

## **Rules of the Hungarian Banking Association<sup>1</sup>**

### **Name and Registered Office of the Association**

#### **Article 1**

(1) Name of the Association: Magyar Bankszövetség

Name in English: Hungarian Banking Association

(2) Registered office: H-1051 Budapest, V. József nádor tér 5-6, 2<sup>nd</sup> floor

(3) The Association's activities extend to the entire territory of Hungary.

(4) Year of Foundation: 1989. The Association is registered by the Budapest Municipal Court by Decision No. 7.Pk. 21 470/1989/1, under Serial No. 36 in the civil society organisations register.

(5) The Association pursues its activities in accordance with Act V of 2013 on the Civil Code (Ptk.) Act CLXXV of 2011 on Right of Association, Non-profit Status, and the Operation and Funding of Civil Society Organisations (the 'NGO Act') and its Rules. The Association is an independent professional, advocacy and representative association operating based on the principle of self-government.

(6) The Association considers the Association of Banks and Savings Banks, operating between 1919 and 1948 as its intellectual predecessor.

### **The Association's objectives and functions**

#### **Article 2**

(1) The Association's objectives:

– to promote members' activities as a professional consultative and discussion forum of the banking sector

– to establish a competition-neutral economic and legal regulatory environment, which supports the operation and development of the banking sector;

– to contribute, through its activities, to the quality improvement of banking services and the infrastructure of credit institutions, the reinforcement of customers' confidence and the boosting of fair market competition.

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<sup>1</sup> Consolidated with the amendments approved by the member institutions on 22<sup>nd</sup> of May 2020.

(2) The Association's functions shall include:

- a) representing and safeguarding all members' common interests;
- b) regularly monitoring and expressing an opinion on economic, especially fiscal, monetary and supervisory policy as well as tax, certain security and law enforcement, family, etc. policy issues, and regularly expressing and representing the views of its members on the aforementioned issues and on financial regulatory issues, with special regard to issues affecting the operation of credit institutions;
- c) regularly monitoring and influencing domestic, EU and international legislative work affecting credit institutions by using the opportunities offered by the Act on Legislation; participation in the activities of the European Banking Federation and other international professional organisations;
- d) regularly informing the banking community of current activities in progress within the various EU institutions;
- e) representing the interests of the Hungarian banking community in developing the standpoints of the European Banking Federation and other professional international organisations;
- f) developing common positions on regulatory proposals and other legal sources affecting members;
- g) publicising the role of the banking sector in the economy and its current viewpoint, and promoting the recognition of the industry to decisionmakers, the public opinion, the media and other actors;
- h) contributing to the raising of financial awareness among current and potential future customers and promoting the wide use of innovative banking services, and thereby, promoting economic growth;
- i) developing positions on issues affecting the wider operating environment of the sector, including those related to sustainable development, equal opportunities and corporate social responsibility;
- j) promoting cooperation between banks, especially through participation in creating new inter-bank institutions and developing inter-bank agreements, standards and self-regulatory systems;
- k) developing positions on professional and ethical issues;
- l) promoting the efficient operation of the banking sector by organizing joint development and processes, and by establishing other advocacy groups, if deemed necessary.

(3) To represent members' interests effectively, the Association, while making the best possible use of existing advocacy forums, shall seek to enhance the available channels of advocacy, especially by cooperating effectively and fully with its background institutions, including by

acquiring stakes (through shareholding) or membership and nomination rights in these organisations.

(4) The Association is committed to promoting financial literacy, the dissemination of financial information and digitalization, digital banking and digital knowledge in Hungary. To this end, it shall cooperate with government and other institutions and NGOs, conduct general and professional information dissemination, organise technical forums and publish information dissemination and scientific publications.

(5) To promote the professional training and information of employees of member banks, future banking professionals and those interested in the profession, the Association organises lectures, seminars and conferences, issues professional publications and maintains a web site.

(6) The Association pursues its objectives through regular cooperation with Hungarian legislative bodies and regulatory authorities, other professional advocacy organisations in the financial sector and the European Banking Federation and other international organisations. The Association is open to building alliances with other professional associations of the financial intermediary system, admitting them as members and working together with them with a view to covering and representing the largest possible range of players in the financial intermediary system.

(7) The Association is a member of the European Banking Federation, and by approval of the Board, of other international professional organisations. In addition, the Association participates in activities of other Hungarian and international professional organisations based on the decisions of the Association's Board.

(8) The Association does not pursue any political activities; the Association is independent of all parties and does not provide or accept any financial support to or from any of these.

## **Members of the Association**

### **Article 3**

(1) Regular membership is available to credit institutions, financial enterprises subject to the same prudency regulations as financial institutions, financial enterprises working in close cooperation with the Hungarian banking sector whose head offices are registered in Hungary, or branches of credit institutions whose head offices are registered in the EEA or a third country, and offer financial and auxiliary financial services in Hungary, – all of which must fall under the supervision of a Hungarian financial or regulatory supervisory authority. Unless otherwise provided in these Rules, the word "member" shall mean regular member.

(2) Associate membership is available to:

- a) Financial enterprises or other institutions that do not qualify as credit institutions, but offer one or more financial services identical to those offered by credit institutions, if

Section 1 of Article 3 does not allow for the financial enterprise or other institution to be accepted as an ordinary member.

- b) The advocacy association of financial institutions;
- c) Credit institutions or other financial service providers that provide cross-border financial services in Hungary or operate bank offices in Hungary, but whose headquarters are registered abroad;
- d) Financial institutions registered in Hungary based on an international agreement, the establishment and operations of which do not fall under the scope of the Hungarian financial or regulatory supervisory authority or cannot be monitored by said supervisory authority.
- e) Legal persons providing legal guarantee services to the customers of Association Members where these services are related to the business activities of the Association Members.

### **Members' rights and obligations**

#### **Article 4**

(1) A condition for membership is the acceptance of the Association's Rules and Code of Ethics.

(2) Ordinary Members of the Association have equal rights and are entitled to:

- a) participate in the Association's activities,
- b) attend the Association's General Meeting with consultation and voting rights, and ask questions to the officials elected at the General Meeting,
- c) attend the Association's events – aside from the meetings of the Board, the Supervisory Committee and the Ethics Committee – and make proposals for the agenda and subjects of these, and participate in the adoption of resolutions,
- d) express an opinion and make comments and proposals in relation to the operations of the Association and its bodies,
- e) initiate common reviews and the representation of specific technical issues,
- f) initiate ethics procedures,
- g) nominate members for the Association's Board, Supervisory Board, Ethical Committee and participate in the election of elected officials as well as in the activities of working committees, working groups and forums, etc. where the work of these concern it, and to send its delegate to these and to use the service provided by all of these,
- h) for their chief executives to be nominated and elected to the Association's Board and Supervisory Board,
- i) for their employees to be fit to be nominated and elected into the Association's Supervisory Board,

j) request information on the Association's activities; upon such request, the Association shall provide information within 30 days.

(3) Ordinary Members shall:

- a) promote the Association's successful operation,
- b) in their dealings with the Association, act in accordance with the Association's Rules, internal regulations and resolutions,
- c) attempt to settle disputes related to general banking conduct, especially in material disputes affecting customer confidence and fair competitor's conduct, through direct negotiations, before pursuing any other procedure, especially any court procedure, and if such attempts fail, take recourse to the Association's Board for reconciliation,
- d) keep the business, bank, payment and securities secrets that have come to their knowledge,
- e) act in accordance with the binding resolutions of the Association's supreme body (the General Meeting),
- f) pay on time the membership fee, to be determined by the General Meeting annually.

(4) Rights and obligations of the Association's Associate Members:

- a) Associate Members can participate in the events of the Association – except for the meetings of the Board, the Supervisory Board and the Ethics Committee – with the right to consult, and in meetings of working groups and working committees that discuss professional issues closely related to the Associate Member's activities or operations. Associate Members may voice comments and suggestions relevant to the above in connection with the operations of the Association.
- b) Associate Members do not have the right to vote at the General Meeting, cannot propose nominees, and their representative or delegate cannot be elected to any body of the Association.
- c) Associate Members must keep business, banking, payment and security secrets that they know of confidential.
- d) Associate Members must pay the membership fee that is determined by the General Meeting annually and must do so on time.
- e) If there is risk of conflict of interest, Associate Members' right stated in Paragraph a) that Associate Members can participate in the events of the Association with the right to consult, and in meetings of working groups and working committees that discuss professional issues closely related to the Associate Member's activities or operations may be restricted. The Secretary General decides these restrictions.

## **Membership**

### **Article 5**

(1) Joining and quitting the Association is voluntary. Membership is established upon admission to the Association. Admission (with the exception of Paragraph (2)) is granted by the Banking Association's Board, based on the applicant's written statement that it accepts the Association's Rules and Code of Ethics and commits to paying a membership fee. In case of denial of admission, applicants may take recourse to the General Meeting for a revision of the decision.

(2) With regard to the admission of an Associate Member, if, beyond the decision of the Board defined in Section 2 of Article 3 and the payment of the associate membership fee, the scope of activity of the Associate Member may pose any type of risk of conflict of interest or incompatibility with the Association's Ordinary Members, then the agreement of the majority of the members of the working committees and working groups concerned is also needed to admit the Associate Member.

(3) Membership in the Association may also be established by another association merging in the Association. In this case, members of the association merged into the Association shall automatically become members of the Association. The association merging into the Association shall, in its resolution on the merger, include a statement that it accepts the Association's Rules and Code of Ethics and his members commit to paying a membership fee.

(4) Membership in the Association shall cease:

a) if the member terminates its membership;

b) if the member ceases to exist without a legal successor,

c) if a member's ordinary member or associate member status ceases as per Article 3;

d) by exclusion, if the General Meeting establishes that the member's conduct has violated the Rules of the Association, or upon the Ethics Committee's proposal of the termination of membership;

e) if the member fails to pay the membership fee within three months after the fee has become due, despite having been reminded to do so;

f) in the case of a credit institution or financial enterprise registered in Hungary: if the operating license or operating licenses for all financial activities carried out by the credit institution or financial enterprise has been revoked.

g) if the Association ceases to exist;

(4) A member shall notify the Board of its intention to terminate its membership 30 days prior to the date of termination of membership. A member may terminate its membership with effect from half-year-end or year-end. If an authority or court initiates proceedings against a Member which may result in the Member losing its status according to Article 3 – especially but not exclusively the initiation of liquidation proceedings or the suspension of supervisory license – or may lead to the termination of the Member without a legal successor, or the Member initiates such proceedings towards itself, the Member may withdraw from the Association at a different

time than specified above, provided that it coordinates this with the Secretary General beforehand.

(5) The decision determining exclusion in the case of non-payment of membership fee shall be adopted by the Board. The decision on exclusion in other cases shall be adopted by the General Meeting.

(6) The Association's administrative organisation shall keep a register of members.

(7) Any Member or Association body may initiate the exclusion procedure (whether it be due to unpaid membership fee or other reasons) by giving a detailed account of the factors and circumstances it has come to know and by marking and providing the proof it has. If the reason is an unpaid membership fee, the Board shall decide on whether to start the procedure; in any other case, the General Meeting shall make this decision. The member who is subject to the procedure must be informed that the procedure has been started, must be informed about the reasons for it and the proof for these, and must also be given the chance to defend itself and to provide its own proof. The member may hire a legal representative during the procedure. The member must be invited to the Board Meeting or the General Meeting where its exclusion is discussed and must be given the chance to present its defense properly at this meeting.

(8) A member must be informed in writing about the excluding decision of the Board in the case of an unpaid membership fee, and of the excluding decision of the General Meeting. The decision must include as justifications: the reasons for exclusion, relevant facts, and proof for these. The decision must also include clear and explicit information on the legal remedies that may be used, both within the Association and outside of it.

(9) A member that is excluded for not having paid the membership fee may appeal to the General Meeting within fifteen days of having received the excluding decision. At the appeal it must indicate its reasons for wishing to change the excluding decision [whether it is illegal – this includes the breach of the Rules of the Hungarian Banking Association – or unfounded] and must indicate its proof for these. The Secretary General must call a General Meeting within thirty days of having received the appeal to discuss the appeal. The General Meeting shall first decide on whether the appeal is worthy of meaningful discussion and if it decides that the appeal is worthy of discussion, it shall discuss the appeal. The member shall be allowed to defend itself and shall be ensured participation in the General Meeting by revoking its voting rights for the decision on its exclusion.

(10)Based on Sections 3:36 and 3:37 of the Civil Code, a member may bring an action to a court with jurisdiction to annul within thirty days of having been notified or potentially having been notified of the decision of the General Meeting to: approve the decision of the Board to deny an appeal to its decision; to approve the Board's decisions to exclude it; or to exclude it under the power of the General Meeting. The excluded member cannot initiate a lawsuit after the one-year limitation period has passed: the one year is counted from the time that the decision was made.

(11) If the excluded member wishes to rejoin the Association it must hand in a written request to do so.

## **The Association's organisational structure**

### **Article 6**

(1) The permanent bodies of the Association are: the General Meeting, the Board, the Supervisory Board and the Ethics Committee as well as the administrative body of the Association

(2) Members, based on one or more criteria, may initiate the setting up of ad hoc or standing working committees and working groups and delegate representatives thereto. Secretarial and administrative tasks related to the operation of the Association's corporate bodies, working committees and working groups are carried out by the Association's administrative body. Communication between the Association and its members shall primarily be conducted by e-mail, and electronic messages shall be considered as equivalent to hard copy mail. Other rules governing the Association's internal operation are provided for in the Association's Bylaws.

(3) The Association may create a working committee or working group with powers different from those stated in the general rules (e.g. Mortgage Institutions Working Committee, Building Society Working Committee) for representing the interests of specialised credit institutions established under the same legislation, if the interests of these pertain to their relevant qualities. In such cases the Association may undertake to participate in the relevant international professional advocacy organisation or to continue it.

(4) The Association may, subject to approval by the Board, provide infrastructure for other professional associations of the financial industry under cooperation agreements based on mutual benefits. The cooperation agreement may extend to allowing the cooperating organisations to refer to the cooperation in their external communication.

(5) The Association is committed to promoting fair competition. Accordingly, none of its forums shall be used for entering into prohibited agreements or negotiating such agreements. In the course of cooperation, members shall be mindful of the relevant laws and regulations and shall refrain from any conduct that may restrict or distort competition between financial service providers.

(6) The Association's working language is Hungarian. However, at meetings of the Association's corporate bodies attended by the chief executives of members who do not speak Hungarian, interpreting shall be provided in English, and the Association's documents for such meetings shall be drafted in both Hungarian and English. The Foreign Bankers' Club's working language is English.

(7) The Association shall *generally* be represented by the President or Secretary General independently.



## **The General Meeting**

### **Article 7**

(1) The Association's supreme body is the General Meeting, made up of the members' representatives. Members are represented in the General Meeting by their appointed chief executives. Members of the Association's Board shall attend the General Meeting in that capacity and as chief executives of their banks. Occasionally, his duly authorised representative, under a written proxy, may substitute the chief executive at the General Meeting. Each member (with the exception of associate members) has one vote at the General Meeting. The General Meeting may be held in-person, where members are present at the location of the General Meeting, as well as electronically, where members participate with the help of electronic communication devices.

(2) The General Meeting must be called at least once a year. The General Meeting shall be convened by the Board via the Secretary General, who will ensure that members receive written notification of the nature (electronic or in-person), location, time and planned agenda of the meeting at least 15 calendar days prior to the meeting.

(3) The agenda items of the General Meeting shall be recorded in enough detail in the invitation and its annexes that members with the right to vote are able to form positions based on them. In case the General Meeting does not have quorum, the invitation shall include the date and venue for a reconvened General Meeting. The date of the reconvened Meeting shall fall between not less than three days and not more than fifteen days after the date of the original Meeting. The invitation to the General Meeting shall state that the reconvened General Meeting shall have a quorum for the issues of the original agenda irrespective of the voting rights represented by those present.

(4) If the General Meeting was unduly called – and is not in compliance with the HBA Rules or the legal provisions that apply – the General Meeting may only be held if all ordinary members are present and all unanimously agree to open the General Meeting. The general meeting shall be able to pass resolutions on duly notified points that are included in the agenda, except in cases where all ordinary members are present and they unanimously agree to discuss a matter that is not included in the agenda. If an emergency arises that affects members and does not allow any delay, the General Meeting may be called at shorter notice as well.

(5) The written notice related to the sending of the Invitation gains legal effect when the addressee verifiably receives it. Electronic (e.g. email) delivery or notice gains legal effect when the addressee verifiably receives it: the sender receives an automatic reply from the addressee or the addressee sends an explicit confirmation of having received it. Registered post with acknowledgement of receipt shall be considered received upon the first day of attempted delivery if the addressee refuses to accept it. If delivery was unsuccessful because the addressee did not accept the document (it was returned to the sender and indicated as “unclaimed”) it shall be considered delivered – until proven otherwise – on the fifth work day following its second attempted delivery.

(6) Ordinary members and the bodies of the Association may ask the Board to add to the agenda if they provide justification for this request within 8 (eight) days of having received the invitation to the General Meeting. The Board has the power to decide on whether to add to the agenda or not. If the Board has not decided to make additions to the agenda, or refused a request therefor, the General Meeting shall decide before adopting a resolution on the agenda whether or not to make any additions to the agenda.

(7) The General Meeting must also immediately be called by the Secretary General, if

- a) so requested by at least 20 per cent of the membership, in writing, stating the agenda,
- b) if the Board's membership drops below 4,
- c) if the Supervisory Board's membership drops below 3; or
- d) if a court orders the calling of a General Meeting.
- e) the association's assets are insufficient to cover its outstanding debts;
- f) it is presumed that the association will not be able to meet its liabilities when due; or
- g) achieving the association's goals no longer appears feasible.

### **Article 8**

The General Meeting has the exclusive competence:

- a) to establish the Rules of the Association and to amend them;
- b) to elect or dismiss and set the remuneration of the Association's President and Vice-President, as well as the Chairman, Deputy Chairman and members of the Supervisory Board, and the Chair of the Ethics Committee;
- c) to adopt the Association's Membership Fee Rules and to amend them;
- d) to determine the annual budget of the Association and to approve the closing account;
- e) to determine the annual membership fees;
- f) to adopt the Association's annual report and annual working programme;
- g) to take other decisions binding to members of the Association;
- h) to exclude members from the Association with the exceptions stated within the Rules;
- i) to declare the merger of the Association with another association, the Association's merger into another association, or the merger of another association into the Association;
- j) to amend the objective of the association, to declare the dissolution of the Association; in the case of dissolution, to decide on the final accounting procedure, or to initiate a decision on a bankruptcy or liquidation procedure against the Association;
- k) to decide on the establishment of companies, advocacy groups, and non-governmental organizations;

l) to determine the attitude to be taken by the Board in respect of issues discussed by the General Meeting;

m) to adopt and amend the Code of Ethics;

n) to adjudicate appeals against the rejection of an application for membership or against a decision on exclusion due to non-payment of membership fee.

o) to act in all those matters referred to it by statute or by these Rules or which it takes into its exclusive competence.

(2) The General Meeting elects the officers for the positions set in Paragraph b) of Section 1 for a three-year cycle.

### **Article 9**

(1) The General Meeting will have a quorum if two thirds of the members are present. The first task of the General Meeting, after it convenes, shall be to establish its quorum, i.e. the number of participants with voting rights that are present in respect to the current number of members. The presence of a quorum shall be ascertained before each resolution.

(2) A list of members and their representatives attending the meeting shall be recorded, as shall their names and the addresses of their registered offices. The written proxies for non-chief executive attendees shall be attached to the list of attendees. The list of attendees shall be authenticated by the Chair of the General Meeting and the recorder of the minutes.

(3) A General Meeting postponed due to lack of a quorum and reconvened with the same agenda shall have a quorum irrespective of the number of members present. In case of postponement there should be a time lapse of at least 8 days between the original date and the new date.

(4) The Chair of the General Meeting is the Secretary General.. If for some reason the Secretary General cannot fulfil his duty as Chair, the General Meeting shall elect a Chair. Prior to discussing agenda items, the General Meeting shall elect with a simple majority and with open vote a Chair of the Meeting if the Secretary General cannot fulfil this duty; and, if needed, a keeper of minutes and certifiers of minutes (2 certifiers) as well as a 3-5 person Vote Count Committee from members or Association staff. When an agenda item affecting the Chair in person is discussed, excluding the voting process to elect him or herself for this position, the Chair shall transfer the chairmanship to someone else.

(5) Members of the Association may also pass decisions in matters that fall within the General Meeting's scope of authority without holding a General Meeting, by passing a ruling in writing. In such cases the quorum threshold is the full number of regular members. For adopting resolutions out of session, the Board shall initiate such process by sending the draft of the resolution through the help of the Secretary General to the members. Members shall be given at least eight days from the time of receipt of the draft to send their vote to the Secretary General. For adopting resolutions out of session the provisions of the Civil Code shall be applied, with the exception that quorum shall be established at the full number of ordinary members.

(6) Where so requested by an ordinary member, the Board shall convene the General Meeting through the Secretary General. The Secretary General shall determine the outcome of the voting based on Article 10 Section 4 of the HBA Rules within three days following the last day of the time limit prescribed for voting, or, if the votes of all members are received previously, within three days from the day when the last vote is received, and shall convey the results in writing to the members within an additional three days. The date of the resolution shall be the last day of the voting deadline, or if the votes of all members are received previously, the day when the last vote is received.

(7) The General Meeting may be held via electronic communication devices, solutions or methods if all of these ensure that members of the General Meeting can be authenticated, that sound and, optionally, video are relayed in real time, that the unlimited real-time communication of members can happen, and that the voting process can be carried out. Upon request, electronic communication devices must be provided at the location of the General Meeting to members who have no means of participating in the meeting via electronic communication devices for lack of the necessary technical conditions.

(8) If the General Meeting is held via electronic communication devices, as specified in Section 6, a notary may be hired. If a notary participates in the General Meeting, it will be the notary whom: authenticates participating member representatives and the participants appointed by the chief executives of members; notarizes and verifies, if needed, the attendance sheet and the minutes of the meeting (if the minutes of the meeting are verified, then the notary does this in addition to the Chair and the minute-keeper); and carries out the tasks of the vote count committee (both in the case of open votes and secret ballots). In this case, the notary participates in the entire General Meeting and does so at the location of the General Meeting, along with the Chair.

(9) If the General Meeting is held via electronic communication devices, the device, solution and method for the meeting and its technical description – this includes how open votes and secret ballots will be conducted – must be indicated in the invitation to the General Meeting. The invitation shall also state that this method cannot be used to the disadvantage of any of the members and upon request, electronic communication devices shall be provided at the location of the General Meeting to members who have no means of participating in the meeting via electronic communication devices for lack of the necessary technical conditions. If a notary participates in such a General Meeting, any possible additional requirements on the part of the notary for holding the General Meeting (e.g. relevant to the voting procedure) shall also be stated in the invitation.

## **Article 10**

(1) Except for the issues specified in Paragraph (2), the General Meeting shall decide on issues with the majority of the votes established by quorum, with a 50% + one vote majority . All members of the General Meeting –except for associate members – possess one vote each. In

case of a tie vote, a new vote shall be held once. In case of another tie, voting on the issue must be postponed.

(2) A qualified majority (75 % + one vote) shall be required for decisions on issues specified in points a), g), h) and point i) of Article 8. In the case of points g) and h) of Article 8, the member affected may not exercise its voting rights. In issues specified in point i) and j) of Article 8, the affirmative vote of more than 75% of the membership shall be required.

(3) Except for the personal issues specified in points b) and n) of Article 8 (which shall be subject to a secret vote), resolutions shall be adopted by an open vote. Any member may initiate a secret vote on any other issue, if one-third of the members present support the proposal.

(4) Votes shall be counted by a 3-5-strong Scrutineers' Committee elected by the General Meeting from members and the Association's employees. The Chair of the meeting shall verbally announce the results of the decision process and send it within 15 (fifteen) days in written form and in a verifiable manner to the members concerned. The outcome of the written voting discussed under Section 5 of Article 9 shall be established by the Secretary General and two members of the work organisation appointed by him. If the General Meeting is held electronically, the members of the vote count committee shall be elected from the Association's staff members or, if a notary participates in the meeting, this task shall be carried out by the notary.

(5) If the General Meeting is held via electronic communication devices, the details of how open votes or secret ballots shall be carried out with these electronic devices, taking into account their specificities, must be indicated in the invitation to the General Meeting – this includes taking into consideration the possible participation of a notary. The vote results shall be presented by the Chair of the meeting, unless a notary participates in the meeting, in which case the results shall be presented by the notary.

## **Article 11**

(1) At the time the Board and the Supervisory Board and the Chair of the Ethics Committee are elected, the Board shall submit a proposal for setting up a Nomination Committee of at least three and a maximum of five members from members' chief executives. Members of the Association shall decide in writing on the composition of the Nomination Committee. Prior to the General Meeting, the Nomination Committee shall collect members' recommendations for nominations, also in view of the relevant 'conflict of interest' and other regulations. Once the personal nominations have been counted, the Nomination Committee's chairman or a spokesman appointed by him/her at the General Meeting shall present formal proposals to the General Meeting in respect of the names featuring on the voting sheet, either in the sequence of the number of nomination votes received, or by quoting the number of members supporting each nomination. The Nomination Committee may not propose its own member for the function for which he/she had been collecting personal nominations for.

(2) Each nominee should receive more than half of the valid votes to be elected. Should none of the nominees receive more than half of the valid votes, a second vote shall be held between the two nominees that have received the most votes. If the vote is aimed at filling several positions (election of more than one Board or Supervisory Board member), and another vote becomes necessary, the nominees to participate in the second vote shall be those receiving the most votes in the first vote and their number shall be one more than the number of positions to be filled. The nominee(s) receiving the greatest number of votes and not less than 50 percent of the votes plus one vote in the second vote shall be elected.

## **Article 12**

(1) The General Meeting shall be minuted. The minutes shall contain:

- a) the name and registered office of the association;
- b) the place and time of the General Meeting;
- c) the names of the chairman of the General Meeting, the keeper of the minutes and the person (or persons) appointed to witness the minutes;
- d) key events and proposals made during the General Meeting;
- e) draft resolutions, the number of votes cast for and against draft resolutions, and the number of abstentions from the vote.

The minutes shall be signed by the Chairperson conducting the General Meeting and the recorder and two persons elected at the beginning of the meeting and sent to members within 15 (fifteen) days. Resolutions of the General Meetings shall be registered by the Association's operative body.

(2) Representatives from government agencies, economic and social organisations, representatives from professional associations of the financial markets, representatives from international organisations, and individual experts may be invited to the General Meeting with the right of consultation.

## **The Board**

### **Article 13**

(1) The Board is the executive body of the Association, which consists of 7 members. The Board shall consist of the following members: President, Vice President and five additional members. One of the five members shall be elected from the CEOs of small and medium-sized banks, who will act as the representative of this banking segment on the Board as well. For the purpose of this provision, a small or medium-sized bank shall be any bank classified in one of the three lowest membership fee categories according to the membership fee rules in force in the year of the election of the Board. Requirements for Members of the Board and grounds for exclusion:

- a) A Member of the Board must be of legal age and must have full legal capacity in the scope required for discharging his functions.
- b) A Member of the Board shall perform management functions in person.
- c) Any person who has been sentenced to imprisonment by final verdict for the commission of a crime may not be a Member of the Board until exonerated from the detrimental consequences of having a criminal record.
- d) A person may not be a Member of the Board if he has been prohibited under law from practicing that profession. Any person who has been prohibited by final court order from practicing a profession that is part of the scope of activities of a member of the Association may not serve as an Board Member of the Association while this verdict is in effect.
- e) Any person who has been prohibited from holding an executive office may not serve as a Member of the Board within the time limit specified in the prohibition order

(2) The members of the Board shall be elected for a three-year term or at maximum until the end of the given cycle from the chief executive officers of the members of the Association, also in view of the stipulations of Section (3). In the event of several vacancies on the board, the positions shall be filled in accordance with the provisions of Articles 8 to 11 in the following order: President, Vice-President, Representative of Small and Medium-Sized Banks, Board Member. Members of the Board will be made up of the Association's senior executives.

(3) For a given term, the President and the Vice President may not be the Chief Executives of banks, which, under Section (1), Article 8:2 of the Civil Code, have controlling interest in one another (hereinafter: controlling interest), or where the same person has controlling interest in both member institutions. A maximum of 2 members may be elected to the Board from members who are the chief executives of member banks where the same person has controlling interest, or which have such a relationship between them.

(4) The Board shall be represented by the President, or in his absence, by the Vice-President. In certain matters, the Board may appoint the Vice President or one or more Board Members to represent the Board.

(5) If the President's assignment is terminated for any of the reasons set out in Section (10) or if the number of members in the 7-strong Board drops to 4 the Secretary General must call a General Meeting immediately.

(6) The Board shall meet whenever necessary, but at least once a year. The Secretary General shall attend the General Meeting with the right of consultation. Board meetings shall be convened by the Secretary General in writing, in the name of the President (or, in his absence, the Vice-President). Any member of the Board may initiate the convening of a Board Meeting. The invitation to the Board Meeting and the written draft agenda of the meeting shall be sent to the Board members at least three days prior to the meeting. In extraordinary cases, where members are affected and the issue cannot be postponed the Board may be convened under a shorter notice.

(7) The Board shall:

- a) convene the General Meeting,
- b) ensure the continuous operation of the Association in accordance with its founding objectives, in particular, elect the Secretary General and terminate the employment of the Secretary General,
- c) carry out the General Meeting's resolutions,
- d) make a decision concerning the acceptance of a new member, associate member,
- e) decide on joining international organisations,
- f) develop the Association's partnership policy to ensure the implementation of the Association's goals, in particular, the goal of becoming an integrative organisation of the financial sector by representing the widest possible range of players in the sector,
- g) compile and submit to the General Meeting the Association's annual budget and closing accounts, the Association's annual report and annual working programme,
- h) determine the exclusion of a member from the Association in the case of non-payment of membership fee,
- i) decide on issues not falling under the exclusive competence of the General Meeting.

(8) The Board will have a quorum if at least four members who are not limited in their voting rights are present. The Board shall adopt its decisions by open vote, with a simple majority.

In the process of adopting a resolution the following persons may not vote:

- a) any person for whom the resolution contains an exemption from any obligation or responsibility, or for whom any advantage is to be provided by the Association;
- b) any person with whom an agreement is to be concluded according to the resolution;
- c) any person against whom legal proceedings are to be initiated according to the resolution;
- d) any person whose family member has a vested interest in the decision, who is not a member or founder of the Association;
- e) any person who maintains any relation on the basis of majority control with an organization that has a vested interest in the decision; or
- f) any person who declares an unresolvable conflict of interest (e.g. personal or position-based) in the voting process in compliance with the provisions of the Civil Code.

(9) Depending on the agenda, members of the Supervisory Board, the Chair of the Ethics Committee additional representatives of member institutions, Banking Association staff



members, experts, and representatives from government agencies, social and business organisations and international organisations, etc. may be invited to individual Board Meetings.

(10) The Board may make decisions between meetings by remote voting. Remote voting may be conducted in the form of an electronic message (e.g. email) via electronic contact with the contact information sent to the Secretary General of the Association beforehand. Decisions adopted by remote voting shall be presented by the Secretary General in writing sent to Board Members in a verifiable manner within 8 (eight) days, as well as verbally at the next Board Meeting.

(11) Board membership shall cease upon

- a) end of term,
- b) resignation,
- c) recall,
- d) the member deceasing,
- e) the Board members' assignment as the chief executive of the credit institution is terminated.
- f) Board Member's legal capacity becoming limited in the scope required for discharging his functions;
- g) the occurrence of any grounds for exclusion or any reason giving cause to conflict of interest.

(12) The General Meeting may recall a Board Member if the Board member:

- a) has in the course of performing his duty acted in a manner imputable to him,
- b) has failed to perform his duties for reasons within his control,
- c) has become permanently inapt to accomplish the duties of his position.

(13) If a position on the Board becomes vacant due to the early termination of membership (or loss) of a Board member, the vacancy shall be filled at the next General Meeting, for a term to last until expiry of the term of the Board. If the position of President becomes vacant, the Vice-President shall manage the Association with the full powers of a President until a new President is elected.

(14) A Member of the Board may resign at any time by means of notice addressed to the Board or the General Meeting and delivered to the Secretary General.

(15) If so required by any vital interest of the Association, the resignation shall only take effect upon the election of a Member of the Board, or failing this on the sixtieth day after the announcement thereof.

## **The President**

### **Article 14**

(1) The President reports to the General Meeting.

(2) The President's tasks and scope of competence are:

- a) to manage the activities of the Board,
- b) to decide on and take action between Board Meetings in urgent issues falling under the scope of competence of the Board. The President shall report to the Board on these decisions at the next Board Meeting.
- c) to manage and control the implementation of resolutions and rulings of the General Meeting and the Board,
- d) to communicate with government agencies, other social and advocacy organisations and international professional organisations.
- e) to chair the Board Meetings,
- f) to represent the Association,
- g) to exercise employer rights in respect of the Secretary General, except for his election and termination of his employment contract,
- h) to perform all those duties that are referred to the President's scope of competence by statute.

(3) The President may decide to discuss certain issues falling within the Board's scope of authority in a wider circle, due to their importance, involving not only members of the Board but also the chief executives market leading member institutions most affected by the matter in hand.

## **The Vice-President**

### **Article 15**

The Vice-President shall substitute the President or if he cannot attend for any reason. In the course of substituting the President, or in the lack of a president, until the election of the new President, the Vice-President shall represent the Association and exercise its rights with the full powers of a President.

## **The Secretary General**

### **Article 16**

(1) The Association's administrative body (operative organisation) is headed by the Secretary General. The Secretary General shall be elected by the Board and employed by the

Association full time. The Association's President shall conclude an employment contract with the Secretary General for an indefinite period of time.

(2) The Secretary General's duty is to take the actions necessary for the continuous operation of the Association in accordance with the decisions of the General Meeting and the Board. To this end, he shall:

- a) arrange for registering the Association and reporting any changes in its data,
- b) manage the Association's operative organisation, in line with the Association's Bylaws
- c) exercise employer's rights over the operative organisation's staff,
- d) responsibly manage the Association's assets,
- e) in considering the proposals of members, initiate with the Board the defining of timely tasks and the setting up of specialist groups from the professional staff of member institutions, aimed at developing common positions on issues related to the Association's objectives,
- f) organise communications between the Association and its member institutions and the professional advocacy organisations of the money and capital market and other professional advocacy organisations,
- g) organise communications between the Association and the organisations controlling economic policy, fiscal, monetary and supervisory policies, as well as tax, certain security and law enforcement, family, etc. policies and legislators,
- h) organise communications between the Association and the European Banking Federation and other international organisations and the banking associations of other countries,
- i) arrange for preparing the General Meetings in accordance with the decisions of the Board,
- j) arrange the convening of Board Meetings,
- k) represent the Association's interests vis-à-vis third parties,
- l) represent the Association on the Boards of the National Deposit Insurance Fund and the Investor Protection Fund. The Secretary General may appoint an Association staff member with appropriate experience and expertise to carry out this duty,
- m) carry out the decisions of the Board and the General Meeting.

(3) The Secretary General shall keep the bank, securities, payment, business and/or official secrets that have come to his knowledge in the course of performing his duties and ensure that this expectation is also observed by the staff of the operative organisation under his management.

## **The Supervisory Board**

### **Article 17**

(1) The Supervisory Board shall check the compliance of the Association's operation with legal provisions, the Rules and internal regulations.

(2) The Supervisory Board's Chairman, Deputy Chairman and further three members shall be elected by the General for a period of three years or at maximum until the end of the given cycle from the chief executives of member institutions or member institutions' employees qualified as lawyers and/or economists, who take an active part in the Hungarian Banking Association's legal, accounting or taxation working groups and are proposed by such working groups. In this context, they may not be instructed by their employers. The General Meeting shall also elect 2 alternate members to replace members of the Supervisory Board who are no more on the Board.

(3) The Supervisory Board shall be headed by a Chairman elected by the General Meeting. If the Chairman cannot attend, he will be replaced by the Deputy Chairman. If the Board loses its Chairman, the Deputy Chairman shall exercise the Chairman's rights until a new Chairman is selected.

(4) Persons to whom 'conflict of interest' criteria set out in the Civil Code apply may not and cannot be elected as of the Supervisory Board.

(5) No person may or can be elected as Chairman of the Supervisory Board, if they have a legal relationship with a member institution

a) that is headed by the President,

b) in which the member institution headed by the President has controlling interest

c) in which the person who has controlling interest in the member institution headed by the President has controlling interest).

(6) If conflict of interest arises as defined in Sections 4 and 5, the mandates of the Member of the Supervisory Board concerned or the Chair of the Supervisory Board are terminated and the Member of the Supervisory Board or the Chair of the Supervisory Board must indicate this to the Secretary General in written form immediately or within a maximum of 3 (three) days after the conflict of interest arose.

(7) Sections (10) and (11) of Article 13 are to be applied to the termination of Supervisory Board membership. Beyond the cases set out in Sections (10) and (11) of Article 13, the assignment of the Supervisory Board's Chairman shall also terminate, if any of the circumstances set out in Section (5) occur in respect of the Chairman.

(8) A General Meeting must be called within 3 months if the assignment of the Chairman terminates for any of the reasons set out in Section (6), or if the number of members in the Supervisory Board drops to 3. If the Board loses its Chairman, until the election of the new

Chairman, the Deputy Chairman will govern the Supervisory Board, who, in this period will have the same rights at the Chairman.

(9) If the assignment of a Supervisory Board member terminates before the end of the assignment period, the resulting vacancy must be filled by electing a new member at the next General Meeting for the remaining duration of the Supervisory Board's assignment.

(10) The Supervisory Board is obliged to look into the draft proposals to be submitted to the General Meeting, including, in particular, the financial management report and the annual draft budget, and report its views on these at the General Meeting.

(11) The Supervisory Board sets its Rules of Procedure by itself, and the conducting of its meetings is helped by the Association's operative organisation. The Supervisory Board's working language is Hungarian.

### **The Association's Operative organisation**

#### **Article 18**

(1) The Association's corporate bodies, working committees, working groups and its President and Vice-President shall perform their duties set in these Rules with the assistance of the Association's operative organisation.

(2) The Association's operative organisation shall be managed by the Secretary General. The replacement of the absent or missing Secretary General shall take place in line with the Bylaws.

(3) The provisions of the Labour Code shall be governing for the Association's employees.

### **Foreign Bankers' Club**

#### **Article 19**

The Association's Foreign Bankers' Club is a forum for foreign presidents/chairmen and chief executives of Hungarian-based banks. Meetings of the Club are organised by the Association's operative organisation. Representatives from government, social, economic and financial market organisations are invited from time to time to attend the Club's meetings".

### **Ethics Committee**

#### **Article 20**

(1) The Ethics Committee is the forum for all ethical issues and disputes between members.

(2) The Chair of the Ethics Committee shall be elected by the Association's General Meeting for a term of three years or at maximum until the end of the given cycle. Elected to Chair of the Committee may be any person in good standing within the profession who is not employed by, holds no legal relation where they receive remuneration for their work, and is not a senior officer or member of the supervisory board of any of the Association's members.

(2) The operations of the Ethics Committee are governed by the Code of Ethics adopted by the General Meeting.

## **Financial Management of the Association**

### **Article 21**

(1) The Association shall manage its finances within the constraints of the budget approved by the General Meeting and in accordance with relevant legislation. It shall finance its expenditures from membership fees, accumulated assets and other sources, including, in particular, funds won in tenders/application processes or received under sponsorship agreements.

(2) The Board may approve additional allocations up to 15% of the budget for the year, however, not to exceed 20% of the Association's accumulated assets, for unforeseen urgent tasks arising during the year.

(3) To fund activities to be carried out for a part of the membership or for a working committee or working group, the Association may, with the consent of the members so affected, levy an additional membership fee. The Association shall report on the use of such additional membership fee to the affected members.

(4) Annual membership fees shall be determined by the General Meeting adopting the annual budget. Annual membership fees shall be paid in two instalments. The first instalment shall be equal to 50% of the previous year's membership fee and shall be paid by January 15 of the current year. The second instalment shall be equal to the difference between the first instalment and the annual membership fee for the current year and shall be

paid following receipt of the notification on the General Meeting's resolution on membership fees for the current year and no later than June 30 of the current year. The rules for membership fees and the relevant membership fee categories are set out in detail in the Association's Membership Fee Rules.

(5) The Association shall deposit its Annual Financial Report, compiled in accordance with the relevant accounting rules and adopted by the General Meeting, with the relevant court by the last day of the fifth month following the Balance Sheet Date, in accordance with the relevant provisions of the Act on the court registration of civil society organisations and related procedures.

## **Cessation of the Association**

### **Article 22**

(1) The Association shall cease to exist based on the provisions Civil Code in effect, but especially if:

- a) upon mutual agreement of the members;

- b) the authorized body terminates it;
- c) the number of members of the Association remains below ten for six consecutive months

provided in all cases that the Association is cancelled from the registry following completion of the appropriate procedure for the settlement of the Association's financial affairs.

(2) In the event of the association's dissolution without succession, assets remaining after settlement of all debts shall be transferred to a public-benefit organization established for a purpose that is identical or similar to the association's objective laid down in the Rules. The court of registry shall assign the assets to an organization designated by law, if the Rules does not provide for the assets of the dissolved association, or if the public-benefit organization designated in the statutes refuses to accept it, or cannot acquire it. The court of registry shall provide for the distribution of the association's remaining assets in its decision on dissolution, and - if necessary - shall appoint a guardian ad litem for overseeing the transfer of assets. The right of disposition over the assets shall pass to the new beneficiary upon the de-registration of the association.

## **Closing provisions**

### **Article 22**

(1) Matters not regulated in these Rules shall be governed by the relevant provisions of the Civil Code (Ptk.) and the NGO Act.

(2) The rules of electing a Supervisory Board must, for the first time, be applied at the regular General Meeting to be held in 2015.