 July 2022.

4 Enacted by Subsection (2) of Section 13 of Act LVIII of 2021, effective as of 8 July 2022.

5 Amended by Paragraph k) of Section 21 of Act LVIII of 2021.

6 Amended by Paragraph l) of Section 21 of Act LVIII of 2021.

(6) If the assets of the mortgage loan company listed under Subsection (5) available at the time when the claims are submitted are not sufficient to cover the liabilities from the mortgage bonds and derivative instruments used as collateral security, holders of the mortgage bonds and the contracted partners of the derivative transactions listed in the register of ordinary securities shall be satisfied from the underlying assets consistent with the percentage of their respective claims. If the claims were satisfied when due according to the principle of equivalent dividends, the bond trustee shall pay the remainder of these claims from any subsequent revenues from the assets listed under Subsection (5) in the sequence consistent with their due dates, or according to the principle of equivalent dividends for claims of the same maturity. In the event of any delay in payment, mortgage bond holders shall be entitled to a default interest at the rate specified in the conditions for the issue of the mortgage bonds in question. The default interest that is due from the original date of maturity shall be paid after the principal and interest payments made on the mortgage bonds.

#### *Section 20/A1*

(1)<sup>2</sup> The provisions applicable to supervisory commissioners shall also apply to special administrators on the understanding that his appointment shall not terminate during the liquidation, resolution process, and shall not take over the mandate of the mortgage loan company's management body having powers of representation.

(2) The bond trustee shall have exclusive authority to take actions on behalf of the mortgage loan company as of the time of the opening of liquidation proceedings in connection with the assets listed under Subsection (5) of Section 20; this, however, shall not affect the powers of the property supervisor.

(3) The bond trustee shall have powers to move to carry out the transfer of mortgage bonds according to Section 15 or to repurchase the ones in circulation, and is required to sell off the claims used for hedging in the name of the mortgage loan company. Furthermore, the bond trustee shall have powers to enter into additional derivative transactions for hedging purposes, which are treated as derivative instruments used as collateral security. The provisions of Subsection (8) of Section 14 shall not apply as of the time of the opening of liquidation proceedings; however, if the bond trustee sells any of the assets referred to in Subsection (5) of Section 20, the proceeds may be used solely to satisfy the liabilities toward the holders of mortgage bonds. The bond trustee shall be responsible to keep separate records on the mortgage loan company's assets listed under Subsection (5) of Section 20, from the assets to be liquidated.

(4) The bond trustee shall do his best to ascertain that all claims can be satisfied in full when due from the assets listed under Subsection (5) of Section 20 (maintain solvency position at all times). If this cannot be wholly ensured, the bond trustee shall proceed with a view to provide satisfaction to the holders of mortgage bonds consistent with the percentage of their respective principal claims, irrespective of the date of maturity of the mortgage bonds.

(5) After the opening of the liquidation proceedings the bond trustee shall have exclusive powers to control the assets listed under Subsection (5) of Section 20, where the liquidator shall be deprived of any and all competence with respect to these assets. Following satisfaction of the claims of mortgage bond holders and the contracted partners of the derivative transactions listed in the register of ordinary securities, or after they are transferred to another mortgage loan company the assets listed under Subsection (5) of Section 20 shall be shown under the assets to be liquidated.

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1 Enacted: by Section 16 of Act CXII of 2006. In force: as of 01. 01. 2007.

2 Established by Section 14 of Act LVIII of 2021, effective as of 8 July 2022.

(6) The bond trustee shall not be entitled to engage in the financial and investment activities and activities auxiliary to investment services specified in Subsection (2) of Section 3.

(7) The bond trustee or any mortgage bond holder may file for court action within two years following the time of the opening of liquidation proceedings for the court to order the assets listed under Subsection (5) of Section 20 to be supplemented from the assets to be liquidated, if able to provide proof that these assets are insufficient to cover the claims of mortgage bond holders. Failure to meet this deadline shall constitute the forfeiture of this right. If according to the court's decision the assets listed under Subsection (5) of Section 20 will have to be supplemented, the bond trustee shall be vested with exclusive powers to control the assets in question effective as of the operative date of the said court decision.

(8) The court - exclusive of the approval of the final liquidation balance sheet - may adopt a decision for the conclusion of the liquidation proceedings, and for the termination of the mortgage loan company in question, after all liabilities from mortgage bonds and derivative instruments used as collateral security are satisfied, or transferred to another mortgage loan company, or if all assets intended to cover these liabilities have been exhausted.

## Execution Proceedings against Mortgage Loan Companies

### *Section 21*

(1) In the course of execution proceedings against a mortgage loan company, Act LIII of 1994 on Execution by Court shall be applied with the deviations set forth in Subsections (2)-(3).

(2)<sup>1</sup> In respect of assets of a mortgage loan company defined under Subsection (5) of Section 20 only holders of mortgage bonds and the contracted partners of derivative transactions used as collateral security may demand judicial enforcement up to the amount of their respective claims.

(3)<sup>2</sup> The claims of holders of mortgage bonds and the contracted partners of derivative transactions used as collateral security shall be satisfied following the settlement of the costs of the enforcement proceedings.

### **Part V.**

## **MEANS OF PERFORMANCE OF SUPERVISION**

### Special Supervision of Mortgage Loan Companies

#### *Section 22<sup>3</sup>*

(1) In the interest of the protection of mortgage loan companies and mortgage bond investors, the Authority shall exercise special supervision in addition to what is contained in the CIFE and the CMA.

(2) Within the framework of special supervision, in the interest of the protection of mortgage bond investors, the Authority:

a) shall permit or reject mortgage bond programs, and any issues outside the mortgage bond program;

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1 Established: by paragraph (1) Section 17 of Act CXII of 2006. In force: as of 01. 01. 2007.

2 Established: by paragraph (2) Section 17 of Act CXII of 2006. In force: as of 01. 01. 2007.

3 Established by Section 15 of Act LVIII of 2021, effective as of 8 July 2022.

- b) shall regularly review the mortgage bond programs;
- c) shall perform off-site inspections of mortgage loan companies within its own inspection scheme, and on-site inspections at least every three years;
- d) shall take actions or order exceptional measures; and
- e) shall implement supervisory guidelines relating to the issue of mortgage bonds.

(3) In granting permission for the mortgage bond program, the Authority shall check

- a) whether the program of operations setting out the issue of covered bonds is adequate;
- b) the policies, processes and methodologies aimed at investor protection for the approval, amendment, renewal and refinancing of loans included in the cover pool;
- c) the management and staff dedicated to the mortgage bond program whether they have adequate qualifications and knowledge regarding the issue of mortgage bonds and the administration of the mortgage bond program; and
- d) the administrative set-up of the cover pool in particular whether it meets the applicable requirements laid down in the provisions of this Act.

#### *Section 22/A1*

(1) The Authority shall cooperate closely with the competent authorities of other EEA Member States performing the special supervision of covered bonds and shall, at the request of the other authority and also on its own initiative, communicate any essential information considered necessary for other competent authorities in exercising special supervision for the protection of credit institutions issuing covered bonds and the covered bond investors.

(2) Within the framework of special supervision, the Authority shall cooperate with the European Banking Authority (hereinafter referred to as "EBA") and the European Securities and Markets Authority.

(3) For the purposes of Subsection (1), information shall be regarded as essential if it could materially influence the assessment of the issue of covered bonds in another EEA Member State.

#### *Section 22/B2*

(1) Within the framework of special supervision, the Authority shall publish the following on its website without undue delay:

- a) the texts of the legislation, supervisory guidelines adopted in relation to the issue of mortgage bonds;
- b) the list of mortgage loan companies permitted to issue mortgage bonds; and
- c) the list of mortgage bonds that are entitled to use the label 'European Covered Bond' and the list of mortgage bonds that are entitled to use the label 'European Covered Bond (Premium)'.

(2) The information published in accordance with Subsection (1) shall be sufficient to enable a meaningful comparison of the approaches adopted by the competent authorities of the different EEA Member States performing the special supervision of covered bonds. That information shall be updated to take account of any changes.

(3) The Authority shall notify EBA on an annual basis of the list of mortgage loan companies permitted to issue mortgage bonds and the lists of 'European Covered Bonds' and 'European Covered Bonds (Premium)'.

#### Measures and Extraordinary Measures

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1 Enacted by Section 16 of Act LVIII of 2021, effective as of 8 July 2022.

2 Enacted by Section 16 of Act LVIII of 2021, effective as of 8 July 2022.



*Section 23<sup>1</sup>*

(1) Within the framework of special supervision, the Authority shall take appropriate, exceptional measures if a mortgage loan company:

a) has acquired a permission for a mortgage bond program by means of false statements or other irregular means;

b) no longer fulfills the conditions under which permission for a mortgage bond program was given;

c) issues mortgage bonds without obtaining permission;

d) fails to meet the dual recourse requirement;

e) issues mortgage bonds that are subject to automatic acceleration;

f) issues mortgage bonds that are not collateralized in accordance with the requirement for eligible assets;

g) issues mortgage bonds that are collateralized by assets located outside the EEA Member States;

h) fails to fulfill the conditions for joint funding;

i) fails to meet the requirements applicable to the cover pool;

j) fails to meet the requirements regarding derivative contracts in the cover pool;

k) fails to comply with the requirements of the segregation of cover assets;

l) fails to provide information or provides incomplete or inaccurate information to mortgage bond investors;

m) repeatedly or persistently fails to maintain a cover pool liquidity buffer;

n) that issues mortgage bonds with extendable maturity structures fails to fulfill the conditions for extendable maturity structures laid down in Section 14/C; and/or

o) fails to report information to the Authority, or provides incomplete or inaccurate information.

(2) The appropriate, exceptional measures imposed by the Authority in the cases referred to in Subsection (1) shall include the following:

a) a withdrawal of permission for a mortgage bond program;

b) a public statement which indicates the identity of the infringer natural or legal person and the nature of the breach;

c) an order requiring the natural or legal person to cease the conduct and to desist from a repetition of that conduct; and

d) financial penalties.

(3) Above and beyond the provisions of Act CXXXIX of 2013 on the National Bank of Hungary (hereinafter referred to as "MNB Act"), the CIFE and the CMA, the Authority may take the following appropriate and exceptional measures:

a) order restoration of the collateral within the prescribed time limit, if the amount of nominal value and interest of outstanding mortgage bonds in circulation exceeds the amount of the collateral, with the proviso that collateral may be restored by additional margin assets, by placement of additional mortgage loans, or by repurchasing mortgage bonds; and

b) it may require the mortgage loan company to transfer claims arising from mortgage bonds and the portfolio of mortgage loans representing collateral - including receivables from repurchase prices and from refinancing loans -, as well as the collateral, if its capital adequacy index is, for more than 90 days, less than four per cent, and it cannot be restored within the time limit prescribed by the Authority.

*Section 23/A<sup>2</sup>*

1 Established by Section 17 of Act LVIII of 2021, effective as of 8 July 2022.

2 Enacted by Section 18 of Act LVIII of 2021, effective as of 8 July 2022.

Where the Authority has taken the measure referred to in Section 23 for an infringement of statutory requirements relating to covered bonds, in the application of said measure the Authority shall take into account all relevant circumstances including, where appropriate, Paragraphs *a)*, *b)*, *d)-f)* and *i)* of Subsection (4) of Section 75 of the MNB Act, and:

- a)* the gravity and the duration of the breach or negligence;
- b)* the degree of responsibility of the natural or legal person responsible for the breach;
- c)* the financial strength of the relevant person responsible for the breach, having regard in particular to the total turnover of the entity other than natural person or the annual income of the natural person;
- d)* the importance of profits gained or losses avoided because of the breach by the person responsible for the breach, insofar as those profits or losses can be determined.

#### Fines

#### *Section 241*

### ***Part VI.***

## ***MISCELLANEOUS PROVISIONS***

#### *Section 252*

### Regulations on Mortgage Loan Companies Operating as Branch Offices

#### *Section 25/A3*

(1) Mortgage loan companies operating as branch offices may only be established by foreign credit institutions authorized to issue mortgage bonds. For the purposes of this provision, the securities issued by the following conditions shall be regarded as mortgage bonds:

- a)* issued by a credit institution subject to special supervision;
- b)* in the event of bankruptcy of the issuing credit institution, the mortgage bond holders are granted priority of settlement;
- c)* security is provided by a mortgage loan or by a loan to the public sector;
- d)* strict laws are enacted for the protection of securities holders.

(2) In respect of mortgage loan companies operating as branch offices, the provisions of

- a)* Subsections (1) and (3) of Section 5,
- b)* Subsection (2) of Section 9,
- c)* Subsection (1) of Section 10,
- d)* Subsection (1) of Section 14

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1 Repealed: by subparagraph g) paragraph (5) Section 84 of Act CXLVIII of 2009. No longer in force: as of 1. 01. 2010.

2 Repealed with preceding subtitle: by subparagraph e) Section 54 of Act XLVII of 2008. No longer in force: as of 01. 09. 2008.

3 Enacted: by Section 64 of Act CLVIII of 1997. In force: as of 01. 01. 1998.

shall be observed separately on the basis of accounting and other records, apart from the foreign credit institution.

(3) Mortgage loan companies operating as branch offices may not acquire ownership in arable land.

## ***Part VII.***

### ***CLOSING PROVISIONS***

#### *Section 26*

(1) This Act shall enter into effect on the 30th day following its promulgation.

(2)<sup>1</sup> This Act serves the purpose of compliance with Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of mortgage bonds and mortgage bond public supervision and amending Directives 2009/65/EC and 2014/59/EU.

(3)<sup>2</sup> This Act contains provisions for the implementation of Regulation (EU) 2019/2160 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) No. 575/2013 as regards exposures in the form of mortgage bonds.

#### Authorizations

#### *Section 27*

(1)<sup>3</sup> An authorization shall be granted to

*a*)<sup>4</sup> to the minister in charge of the agricultural sector, in respect of arable lands,

*b*)<sup>5</sup> to the minister in charge of the money, capital and insurance markets, in respect of real estate other than arable lands,

to establish in a decree the methodological principles of determination of loan security values of such property.

(2)<sup>6</sup> The minister in charge of the money, capital and insurance markets is hereby authorized to decree<sup>7</sup>

*a*) the detailed regulations for keeping records on derivative instruments and for applying them as security,

*b*) the rules for current value calculation in connection with mortgage bond security.

*c*)<sup>8</sup>

#### Transitional Provisions<sup>9</sup>

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1 Established by Section 19 of Act LVIII of 2021, effective as of 8 July 2022.

2 Enacted by Section 19 of Act LVIII of 2021, effective as of 8 July 2022.

3 Numbering amended: by Section 30 of Act XLVIII of 2004. In force: as of 10. 06. 2004.

4 Amended: subparagraph e) paragraph (3) Section 170 of Act CIX of 2006. In force: as of 01. 01. 2007.

5 Amended: subparagraph e) paragraph (3) Section 170 of Act CIX of 2006. In force: as of 01. 01. 2007.

6 Enacted: by Section 30 of Act XLVIII of 2004. In force: as of 10. 06. 2004.

7 Amended: subparagraph e) paragraph (3) Section 170 of Act CIX of 2006. In force: as of 01. 01. 2007.

8 Repealed: by Section 164 of Act LVI of 2009. No longer in force: as of 1. 10. 2009.

9 Enacted by Section 20 of Act LVIII of 2021, effective as of 8 July 2022.

*Section 28<sup>1</sup>*

(1) The provisions of this Act in effect on 7 July 2022 shall apply to mortgage bonds issued before 8 July 2022, with the proviso that Subsections (10) and (11) of Section 3, Subsections (5), (6), (8) and (9) of Section 5, Subsections (1a), (1b), (1c), (3a), (8) and (16) of Section 14, Section 14/B, Section 14/C, Paragraph *a*) of Subsection (2) of Section 22 and Subsection (3) of Section 22 of this Act, as established by Act LVIII of 2021 on the Amendments Relating to the Regulation of Covered Bonds and Other Acts Relating to the Financial Intermediary System for the Purpose of Approximation, shall not apply to mortgage bonds.

(2) The special supervision of mortgage bonds provided for in Subsection (1) shall be governed by the provisions of this Act in effect on 7 July 2022, and by Sections 22-23/A.

(3) Subsection (1) shall also apply to tap issues and segments of an issue program, where the opening of the ISIN and the marketing of the first series of mortgage bonds is before 8 July 2022, and other parts of that series are placed on the market in a period of up to twenty-four months after the marketing of the first series, provided that:

- a*) the maturity date of the mortgage bonds is before 8 July 2027;
  - b*) the total issue size of tap issues made after 8 July 2022 does not exceed twice the total issue size of the mortgage bonds of the same class of securities of the same series outstanding on that date;
  - c*) the total issue size of the mortgage bonds at maturity does not exceed six billion euro or the equivalent amount in domestic currency; and
  - d*) the collateral assets are located in Hungary.
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1 Established by Section 20 of Act LVIII of 2021, effective as of 8 July 2022.

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